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**TOURISM
IN FUNCTION OF DEVELOPMENT
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Spa Tourism in Serbia and Experiences of Other Countries



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**UNIVERSITY OF KRAGUJEVAC
FACULTY OF HOTEL MANAGEMENT
AND TOURISM IN VRNJAČKA BANJA**



EFFECTS OF THE GLOBAL ECONOMIC CRISIS ON SERBIAN ECONOMY TOURISM AND ITS OVERCOMING

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Abstract

The global economic crisis has had far-reaching consequences on the economy of all countries around the world, slowing economic growth globally due to the falling demand in the developed economies. The fall in the demand for goods and services has reduced trade exchange at the global level which has had a great impact on the Serbian economy. The main negative effects of the global economic crisis on the Serbian economy, among other things, are a decline in industrial production, decline in exports and a reduction in foreign direct investments. The negative impact of the global economic crisis on the tourism industry of Serbia is evident through indicators such as a significant reduction in the actual number of overnight stays and the total number of tourist arrivals since 2009. The aim of this study is to provide concrete proposals for the revitalization of the tourism industry of Serbia, to overcome the long-term negative economic results dating back to the time before the official emergence of the global economic crisis.

Keywords: *The Global Economic Crisis, The Serbian Economy, The Tourism Industry*

Introduction

The global economic crisis has led to slower economic growth on a global level due to the falling demand in the developed economies. It has undermined, with a different intensity, the economies of all countries regardless of their level of development and economic structure. This crisis is a confirmation of all the failures and shortcomings of economic policy and the entire world economic order.

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The global economic crisis from 2007-08 has caused a stormy reaction from analysts and scientists who have created a vast literature analyzing its causes and giving proposals to its overcoming. The main reason for its creation was a lax monetary policy (Carmassi et al., 2009) that allowed and supported the growth of excessive leverage (Debt to Equity - D/E ratio, ie the ratio of debt to shares) as well as maturity transformation of funds. Recent research (Borio & Lowe, 2002; Adalid & Detken, 2007., Alessi & Detken, 2009.; Gerdesmeier et al., 2009) came to the conclusion that almost all major crises occur as a result of leverage growth accompanied by excessive credit expansion and unusual rise in asset prices.

Minsky (2008) has defined the excessive leverage as an indicator of reduced ability to absorb losses resulting from the given promises that it will achieve certain gains in the nominal value without adequate cover. The rapid growth of aggregate leverage, calculated as the ratio of total debt to GDP, is considered a reliable indicator of the financial crisis (Carmassi et al., 2009). This indicator in the US and in Europe, has certainly been present even before 2007-08. The rate of debt growth was faster than the growth of GDP rate, so the global ratio debt/GDP rose to 266% in 2010 (Brzaković, 2013).

Rose and Spiegel believe that the most direct causes of the economic crisis from the financial aspect is the reduction in value of assets due to realized losses through the placement of capital, as well as the transfer of risk between different geographic markets due to their interconnectedness and interdependence. International intersection of assets has increased significantly for years until the onset of the financial crisis in 2008. This crossing of capital are desirable during the quiet period, because this way risk is being shared between different markets around the world. However, during 2008, exposure to countries and transfer of risk between them through the financial channels has further increased due to the keeping of exotic financial instruments that were particularly exposed to capital loss in the face of recession (Rose & Spiegel, 2010). Sbracia & Zaghini (2003) analyzed the role of the banking system in the transfer of financial risks (see also Bruinshoofd et al., 2010).

The presence of risk cannot be neutralized, but individuals as well as the company may undertake activities that will partially control the amount and time of risk realization and the consequent damages. These activities are referred to as risk management and, if successfully implemented, can

reduce the costs of realized losses (Obadović et al., 2011). Risk management represents the core activity for companies operating in the financial market. Completely avoiding risk may result in relatively poor financial returns, which will set back the insurer's competitive position and thus reduce its sales and financial performance. On the other hand excessive risk-taking may contribute to high short-term gains, but also to future financial losses or even insolvency (Obadović et al., 2011). Whether the companies are passively accepting financial risks or trying to achieve a competitive advantage by exposing themselves to financial risks within reasonable limits, these risks should be carefully appraised due to their potential danger of causing losses. (Obadović et al., 2010).

Acharya & Richardson (2009) believe that the reason why the banks contributed to the crisis of the financial system, lies in the two methods through which they managed to circumvent regulatory capital requirements. First, they managed to temporarily qualify the positions of assets (such as securitized mortgages) as off-balance sheet positions, so that they did not have to hold a significant amount of capital as the guaranty substance. Second, capital requirements allowed banks to reduce the amount of the capital that are kept as a guarantee substance for the remaining assets in their balance sheets only if the assets were in the form of AAA-rated tranches of securitized mortgages. Thus, repackaging of mortgages in the mortgage securities values together, regardless of whether they are held as on or off-balance sheet positions, the bank reduced the amount of capital that they had to keep as collateral against their debt and thus have made the conditions for overlapping loans.

As one of the major consequences of the global financial crisis was the decline in cross-border flows of capital, which includes foreign direct investments, purchases and sales of foreign equity and debt securities and cross-border loans and deposits of about 85%, which had a negative impact on the supply of capital. Particularly, a big drop in the equity markets was notable where the market capitalization which covered 79 countries fell from 65 trillion in 2007 to 34 trillion in 2008, or nearly two times (Brzaković, 2013).

Impact of the global economic crisis on Serbian economy

The impact of the global economic crisis on the Serbian economy can be analyzed across multiple parameters. If we look at a foreign trade, according to data from the Statistical Office of the Republic of Serbia in

the period from 2007 – 2015, it can be observed that the greatest foreign trade was recorded in year 2008, when the last quarter began to feel the impact of the global economic crisis. Years 2009 and 2010 recorded a significant decline in both exports and imports, with a tendency of slight growth and recovery in the coming years until 2014 (see Table 1, Figure 1). The fall in exports in 2009 and 2010 is the result of a large decrease in commodity prices on world markets, which have large share in the structure of our exports. As the main cause of decreased imports is the fall in industrial production and domestic consumption in Serbia. The coverage of imports by exports has increased significantly during the period of recovery after the economic crisis, especially in the last three years, ie. 2013, 2014 and 2015.

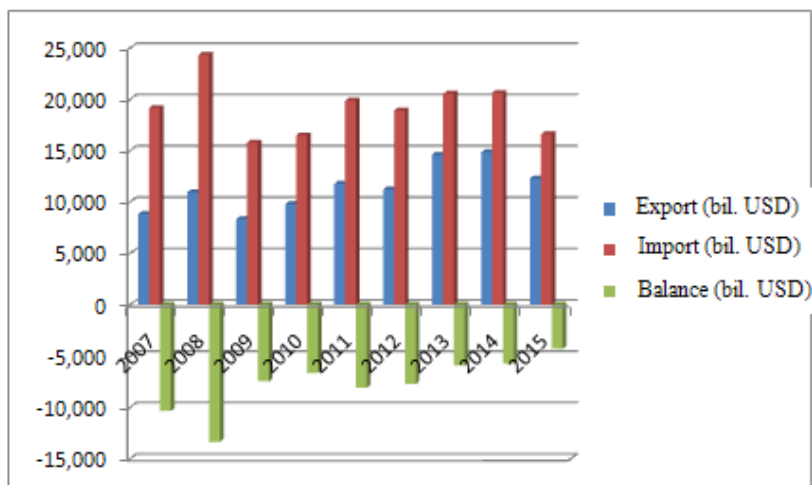
The global economic crisis has had a significant impact on reducing production and investment at the a global level, led to a contraction of GDP in many countries as well as the fall in employment. This has had an impact on the reduction of foreign direct investments in Serbia, which are considered the drivers of economic development of developing countries and countries in transition. According to the research by UNCTAD in 2009 (United Nations Conference on Trade and Development) in 2008, global foreign direct investments inflows declined by 21% to 1.400 billion dollars (see Figure 2).

Table 1: *Export and Import of the Republic of Serbia*

	Export (bil. USD)	Import (bil. USD)	Balance (bil. USD)	Foreign Trade (Export +Import), bil. USD	Coverage of Export by Import (Export/Import) (%)
2007	8,823	19,165	-10,342	27,988	46
2008	10,974	24,332	-13,358	35,306	45,1
2009	8,345	15,808	-7,463	24,153	52,8
2010	9,794	16,471	-6,677	26,265	62
2011	11,780	19,869	-8,082	31,649	59,3
2012	11,229	18,928	-7,699	30,157	59,3
2013	14,612	20,553	-5,941	35,165	71,1
2014	14,849	20,609	-5,760	35,458	72,1
2015	12,309	16,601	-4,292	28,910	74,1

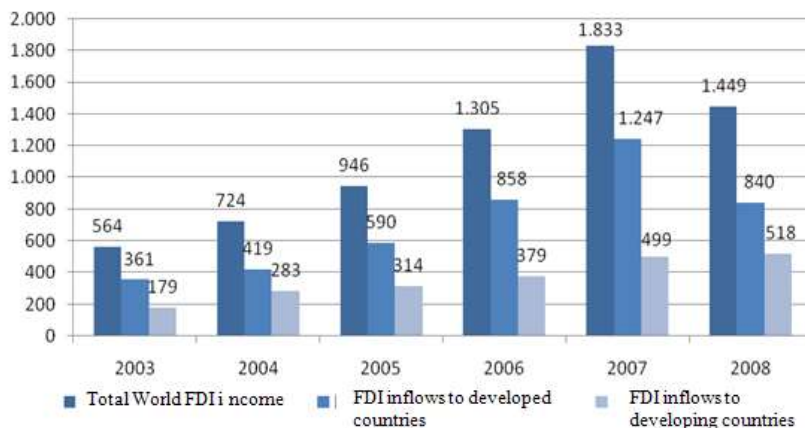
Source: *Statistical Office of the Republic of Serbia*

Figure 1: Foreign Trade exchange of the Republic of Serbia in the years 2007-2015, (bil. USD)



Source: Statistical Office of the Republic of Serbia

Figure 2: The inflow of foreign direct investments in billions of USD



Source: UNCTAD Handbook of Statistics (2009)

According to the National Bank of Serbia, Sector for Economic Analysis and Research (2009), inflow of foreign direct investment has recorded trend of growth in the period from 2000 to mid-2003, when there has been a slowdown in the inflow, until 2005 and 2006, when the growth of foreign direct investment inflows continued. The largest share of total foreign direct investment had income from privatization, while greenfield investments had significantly smaller share. In 2007, a decline in the

inflow of foreign capital has been recorded due to lower revenues from privatization in comparison to 2006. In 2008, despite the global financial crisis, there was a slight increase in the inflow of foreign direct investment compared to 2007. However in the last two quarters of 2008 FDI inflows recorded a slowdown in the third and fourth quarter of 2007 (Statistical Bulletin December NBS, 2008). The decline of FDI inflow in the third and fourth quarter of 2008 was not a direct consequence of the crisis so that they will feel the real effects of the crisis in 2009.

The decrease in world production has led to the fall of employees in all sectors of the economy, so a large number of Serbian citizens employed abroad has left out of work. During 2007 until the end of 2008 the short term reduction in the number of unemployed has been recorded, as of December 2008, the unemployment rate recorded a slight a tendency of growth (see Table 2). Decrease in loans from foreign banks and domestic economy had a negative impact on the Serbian economy, which has become dependent on foreign capital. All this has had a significant impact on reducing the inflow of remittances and foreign exchange in Serbia, reducing overall balance of payments of the country.

Table 2: *Employment and Unemployment in the Republic of Serbia in the period from 2005 to 2009*

	2005.	2006.	2007.	2008.	2008.		2009.
	Ø	Ø	Ø	Ø	XI	XII	I
Total number of employees	2.068.964	2.028.854	2.002.344	1.999.476	1.998.312	1.990.342	1.983.139
Unemployed	888.386	913.293	850.004	755.935	718.256	727.621	736.816
The registered unemployment rate	30	31	29,8	27,4	26,5	26,8	27,1

Source: *Serbian economic diagram, Institute for the Development of the Republic of Serbia (2009)*

According to Kovačević (2010), the global economic crisis has brought Serbia certain benefits through the reduction of the price of a large number of imported products, which led to a decrease in the index of average export, even 21.5% in the first seven months compared to the previous year. The global economic crisis has affected the reduction of careless borrowing of companies from abroad, which has significantly reduced the external debt of Serbia.

The economic crisis in Serbia is only partly a result of the global economic crisis (Kovacevic, 2010). Much greater blame should be

attributed to the social crisis and the wrong model of transition and economic policy measures, for the termination of the global economic crisis did not and will not stop the crisis and problems in Serbia.

Implications of the global economic crisis for tourism

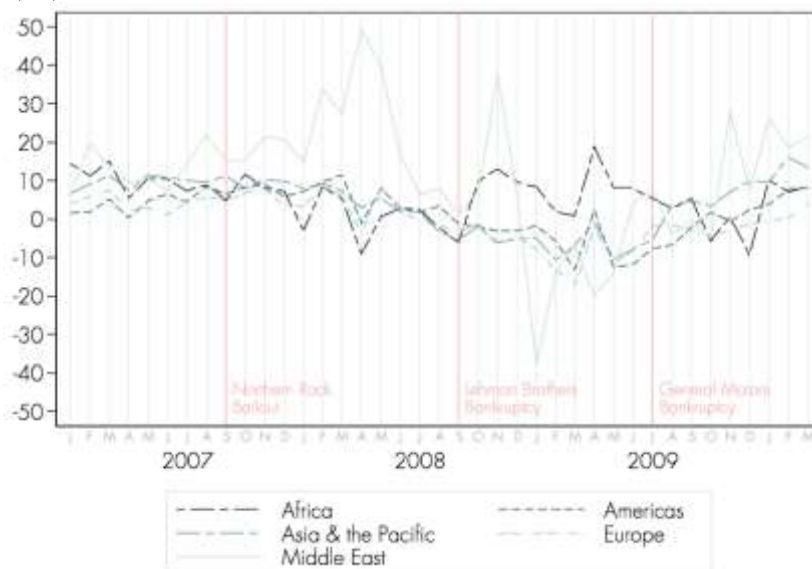
Global tourism has been severely affected by the current financial and economic downturn. According to the United Nations World Tourism Organization (UNWTO) data, international tourism started to decline during the second semester of 2008, becoming one of the latest sectors to feel the effects of the global recession. Moreover, while financial institutions around the world confirm the intensity of the crisis through various indicators, the negative trend in international tourist arrivals intensified during the first semester of 2009 in line with the prevailing financial situation (Papatheodorou et al., 2010).

The 2008–2009 global economic crisis has severely impacted on international tourism, causing a decline of 4% in international tourist arrivals and a decrease of international tourism revenues by 6% in 2009. Since tourism has become a major economic engine at a global level, this deterioration had important impacts on various countries, and in particular in developing countries, where the sector has become an increasingly relevant source of income and employment (WTO, ILO 2013).

Generally, studies examining the impact of downturns on the tourism industry were only partial in their outlook, that is, the crisis studied was of a regional and/or sectoral scope only. In contrast, the current crisis has a global and all-encompassing impact. Added to this are massive changes in consumer behaviour: the explosively growing threat of unemployment, loss of income, uncertainties in assessing the present and future value of assets and the safety of savings, old-age pensions and life insurances will put a long-term damper on consumption and, consequently, on investment (Smeral, 2009).

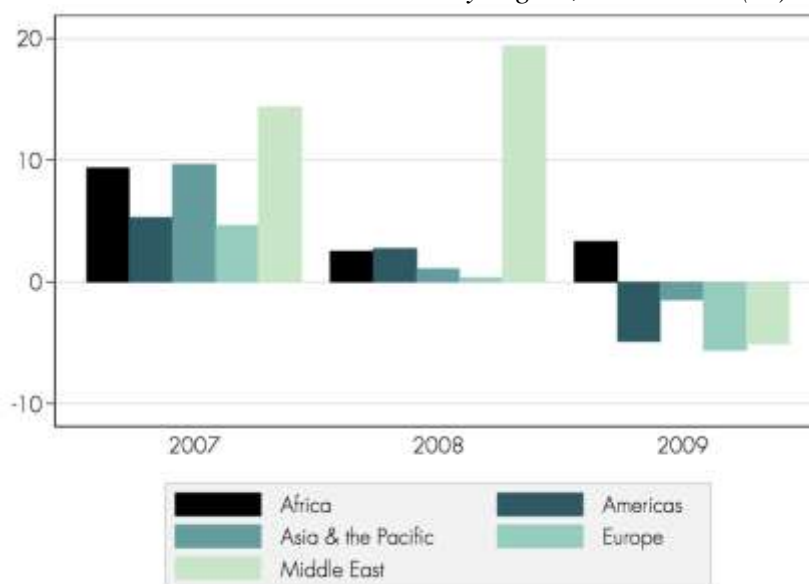
Looking at the regional level in Figure 3, recovery of international tourist arrivals among European countries was on average the most accentuated among World regions. Even though decline rates in the America and Asia and the Pacific were quite similar to those in Europe, recovery in these two regions of the World occurred at a slightly quicker pace, when compared to international arrivals to European countries (WTO, ILO 2013).

Figure 3: *International tourist arrivals by region, January 2007–March 2010 (%)*



Source: *World Tourism Organization and International Labour Organization, 2013*

Figure 4: *International tourist arrivals by region, 2007–2009 (%)*



Source: *World Tourism Organization and International Labour Organization, 2013*

As presented in Figure 4, the data provided by regions support the previous assumption that African countries were least affected by a decline in international tourist arrivals as a result of the global economic crisis. Neither in 2008 nor in 2009 did the annual average growth of international tourist arrivals turn negative among countries in this region. Nonetheless, it is important to note that growth rates turned negative in Asian countries to a significantly lesser degree, when compared to the Americas, Europe and the Middle East (WTO, ILO 2013). According to UNWTO data, tourism accounted for 45% of the exports of services of least developed countries (LDCs) in 2009. In the same year, emerging economies received 410 million international tourist arrivals, a 47% share of the global volume, and US\$ 306 billion in international tourism receipts equalling 36% of the global volume (WTO, ILO 2013).

Ongoing reports by the UNWTO conclude that – caused by the deterioration of the overall economic climate and waning consumer confidence – international travel (arrivals) fell substantially in the second half of 2008 (UNWTO 2008). International tourist arrivals have been declining since the summer of 2008: in the second half of that year, the global rate of international tourist arrivals was lower by 1.% on average than the previous year's figure, while the decline was 2.% for Europe (Smeral, 2009). The EU business survey for the hotel and restaurant sector, based on seasonally adjusted monthly balances of positive and negative responses (turnover development during the past 3 months) in percentage of businesses polled, shows a distinctive deterioration for all of the EU member states in the course of 2008 and in early 2009. The EU business survey for the hotel and restaurant industry, based on seasonally adjusted monthly balances of positive and negative responses (turnover development during the past 3 months) in percentage of businesses polled, clearly reflects the negative assessment by the industry in the course of 2008 and 2009 (Smeral, 2010).

For 2010, two economic scenarios are depicted: one, an optimistic prospect of stagnation in tourism imports, and two, a pessimistic picture of persistent decline by 2%. The tourism sector experienced important declines and changes in travel habits, such as the decrease of long-haul travel in favour of short-distance travel, including intra-regional and domestic travel. In 2010, the tourism sector rebounded faster than expected and fully compensated for the losses caused by the economic crisis at global level, posting a growth rate of international tourist arrivals of 7%. The recovery confirms the sector's resilience in the medium and

long term, and its role as a key driver of growth and much needed employment in a changing economic setting (WTO, ILO 2013). On the other hand, there is evidence that generally speaking, domestic and near-foreign destinations (those within a reasonable travel distance from populous source markets) were suffering considerably less than long-distance destinations since, in economically difficult times, tourists prefer holiday places that are easy to reach by car. Staying closer to their homes reduces the surprise factor because tourists can minimize the risk in terms of product prices and quality. Furthermore, tourists apparently economize on the duration of their stay, scale back their expenditure per night, and tend to sacrifice secondary holidays (mini-breaks, city trips) rather than their main holidays (ETC 2009). Tourists also tend to book at the last moment, partly because they are not confident of their future job situation and partly because they hope to profit from last-minute bargains and cheaper deals (Smeral, 2010).

The importance of domestic tourism as a substitute given the constraints on international and longhaul travel and possible reductions in the money people have for spending and perhaps the time that they have for travel if they are working harder to make ends meet. Although domestic tourism does not have the same positive impact on the balance of payments, it is a strategy worthy of consideration. For many tourism destinations, the domestic tourism industry provides larger visitor numbers than do international markets. Unfortunately, destination managers often see domestic tourism as inferior to the more *glamorous* international market. Although it was acknowledged that some destinations had increased their domestic tourism marketing efforts, such *protectionist* measures have no expansive effects in an international macroeconomic perspective. They can, however, serve to enhance the viability of the home tourism products until the global financial crisis (GFC) ends, providing a basis for future recovery (Sheldon & Dwyer, 2010). In general, there is also evidence that the crisis hit business travel harder than leisure travel. Moreover, overnight stays in both luxury and budget accommodations showed lower rates of decline than the average of all accommodations. The International Air Transport Association (IATA) confirmed the slump in international tourism demand by finding an 8% decline in worldwide passenger traffic from January to May 2009. Hotel performance data from January to April 2009 show a similar drop in tourism demand (UNWTO 2009): overall occupancy was down in all world regions. Revenue per available room (RevPAR) fell by double digit rates, especially in Asia and the Pacific (-30.3%) and in Europe (-32.7%).

Impact of the global economic crisis on tourism in Serbia

As for Serbia, which in 2009 were found among the countries that have not recorded a decline in the number of arrivals of foreign visitors (largely thanks to the maintenance of the Universiade), is facing the challenge of declining domestic demand. Namely, in the first half of this year saw a decline of 7% in the total number of arrivals, with what is far more pronounced decline in domestic tourist traffic (-10%), while the number of foreign tourist arrivals fell by 1% (Unković & Sekulović, 2010).

Table 3: *Tourists arrivals and overnight stays - annual data*

	Total	Domestic	Foreign	Total/ index	Domestic/ index	Foreign/ index
2005	6499352	5295051	1204301	100	100	100
2006	6592622	5391913	1200709	101,4	101,8	99,7
2007	7328692	5853017	1475675	112,8	110,5	122,5
2008	7334106	5935219	1398887	112,8	112,1	116,2
2009	6761715	5292613	1469102	104	100	122
2010	6413515	4961359	1452156	98,7	93,7	120,6
2011	6644738	5001684	1643054	102,2	94,5	136,4
2012	6484702	4688485	1796217	99,8	88,5	149,2
2013	6567460	4579067	1988393	101	86,5	165,1
2014	6086275	3925221	2161054	93,6	74,1	179,4
2015	6651852	4242172	2409680	109,3	108,1	111,5

Source: *Statistical Office of the Republic of Serbia*

As shown in the table no. 3 according to the Republic Bureau of Statistics, in 2009 in the Republic of Serbia realized a total of 6,761,715 overnight stays of tourists (8.8% less than in the same period in 2008), of which 5,292,613 were domestic, accounting for 80 % of the total number of guests, and foreign 1,469,102, or 20% of the total number of guests. Given that has not reached the number of tourists who had been in the years before the global economic crisis, we can conclude that its long-term negative effects.

Measures to overcome a crisis in tourism

Tourism marketing strategies to fend off the impact of the global financial and economic crisis are difficult to develop, especially since the demand level is determined largely by macroeconomic factors (income, price,

exchange rate development, economic policies) and business expectations (which in turn are driven by the current market development and economic policy trends). Nevertheless, it is possible to draw up some rough guidelines (Smeral, 2009):

1. Cutting down on marketing expenditure is counterproductive and will only enhance the crisis.
2. In economically difficult times, potential guests tend to prefer national and foreign destinations that are nearer to their home. With consumers taking a more critical look at the price–performance ratio, it is useful to clearly demonstrate the individual benefit of a product.
3. Although price pressure is about to increase, major discounts should be avoided because this makes it even more difficult to restore the original price level once the recovery has set in.
4. Innovations and new product interpretations always help gain new customers.
5. Phases of very low demand are a good opportunity to carry out internal structural reforms and apply new concepts. Resistance to technological and organisational innovations is easier to overcome.
6. Strengthening staff motivation improves an operation's service quality and increases customer satisfaction, which is a major measure to improve its competitive position.
7. Identifying potential cost savings provides some leeway for demand-creating measures and necessary investments.

While econometric models try to extrapolate future tourism behavior according to patterns exhibited in the past, it could be argued that in a changing world, the usefulness of traditional forecasting models is rather limited. The periods of crises are often characterized by changes in the consumer patterns that are translated into new business paradigms aiming to satisfy new and emerging demands. Thus, in addition to the short-term implications of the current crisis for tourism (discussed in the previous sections of this article), it is important to highlight some long-term repercussions (Papatheodorou et al., 2010).

An initial assessment of the policy response measures implemented by countries worldwide to mitigate the effect of the crisis was made available in September 2009. This initial assessment includes information on around 70 countries. The information has been collected through a questionnaire sent by UNWTO to its Member States, as well as through online sources.

The measures were grouped and coded into eight categories:

1. Fiscal measures
2. Monetary measures
3. Human resources measures/employment measures
4. Marketing and promotion measures
5. Travel facilitation
6. Public/private partnerships (PPPs)
7. Regional cooperation
8. Environmental measures

In March 2009, UNWTO announced a Roadmap for Recovery, which includes 15 recommendations based on three interlocking action areas: resilience, stimulus and green economy (WTO, ILO 2013).

Roadmap for Recovery:

I Resilience

1. Focus on job retention and sector support
2. Understand the market and respond rapidly
3. Boost partnerships and ‘competition’
4. Advance innovation and technology
5. Strengthen regional and interregional support

II Stimulus

1. Create new jobs – particularly in small and medium enterprises (SMEs)
2. Mainstream tourism in stimulus and infrastructure programmes
3. Review tax and visa barriers vis-a-vis growth
4. Improve tourism promotion and capitalise on major events
5. Include tourism in aid for trade and development support

III Green Economy

1. Develop green jobs and skills training
2. Respond effectively to climate change
3. Profile tourism in all green economy strategies
4. Encourage green tourism infrastructure investment
5. Promote a green tourism culture in suppliers, consumers and communities

Measures and recommendations for overcoming the consequences of the global economic crisis on tourism in serbia

When it comes to measures that are in Serbia undertaken in order to combat the negative impact of the global economic crisis on tourism, the

Government of Serbia, at the proposal of the Ministry of Economy and Regional Development, Sector for Tourism, the decree on subsidized consumer loans classified and tourist travel. These loans were approved for travel to Serbia in order to support the development of domestic tourism. Loans were granted at an interest rate of 7.5% per annum and a maturity of three years. In 2010, the budget allocated for tourism amounted to over 4.3 billion, which is twice more funds than was allocated in the previous year (Unković & Sekulović, 2010). In the ordinary course of enterprise financing to encourage the quality of catering services in 2010 announced a competition for resources and for this purpose has been allocated 400 million dinars. That same year, the Government of Serbia formed the National Tourism Development Corporation with the primary mission to support and implement the strategy of tourism development in Serbia. In order to promote Serbia as a tourist destination, the representatives of TOS were visited by partners and presented the potentials of Serbia. Visa liberalization has led to the emergence of several low-cost airlines, which have significantly reduced the cost of the arrival of foreign tourists in our country air transport (Unković & Sekulović, 2010).

To be successful in overcoming the negative effects of the global economic crisis, it is necessary to completely adapt our operations to the new market requirements, namely:

- Improving information system in tourism, in terms of knowledge required demand and competitiveness strategy and promoting a new product which needs to make itself known.
- Improving knowledge (know-how) through improved technology, education and training in tourism, innovation, establishing quality of service, which would be an adaptation of the product in accordance with the expectations of tourists.

Governments in many countries endorse the use of partnership arrangements in planning for tourism development. Because of the insufficiency of knowledge and practice, it is considered that Serbia should re-examine its needs and development goals, take a critical look at world experiences, in line with the definition of comprehensive legal and business framework as well as identification of criteria for implementing various PPP forms (Leković, 2013). As highlighted in the Strategy for Development of Tourism of the Republic of Serbia, Serbia offers possibilities for the development and commercialization of several tourist

products that can be divided into short-term success (*quick win*) and long-term success (*long run*).

Table 4: *Short-term success and long-term success*

Short term products:	Long-term products:
- City break;	- Medical Tourism (Spa & Wellness);
- Cruises (Touring);	- Mountain and Lake Holidays;
- Business tourism + MICE;	- Nautics;
- Events;	- Rural tourism.
- Special interests	

Source: *Strategy for Development of Tourism of the Republic of Serbia*

The importance of these products for the Republic of Serbia as a tourist destination largely stems from the fact that they are on a world scale characterized by a large and steady volume of demand, dynamic rate of growth in demand and large the average consumption per day. In this sense, the interest of the Republic of Serbia to the market of any of these products would be largely positive impact on today's number and structure of arrivals and overnight stays, as well as realized foreign tourist spending in the country.

The advantages of our country, which also can be used are the following number of parameters:

- Vicinity of Serbia emissive tourist markets, especially EU Member States;
- Low prices for visitors from abroad;
- Diversity solid preserved natural and civilization heritage;
- The ability to create favourable tourist arrangements for different categories of tourists (youth, seniors, families, business people, adventurers, etc.).
- Potentials of Belgrade as an attractive cultural and historical destination, the regional center of business people, but also the world's capital of fun.

Conclusion

The tourism industry has experienced many financial crises over the years, yet there remain large knowledge gaps about the financial behavior and strategies of firms under financial stress. The implications for new product development, investment, marketing, and staffing are not well

understood. Likewise, the strategic options to help firms remain viable during economic downturns are not well researched (Sheldon & Dwyer, 2010).

In terms of destination choice, tourists in the years to come will be more likely to travel closer to home. Domestic tourism is expected to boom as a repercussion of global economic recession, and segments such as visiting friends and relatives, repeat visitors, special-interest, and independent travellers are expected to be more resilient. In the meantime, decline in length of stay and international tourism expenditure will be more pronounced than volume (or number of arrivals); value-for-money destinations (e.g., places with favorable exchange rates) are likely to be preferred destinations among the traveling public. In such a context, cooperation between public and private sectors appears critical for the sustaining of international tourism in a region.

Moreover, we ought to expect the negative economic and social consequences of the crisis to be long-lasting, and it will be especially difficult to reduce the high unemployment rates to a socially more acceptable figure. The recovery will be slow, and only moderate growth rates are expected in the medium term, also in tourism. This will affect the behavior of investors and consumers alike. It is more than doubtful whether tourism behavior will be the same after this crisis than it was before (Smeral, 2010).

Placing Serbia as a destination for tourism aspects that are growing - business tourism, cultural tourism and short breaks are likely to represent the largest development opportunities. Also, Serbia should take advantage of its geographical position as a competitive advantage in the context of regional long-term socio-economic development. On the basis of trends in the global tourism market, trends in the use of leisure time (need for shorter, more meaningful holidays and cruises) and changes in demand requirements (socializing, entertainment, leisure, culture, education, etc.) The Republic of Serbia by offering a number of reasons for coming and stay of tourists, the best choice for a second holiday in a year.

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