

What are the opportunities and benefits of the common regional market in the tourism sector in North Macedonia





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1 INTRODUCTION

The subject of analysis in this policy brief document is the opportunities and benefits of the common regional market in the tourism sector in North Macedonia. Tourism is of a high importance for the economic development of the country; hence the analysis within the creation of a common regional tourist market is justified. A special review is given to the strengthening of regional economic integration with reference to the current situation of the tourism sector in a changed environment and under conditions of crisis following COVID-19 pandemic and the Russian-Ukrainian conflict.

Development directions for sustainable regional development have been identified thanks to the regional integration processes and the opening of opportunities for regional cooperation. Firstly, in 2014, with the Berlin Process¹ the foundations were laid for a common regional platform with a social, economic and political dimension in order to advance the reform processes in the countries of the Western Balkans. Afterwards, in 2017, the foundations for a Regional Economic Area (REA)² were initiated through cooperation in trade, investment, mobility and digital integration. Furthermore, the idea of a Common Regional Market (CRM)³ was presented in 2020 with the expectation that it should be established by 2024 by undertaking specific actions in the trade area (free flow of goods, services, capital and people), the investment area (attracting foreign direct investments), the digital area (digital market), and the industrial and development area (industrial sectors in value chains). As a follow-up to the overall integration process, the latest initiative⁴ Open Balkan (OB)⁵ was created in 2021 with agreement reached on 3 key fields - joint actions and actions during natural disasters and other force majeure, unhindered movement of workers and recognition of qualifications, and provision of smooth flow of goods. Although the services as a whole are not within the focus, the qualification recognition is one of the three main objectives. In addition, several agreements have been signed for cooperation in tourism, which are already yielding concrete results. Unlike the other economic integration initiatives, Open Balkan has not been supported by all countries of the Western Balkans⁶. On the other hand, the initiative enjoys unreserved support of the European Union (EU) and the United States of America (USA) and stands out as a successful model for inclusive, regional, economic and political cooperation that is developing through concrete initiatives oriented to result in harmonisation with the EU rules and regulations. Taking into account that tourism is one of the few areas that, viewed in a broad framework, and it has a direct and indirect impact on more than 20 economic branches, its importance in the context of regional integration is rather high.

1 More info about the Berlin Process at <http://berlinprocess.info/>

2 More info about REA at https://ec.europa.eu/commission/presscorner/detail/hr/MEMO_17_1967

3 More info about CRM at <https://www.rcc.int/pages/143/common-regional-market>

4 Open Balkan is a political initiative continuation of the 2019 Mini-Schengen initiative.

5 More info about OB at <https://vlada.mk/Otvoren-Balkan>

6 Bosnia and Herzegovina and Kosovo have expressed reservations regarding the membership by characterizing the model as an alternative to the EU, and Montenegro has rejected the initiative on the grounds that the country has already been open for trade.

2 NORMATIVE FRAMEWORK AND STRATEGIC DOCUMENTS FOR TOURISM DEVELOPMENT

2.1 LEGAL REGULATION

The legal regulation defining the normative framework for development of tourism in North Macedonia implies to:

- (1) Direct tourism legislation - comprising of: Law on Tourism Activity, Law on Catering Activity, Law on the Establishing an Agency for Promotion and Support of Tourism in North Macedonia (APSTRNM), Law on Tourism Development Zones and Law on Campsites. These laws determine the policy for the tourism development and promotion, the tourism organisational structure, as well as the tasks and sources of funding that shall be used. They directly define and regulate the relations among the three entities:
 - (i) The main institutions in charge of tourism development;;
 - (ii) The holders of tourist offer; and;
 - (iii) The tourists and the visitors.
- (2) Specific regulation related to tourism - comprising of numerous by-laws regulating certain tourism aspects, relations and functions such as: regulations, criteria, standards, programmes and likewise (For instance: Regulations on categorisation of accommodation facilities, Regulations on form and content on the tourist guide identification form, etc.). During COVID-19 pandemic, specific programmes were adopted, such as the Domestic Tourism Support Programme for low-income employees.
- (3) Indirect tourism legislation - comprising of other laws with indirect influence on and are related to tourism development, and are also complementary to the overall tourism legislation. (For instance: Law on Mountain Trails and Paths, Law on Culture, Law on Protection of Cultural Heritage, Law on Nature Protection, Law on Balanced Regional Development, etc.).

The existence of a comprehensive normative framework means creating preconditions for smooth tourism development.

2.2 STRATEGIC DOCUMENTS

The components of tourism development in North Macedonia arise and are defined within the strategic documents in this area. Firstly, the ***HNational Strategy for the Tourism Development in the Republic of Macedonia 2009-2013*** was adopted, which was abundant in a series of unrealised activities generally as a result of inappropriate setting and impossibility of implementation, despite the fact that they had been identified and outlined as strategic. Thus, the main strategic objective was targeted through the realisation of planned tourist turnover, or it had been planned to realise a total of 766,000 tourist arrivals, respectively, but the realisation was 9 % less than the planned (or a total of 702,000 arrivals), and out of the total planned 2,799,000 overnight stays, the realisation was 23 % less (or a total of 2,157,000 overnight stays). Neither was a system for monitoring tourist traffic through a Tourism Satellite Account (TSS) introduced, nor a brand strategy and new marketing strategy were developed, nor rural tourism development zones were established, nor the tourist tax system was revised, etc.

Subsequently, the project „Technical Assistance in Revision and Implementation of the National Strategy for Tourism Development in the Republic of Macedonia 2009-2013“ was implemented, which updated the initial action plan and offered a systematisation of the main strategic objectives in 9 priority frameworks: (1) Tourism product and services, (2) Access and infrastructure, (3) Human resources, (4) Environment and cultural heritage, (5) Tourism marketing, (6) Economic tourism development, (7) Investment policy, (8)) Organisation, and (9) Tourism Awareness. Thus, new strategic objectives were defined for the period covered in the new document: ***National Strategy for the Tourism Development of Tourism (2016-2021). 2016-2021***. The expectations cannot be assessed with regards to their realisation due to the huge negative COVID-19 pandemic consequences.

The directions of tourism development in North Macedonia in the period following 2021 have not been defined by a new national strategic framework, but have been partially covered by the action plan of activities under the National Strategy for Tourism Development in the Republic of Macedonia (2016 - 2021), envisaged to last by 2023. In the meantime, the responsible institutions have announced that within a short period of time the preparation process of the newest strategic document shall be initiated, and during 2023, a contractor shall be chosen to draw up a new National Strategy for Tourism Development for a 5-year time horizon. The reasons for the delay generally relate to obstacles of administrative nature in terms of defining and initiating the procedure for drawing up a new strategic document, as well as the absence of stakeholder inclusiveness in the development, adoption and implementation of a new strategy. Until then, the conclusion is that it is inevitable to adopt a modern strategy that shall enable promotion of tourism valorisation of new contents, promotion of promotional activities, and the accessibility of tourist offer to the tourist demand and the development of human potentials. The time horizon of the new strategic document has been announced to be from 2024 to 2028 and shall ensure improved functionality of the responsible structures for implementation of positive development policy activities in context of determining tourism as one of the priority activities. Special attention shall be paid to the control and level of responsibility in the implementation of the planned spatial and temporal activities with transparent, accountable and optimal financial and personnel support.

In context of a clearer guidance of the strategic direction of tourism development in North Macedonia the following were drawn up: the National Strategy for Health Tourism Development of the Republic of Macedonia (2012-2018), the National Strategy for Rural Tourism Development (2012-2017), and the National Strategy for Sustainable Development (2009-2030) and National Strategy for Regional Development (2009-2019). All strategic documents aim to create favourable conditions within national frameworks for smooth tourism growth and development. These are complemented **by sub-strategies at national level**, namely: Sub-strategy for „MICE“ (Meetings, Incentives, Conferences & Exhibitions) tourism development, Sub-strategy for sports tourism development with an action plan (2015-2018), Sub-strategy for traditions and events (2015-2018), Sub-strategy for the active tourism development, Sub-strategy for cultural tourism development and others. Considering the fact that the tourism development seeks continuity, the absence of a new national tourism strategy also means the absence of new tourism sub-strategies following 2021. With the numerous changes in the world and regional tourism trends (pandemic, military conflicts, economic crisis, etc.), there is a need for drawing up new sub-strategic national documents with clearly specified achievable objectives, as well as defined measures and instruments that shall lead to the establishment of a system of balanced and long-term sustainable tourism development. The drawing up of the latest strategy for the tourism development in North Macedonia, covering the period from 2024 to 2028, is expected to contain guidelines and indications for drawing up of new sub-strategic documents for tourism development. More specifically, the responsible institutions expect adoption of many new national sub-strategies that shall refresh, innovate and more specifically redefine the development directions of MICE tourism, sports tourism, tourism of traditions and events, active tourism, etc., bearing in mind the numerous changes in taste, expectations and preferences of the tourists and visitors.

In addition to strategic documents at national level, **strategic documents at regional level** have been adopted in North Macedonia, which are generally defined as programmes for development of the eight planning regions. Thus, Programmes for development of Skopje, Northeast, Southeast, Vardar, Pelagonia and Southwest planning regions (2015-2019), and a Strategy for tourism development in the East planning region with an Action Plan (2016-2025) were adopted.

In the direction of supplementing and deepening the direction and dynamics of tourism development in North Macedonia, numerous **strategic documents have been adopted at local level**, such as Strategies for Local Economic Development (LED). In addition to general strategies, a large number of municipalities have also drawn up specific strategic documents in which they identify in detail the mission, vision and key strategic goals for the future tourism development of the municipality (For instance: Strategy with Action Plan for tourist development in the municipality of Krushevo (2007-2013), Sub-strategy for rural tourism development in the municipality of Ohrid, etc.).

Regardless whether the tourism is treated at national, regional or local level within the strategic documents, it is always defined as one of the basic factors for sustainable development, simultaneously implying that the sustainable development presents the basis for tourism development.

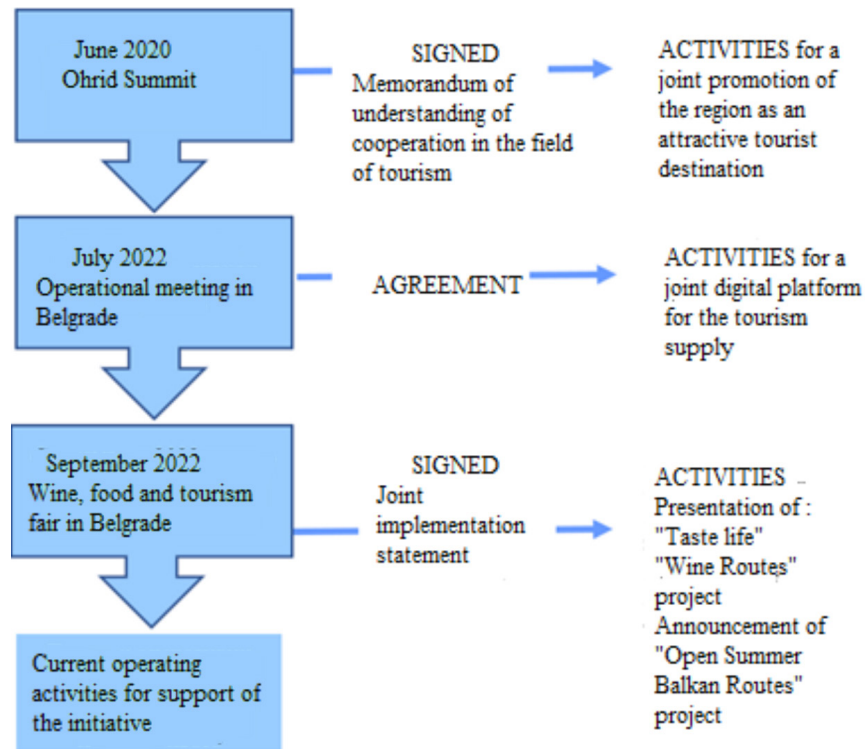
2.3 ACTIVITIES TO SUPPORT REGIONAL TOURISM DEVELOPMENT

More recent activities in supporting regional tourism development are of high importance, such as the following:

- In 2018, a trilateral memorandum of cooperation was signed among the National Tourism Organisation (NTO) of Montenegro, the NTO of Serbia and APSTRNM. As a result, in 2019, at the tourist fair in Singapore, they were presented as a single destination under the slogan „Gateway to the Balkans“.
- In May 2022, a Memorandum of Cooperation was signed between Macedonia and Kosovo for tourism development and promotion through joint activities and tourist offers, making both countries tourist destinations which are more competitive and visible on the international tourist market.
- In June 2022, at Ohrid Open Balkan Summit, a memorandum of understanding on cooperation in the field of tourism was signed, which foresees activities for the joint promotion of the region as an attractive tourist destination, as an incentive for the promotion of regional cooperation and for the progress of each country separately.
- In July 2022, in Belgrade, a meeting on the operative level was held to initiate the creation of a joint digital tourism platform for the Open Balkan tourism offer.
- In September 2022, „Wine Vision by Open Balkan“, first international wine, food and tourism fair was organised within the Open Balkan initiative and was held in Belgrade. North Macedonia presented itself under the slogan „Taste life“ with traditional music, and presented 42 wineries and three distilleries that promoted over 300 different wines and brandies, and five master chefs presented the Macedonian authentic cuisine.
- In September 2022, a joint statement was signed in Belgrade for the realisation of the „Open Balkan Wine Routes“ project for increase of the tourist offer in the wine industry. The project covers wine routes, wine oases (special wine cellars away of the wine routes); development of tourist traffic signals and a digital platform that shall contain data on all points of interest, including geolocation data. The project includes wineries, wine cellars, associations of winemakers and winegrowers, thematic museums, wine shops and wine centres. The „Open Balkan summer routes“ project was also announced.

The activities related to cooperation in tourism within the framework of the Open Balkan initiative are summarised in Figure 1.

Figure 1: Collective activities regarding the tourism within the framework of the Open Balkan initiative



3 CHARACTERISTICS, STRUCTURE AND CHALLENGES OF THE TOURISM SECTOR IN NORTH MACEDONIA

3.1 MACROECONOMIC CHARACTERISTICS

Economic growth and development is a key issue for every country, which is especially evaluated in the context of regional association. The fact that North Macedonia is a small country is an additional challenge for its inclusion in larger regional initiatives on its way to the European integration.

Table 1: Macroeconomic indicators for North Macedonia, between 2016 and 2021

Year	GDP Annual growth (in %)	Inflation (in %)	Unemployment rate (in %)	Current account (in millions of EUR)	Trade balance (in millions of EUR)	Direct investments - net (% of GDP)
2016	2,8	3,47	23,7	-252,50	-1.786,2	3,3
2017	1	2,81	22,4	-78,27	-1.816,2	1,8
2018	2,9	3,93	20,7	22,38	-1.803,8	5,6
2019	3,2	0,87	17,3	-334,71	-2.007,7	3,2
2020	-4,5	0,86	16,4	-317,99	-1.818,3	1,5
2021	-5,9	6,06	15,7	-366,36	-2.715,7	3,3
Average between 2016 and 2019	2,5	2,77	21,03	-160,38	-1.853,5	3,5

Source: National Bank of the Republic of North Macedonia. <https://nbstat.nbrm.mk>

Table 1 shows the macroeconomic indicators for North Macedonia for the period between 2016 and 2021. Moreover, data for 2020 and 2021 has not been taken into account in the average value due to the COVID-19 pandemic crisis.

Thus, the average annual growth rate of the gross domestic product (GDP) for North Macedonia for the period between 2016 and 2019 was 2.5 %, which is lower compared to

the average of Albania (3.3 %) and Serbia (3.5 %). It is also lower than the average of other countries from the Western Balkans (Bosnia and Herzegovina, Kosovo and Montenegro) with GDP annual growth ranges from 3-4 %. In addition, based on the average inflation rates of 2.77 % and unemployment of 21.3 %, a rate of 3.5 % of net direct investment as a participation of GDP, a negative current account balance of EUR 160.38 million and a negative trade balance of EUR 1,853.5 million, it can be concluded that North Macedonia, in long term, should work on developing a sustainable growth model.

3.2 STRUCTURE AND DYNAMICS OF THE TOURISM SECTOR

North Macedonia fails to have a Tourism Satellite System as a special statistical system for precise evaluation of the direct, indirect and induced effects of tourism, so the structure and dynamics of the tourism sector is shown through descriptive analysis and stylised statistics from secondary data sources for the period between 2011 and 2019. Hence, the data refers to: tourism statistics (number of tourist arrivals and overnight stays - total, domestic and foreign tourists), contribution of tourism to GDP (total tourism income), main inbound countries in tourism markets for selected years (2011, 2019 and 2021) and employees in the tourism sector (direct employment).

3.2.1 TOURISM STATISTICS

The tourism in North Macedonia has seen continuous growth over the years. Thus, in 1995, an income of EUR 18.5 million from tourism was earned (0.4 % of GDP) and only an income of EUR 126 per tourist. After 2.5 decades, the contribution of tourism to the economic development of North Macedonia has increased significantly to an income of EUR 392 million or income of EUR 517 per tourist.⁷

The tourism activity dynamics depends on the size of the country and the intensity of tourism development. As a small country, North Macedonia has a modest volume of tourism flows, but prosperous enough to contribute to the economic growth and development of the country. The tourism statistics of North Macedonia are expressed through the number of tourist arrivals (total tourists, domestic tourists and foreign tourists) and overnight stays (total overnight stays, domestic overnight stays and foreign overnight stays) (Table 2). The period of analysis is from 2011 to 2019 due to several points. Namely, since 2011, the Government has successfully introduced measures to subsidise tour operators and agencies working with incoming tourism. At the same time, many low-budget airlines opened, so North Macedonia became an easily accessible tourist destination. Thus, within a decade, international tourism had begun to develop, so in 2019, the number of foreign overnight stays almost equalled the number of domestic overnight stays.

Table 2: Tourism statistics for North Macedonia, between 2011 and 2022

Year	Total No. of tourists	Domestic tourists	Foreign tourists	Total overnight stays	Domestic overnight stays	Foreign overnight stays
2011	647.568	320.097	327.471	2.173.034	1.417.868	755.166
2012	663.633	312.274	351.359	2.151.692	1.339.946	811.746
2013	701.794	302.114	399.680	2.157.175	1.275.800	881.375
2014	735.650	310.336	425.314	2.195.883	1.273.370	922.513
2015	816.067	330.537	485.530	2.394.205	1.357.822	1.036.383
2016	856.843	346.359	510.484	2.461.160	1.407.143	1.054.017
2017	998.841	368.247	630.594	2.775.152	1.480.460	1.294.692
2018	1.126.935	419.590	707.345	3.176.808	1.685.273	1.491.535
2019	1.184.963	427.370	757.593	3.262.398	1.684.627	1.577.771
2020	467.514	349.308	118.206	1.697.535	1.444.605	252.930
2021	702.463	408.500	293.963	2.313.543	1.643.083	670.460
2022*	677.843	328.653	349.190	2.228.138	1.456.145	771.993

Note. * 2022 data is incomplete and refers only to the period from January to August.

Source: MakStat database of the State Statistical Office of the Republic of North Macedonia (<http://makstat.stat.gov.mk>).

In the best tourist year of 2019, 1,184,963 tourists were registered in North Macedonia, of which 63 % were foreign tourists, and 36 % were domestic tourists. In the same year, the number of total overnight stays was 3,262,39, of which 48 % were foreign overnight stays, and 52 % were domestic overnight stays (Table 2). The average length of stay of the total registered tourists in the period between 2011 and 2019 is 2.7 days, whereas the domestic tourists stayed on average for 3.7 days and the foreign tourists for 1.9 days. This indicates room for creating a new tourism product that would keep the tourists to stay longer.

Table 3: Tourism incomes and participation in GDP

Year	Total incomes from tourism (in millions of EUR)	% of GDP
2011	236	2,3
2012	231	2,4
2013	264	2,5
2014	291	2,6
2015	262	2,7
2016	276	2,7
2017	323	2,9
2018	378	3,1
2019	392	3,2
2020	247	2,1
Average between 2011 and 2019	295	2,7

Source: <https://www.worlddata.info/europe/northmacedonia/tourism.php>

Table 3 shows the total income from tourism and the percentage participation in GDP. With the exception of the pandemic year 2020, the average annual income of EUR 295 million, i.e. the average annual rate of participation of total income from tourism in GDP is 2.7 %. It is expected these incomes to increase to more than EUR 450 million⁸.

The favourable positive trend of tourism development, which can be seen from the data in Tables 2 and 3, was interrupted by the COVID-19 pandemic, which left great negative consequences in the world and Europe, as well as in North Macedonia. While in 2021 a large drop of almost 70 % in tourism was observed in Europe, in North Macedonia that drop was significantly smaller (-30 % of the total number of overnight stays, and -40 % in the total number of tourists). In 2021, a total of 2.3 million overnight stays were registered (1.6 million from domestic tourists and 0.7 million foreign tourists, including tourists from the region: Serbia, Kosovo and Albania). At the same time, the number of foreign tourists has increased by 139 %, making North Macedonia one of the top five countries in the world in terms of the number of tourists⁹. In 2023-2024, it is expected that better results are to be achieved in the tourist flows in North Macedonia, assuming that the crisis from the Russian-Ukrainian conflict shall soon end. The positive trend can be foreseen since an average of 60-70 % of the total tourist flows in the first eight months of 2022 was realised compared to 2019 (Table 2)¹⁰. Thus, tourism is seen as an activity that can quickly stimulate economic growth in the post-pandemic period, provided that the surrounding conditions remain stable.

3.2.2 MAIN INBOUND COUNTRIES IN TOURISM MARKETS

In addition, an analysis of the structure of the international tourist demand was made according to the ranking of the main inbound countries that have had the highest number of overnight stays in North Macedonia. The participation in overnight stays of foreign tourists registered in North Macedonia has been analysed in 3 selected years (Table 4), as follows: 2011 as the initial year in the general research period analysed in this document, 2019 as the best tourist year before the COVID-19 pandemic, and 2021 as the first post-pandemic year.

8 APSTRNM, 2023 Strategic Plan. <https://tourismmacedonia.gov.mk/wp-content/uploads/2022/09/Stratesko-planiranje-na-APPT-za-2023.pdf>

9 UNWTO Data base. <http://unwto.org>

10 Own calculations according to MaxStat database. <https://makstat.stat.gov.mk/PXWeb/pxweb/mk MakStat/?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7ec5ef>

Table 4: Main inbound countries in tourism markets for North Macedonia, in selected years

2011%		2019%		2021 %	
1. Holland	14,9	1. Турција	10,5	1. Србија	13,4
2. Greece	10,3	2. Холандија	10,1	2. Полска	8,9
3. Serbia	9,6	3. Полска	8,1	3. Турција	7,9
4. Turkiye	8,5	4. Србија	6,7	4. Германија	6,1
5. Albania	4,8	5. Бугарија	5,9	5. Косово	5,4
6. Bulgaria	4,7	6. Албанија	3,5	6. Албанија	4,7

Source: Statistical annual books of the Republic of North Macedonia for 2012, 2020 and 2022 of the State Statistics Office of the Republic of North Macedonia (<http://stat.gov.mk>).

Table 4 shows that in all years selected for analysis, Albania and Serbia are always in the main inbound countries in tourism markets. The constant participation of tourists from these two countries draws a conclusion that the proximity and affinity of the climate are strong triggers in the constant attraction that can be used as a comparative advantage. While the tourists from neighbouring countries (Albania, Bulgaria, Greece, Kosovo and Serbia) mostly travel individually, the tourists from other present inbound countries in tourism markets (Netherlands, Turkey and Poland) regularly travel with set arrangements.

With calculations¹¹ on the seasonality level of the main inbound countries in tourism markets for 2019, the highest seasonality was determined among the Dutch tourists, followed by the Polish tourists. This means that the tourists from these countries visit North Macedonia as a summer destination, whereas the rest of the attractions are completely neglected. Insignificant seasonality is calculated for neighbouring countries (Albania, Bulgaria and Serbia) and Turkiye that visit North Macedonia throughout the year. These inbound countries in tourism markets shall be in the focus when carrying out the tourist planning and the tourist promotional campaign.

3.2.3 TOURISM-RELATED EMPLOYMENT

Table 5: Tourism-related employment in North Macedonia

	Accommodation facilities	Meal preparation and food service activities	Travel agencies, tour operators and other booking services and activities related to them	Total No. of employees in catering and tourism	Total No. of employees	Participation of the employees in the hospitality and tourism in the total No. of employees (%)
2011	3.819	12.448	803	17.070	458.873	3,7
2012	4.064	14.295	949	19.308	474.398	4,1
2013	4.110	14.115	939	19.164	483.447	4,0
2014	4.138	15.938	1.186	21.262	501.788	4,2
2015	4.476	16.992	1.254	22.722	519.031	4,4
2016	4.466	18.584	1.267	24.317	534.200	4,6
2017	5.025	18.048	1.318	24.391	548.681	4,4
2018	4.783	18.415	1.357	24.555	567.230	4,3
2019	6.181	22.153	1.532	29.866	621.821	4,8

Source: MakStat database of the State Statistical Office of the Republic of North Macedonia (<http://makstat.stat.gov.mk>).

Table 5 shows stylised statistics for the number of employees in tourism in North Macedonia for the period between 2011 and 2019. The data refers to employees in accommodation facilities, employees in activities for meal preparation and food service, as well as employees in travel agencies, tour operators and other booking services, and the activities related to them. This means that the data refers to direct tourism-related employment in North Macedonia (about 30,000 jobs). On the other hand, when talking about the total employment in travel and tourism, that number is significantly higher and in 2019 there were 54,800 employees (6.9 % of the total No. of employees)¹². It is also estimated that 1 out of 7 jobs is in the catering-tourism sector, covering 52-55 % of the total service¹³.

In addition, Table 5 shows that there are no significant changes throughout the analysed period, so the participation rate of tourism-related employment in the total number of employees in North Macedonia ranges from 3.7 - 4.8 %, or an average of 3.8 %. The negative COVID-19 pandemic consequences have resulted in major job losses in the tourism sector in 2020 and 2021. Tourism was hit the hardest due to the total travel shutdown and severe restrictions on accommodation and food, resulting in a loss of 4,500 direct tourism-related jobs or 6,700 travel and tourism-related jobs in total¹⁴.

12 WTTC.(2022).Annual Research: Key Highlights. <http://wttc.org/Research/Economic-Impact>.

13 APSTRNM, 2023 Strategic Plan. <https://tourismmacedonia.gov.mk/wp-content/uploads/2022/09/Stratesko-planiranje-na-APPT-za-2023.pdf>.

14 WTTC. (2022). North Macedonia, 2022 Annual Research: Key Highlights. <http://wttc.org/Research/Economic-Impact>.

Table 6: Average paid net salary per employee in Accommodation facilities and food service activities (in MKD)

August 2019	August 2020	August 2021	August 2022
18.471	18.402	20.862	24.218

Source: MakStat database of the State Statistical Office of the Republic of North Macedonia (<http://makstat.stat.gov.mk>).

In general, low-skilled labour is engaged in tourism, so the salary compensation is among the lowest compared to the other sectors. Table 6 shows the average paid net salary per employee in the activity sector for Accommodation facilities and food service activities¹⁵ for the month of August in 2019, 2020, 2021 and 2022. At first glance, it appears that there is a slight increase in the salary in 2021 and 2022, but if you add the inflation rate of 11.5 % in August 2021 and 17 % in August 2022, it can be concluded that there is no real increase in the salaries.

3.3 TOURISM CHALLENGES IN NORTH MACEDONIA

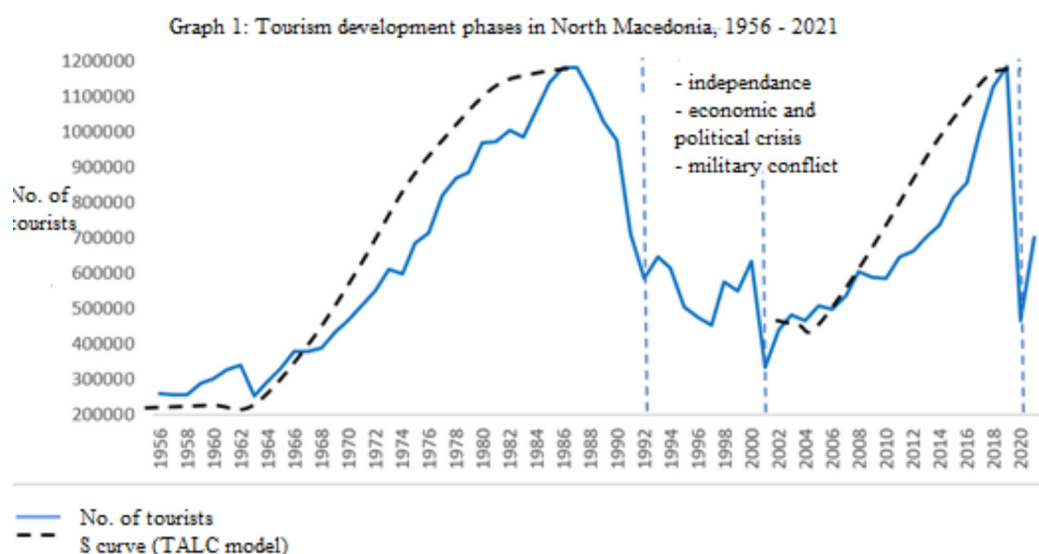
Since 1956, the tourism in North Macedonia has developed through several development phases¹⁶ according to the TALC-Tourism Area Life Cycle model¹⁷ where the tourism life cycle curve („S“-curve) shows a double cycle (cycle-recycle. or appears twice (Chart 1). In addition, the period between 1991 and 2001 is considered a transitional period when many turbulent changes took place, such as: the acquisition of independence in 1991, monetary independence in 1992, the economic and political crisis in 1997, the bombing of Serbia in 1999, the migrant crisis, transformation from a planned to a market economy, the ethnic military conflict in 2001 and so on. For those reasons, in the period between the two S-tourism life cycle curves, there were no conditions for the tourism development since North Macedonia was not perceived as a stable and reliable destination.¹⁸

15 According to NKD Rev. 2 of the State Statistics Office of the Republic of North Macedonia.

16 Petrevska, B. & Collins-Kreiner, N. (2017). A Double Life Cycle: Determining Tourism Development in Macedonia. *Journal of Tourism and Cultural Change*, 15(4), 319-338

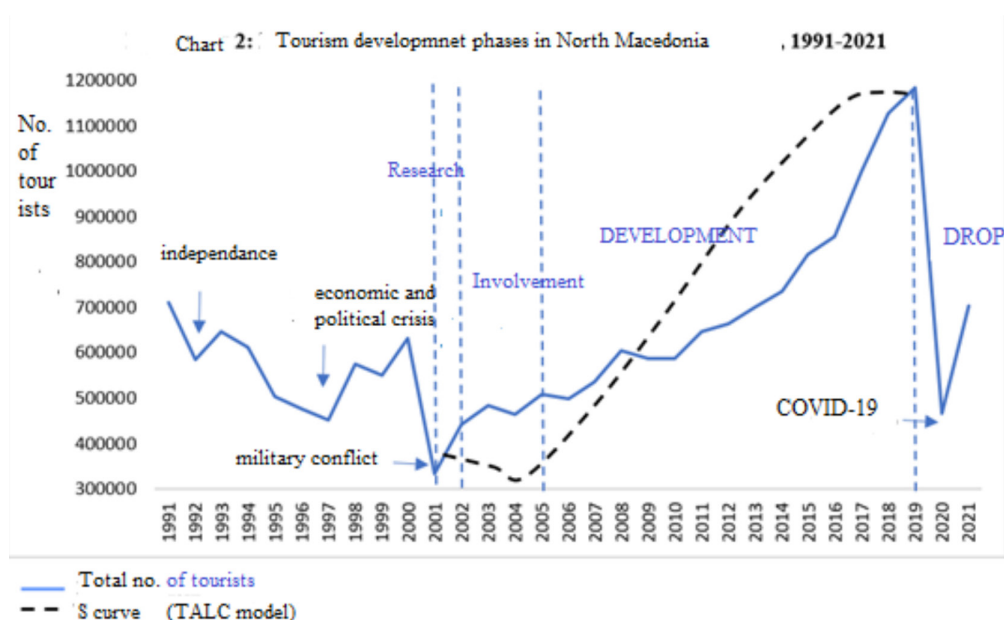
17 Butler, R. (1980). The concept of a tourist area cycle of evolution. Implications for management of resources, *Canadian Geographer*, 24(1), 5-12.

18 Rink, D. R. & Swan, J. E. (1979). Product life cycle research: A literature review. *Journal of Business Research*, 7(3), 219-242.



Source: According to the MakStat database of the State Statistical Office of the Republic of North Macedonia (<http://makstat.stat.gov.mk>).

In a more detailed analysis of the second „S“ tourism life cycle curve in the period following 2002, the tourism development, measured by the total number of tourists, goes through three phases: research, inclusion and development. In doing so, the usual standard consolidation and stagnation phases are absent, so in 2019, due to the COVID-19 pandemic, the second tourism life cycle curve is interrupted and the decline phase begins directly (Chart 2).



Source: According to the MakStat database of the State Statistical Office of the Republic of North Macedonia (<http://makstat.stat.gov.mk>).

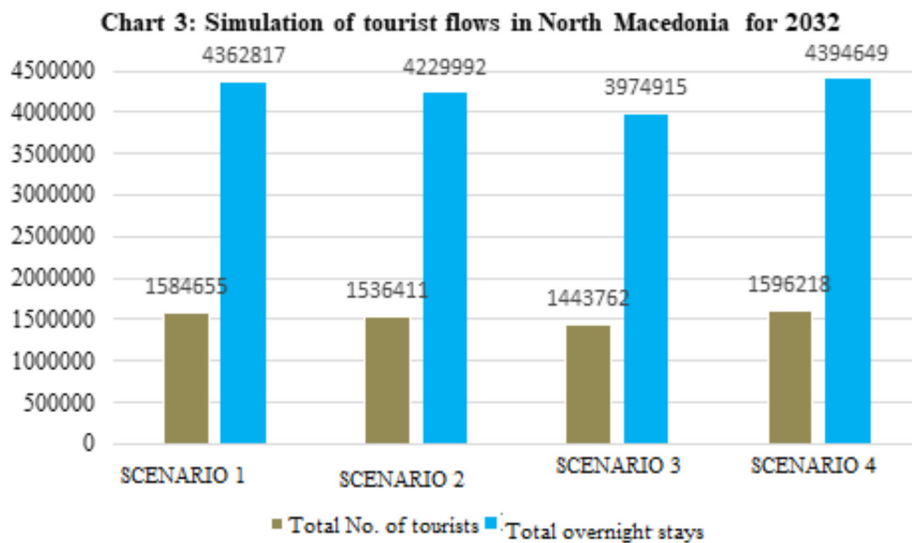
Following the end of the decline phase (between 2019 and 2020), the tourist flows are globally recovering, which means they are also recovering in North Macedonia. Assuming that the world energy crisis caused by the Russian-Ukrainian conflict shall stabilise and that in

2024 the tourism industry in the world shall reach its full tourism activity as of 2019 before the COVID-19 pandemic, several **scenarios are possible for the tourism development in North Macedonia by 2032**, expressed through the total number of tourist arrivals and overnight stays:

- **Scenario 1:** Growth of the tourism sector at an average rate of 3.7 % per year, according to part of the estimates made by Center of Business of Excellence¹⁹ on the potential economic impact of the Open Balkan initiative. Accordingly, the total number of tourist arrivals in North Macedonia by 2032 would be 1,584,655 with a total of 4,362,817 overnight stays, or an increase in the tourist turnover by 34 %, respectively.
- **Scenario 2:** Growth of the tourism sector at an average rate of 3.3 % per year, according to ²⁰. estimates. Accordingly, the total number of tourist arrivals in North Macedonia by 2032 would be 1,536,411 tourists with 4,229,992 overnight stays, or an increase in the tourist turnover by 30 % respectively.
- **Scenario 3:** Growth of the tourism sector at an average rate of 2.5 % per year, according to the TALC model²¹ according to which the country is considered to be in the development stage in the tourism life cycle. Accordingly, the total number of tourist arrivals in North Macedonia by 2032 would be 1,443,762 with a total of 3,974,915 overnight stays, or an increase of 22 % respectively. That would mean that following 2024, the third „S“ tourism life cycle curve in North Macedonia could follow.
- **Scenario 4:** Growth of the tourism sector with an average rate of 3.9 % per year according to the Box-Jenkins²² method and calculations for forecasting with the ARIMA model (1.1.1)²³. At the same time, the total number of tourist arrivals in North Macedonia by 2032 would be 1,596,218 with 4,394,649 overnight stays, or an increase of 35 % respectively.

Chart 3 shows the summary estimates for the tourism development in North Macedonia by 2032 according to the simulated scenarios. Moreover, the calculations are based on the data of the total number of tourist arrivals and overnight stays for the period between 1991 and 2021²⁴, assuming that in 2024 the full results shall be achieved as of before the COVID-19 pandemic, or at level of 2019. The calculations from all scenarios are similar and range between 1,450,000 and 1,600,000 total number of tourists and between 4 - 4.4 million total registered overnight stays.

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- 19 Center of Business Excellence, School of Economics and Business in Ljubljana (2021). Analysis of benefits & costs of the Open Balkan initiative
- 20 WTTC. (2022). Travel & Tourism Economic Impacts 2022, Global Trends 2022.
- 21 Romão, J., Guerreiro, J. & Rodrigues, P. (2013). Regional tourism development: culture, nature, life cycle and attractiveness, *Current Issues in Tourism*, 16(6), 517-534.
- 22 Box, G. & Jenkins, G. (1970). *Time Series Analysis: Forecasting and Control*. San Francisco: Holden-Day.
- 23 ARIMA - Auto Regressive Integrated Moving Average, is a quantitative forecasting model from the group of advanced extrapolation models.
- 24 МакСтат база на податоци на Државен завод за статистика на Република Северна Македонија (<http://makstat.stat.gov.mk>).



Source: According to the MakStat database of the State Statistical Office of the Republic of North Macedonia (<http://makstat.stat.gov.mk>).

The calculated expected values for the future tourism development in North Macedonia (Chart 3) should be interpreted carefully considering that tourism is extremely sensitive to all environmental changes. Thus, the slightest symptom of instability (economic, political, security, health, etc.) shall mean an interruption in the growth and development. Hence, the following main directions should be taken into account in which the activities to support the tourism development in North Macedonia should be directed.

Directions of tourism development 1: Tourism policy and strategic tourism development documents:

- **Creation of a correct and appropriate tourism policy.** It is necessary to deeply re-define the national tourism development policy and to focus on the regional tourism integration due to the use of its benefits. To sift through the objectives and identify 1-3 strategic tourism development objectives at national level, which then shall be further developed through development programmes at planning region level, with focus on the economic and tourism development. It shall finish by defining specific, clear, measurable and realistically defined objectives that can be immediately tactically operationalised at municipal level.
- **Strengthening the coordination among the activities of all stakeholders on the supply side in tourism** (unions and private and public sector associations, governmental institutions, business community, financial institutions and non-governmental sector). Establishing a functional connection among the tourism stakeholders at macro level (national), medium level (regional) and micro level (local). It is necessary to raise awareness about the benefits of functional and joint directed action towards the realisation of the same objective by motivating constructive cooperation, initiative and entrepreneurship in tourism. Emphasis should be on unification in one body instead of partial one-sided operation of MoE with the tourism and catering sector and APSTRNM. In such manner, the problems and the series of open questions that arise due to inadequate division of responsibilities between these two institutions shall be

overcome (For instance: MoE is in charge of preparing strategic tourism documents, and APSTRNM is in charge of promotion and support of tourism through subsidies. The categorisation of hotels is made by the MoE, and the camps are the responsibility of APSTRNM). At the same time, it is desirable to reaffirm the idea of reviving the former local tourism organizations as a form of rapid intervention in possible crisis situations that shall immediately produce possible solutions to deal operationally with problems in tourism.

- **Redefining strategic tourism development documents and tourism legislation.** The global environmental changes and behavioural changes such as: the age and travel culture of the tourists necessarily imposes that the inapplicable and non-operational strategic tourism development documents to be innovated. Following the establishment of the strategic development directions in which the tourism policy shall strive at national level, it is necessary that completely new strategic development documents to be drawn up. Instead of the previous ones, which were too extensive with non-productive solutions, it is necessary to create some selectively chosen and targeted sub-strategies for tourism development that shall initiate real activities whose (non) fulfilment can be easily monitored. At the same time, periodic control should be carried out to monitor and measure the (non)fulfillment of the set objectives with an assessment of deviations and need for correction. It is inevitable to change the tourism legislation by adopting a new Law on Tourism, which shall precisely regulate the issues of planning and implementation of the tourism development policy at all levels. The other strategic documents that shall define the direction of tourism development, the time frame for the adoption and renewal of the national tourism strategy, short-term annual operational plans with short-term objectives, measures and activities that shall define mandatory issues should be derived from the basic law (For instance: promotion, tourism infrastructure, sustainable development, development of human resources, support of tourism culture, international tourism cooperation, etc.).

Directions of tourism development 2: Tourism market and product

- **Creation and promotion of a joint regional tourism product.** It is necessary to create an attractive common regional tourist product with an objective of competitive positioning on the international tourist market. This can be achieved by promoting a joint regional package of tourist arrangements for visiting the three countries (North Macedonia, Albania and Serbia) as a single unit abundant in extraordinary multiculturalism, specific gastronomy and high traditional values. Circular tourist routes packaged in a favourable offer are a good example of attracting tour operators and tourists from the immediate surroundings, but also from more distant countries because they are dynamic (three destination countries are visited in a short time), economical (inexpensive and affordable price of the arrangement) and interesting (new, undiscovered, interesting and exclusive offer). It is necessary to create an intelligent promotional campaign for safe, cheap and interesting travel and stay in order to reduce the competition from other countries in the immediate vicinity that have a strong competitive advantage (Slovenia, Croatia, Bulgaria and Greece are EU member states surrounded by sea, Montenegro also has a coast line.). It is mandatory to maintain and strengthen cooperation with the world's major tour operators and low-budget airlines that would offer a unique regional tourist product at extremely favourable prices. Attention should be focused on implementing promotional

activities towards the traditional markets for North Macedonia (Turkey, Holland, Poland, Bulgaria), together with the initiation of domestic tourism from each member to consume the newly created regional tourism product.

- ***Support and functioning of a common regional tourism market.*** The joint performance of three individual tourist markets as one means the possibility of overcoming the problems and limitations that each country has separately when performing independently on the tourist scene. The association means consolidation and the possibility to easily follow the demands of modern tourists (in a short time and for little money to visit several destinations at the same time). It is necessary to initiate a simple and application system for subsidising travel agencies that operate “incoming” tourism and offer the regional common tourist product through the implementation of routes previously approved for the common regional market. At the same time, domestic tourists should be subsidised for inclusion in the circular routes in the common market. In addition, it is necessary to introduce tax reliefs for capital investments (infrastructure, technologies and innovations) needed for the creation of the common tourist market.

Directions of tourism development 3: Tourism and regional integration

- ***Necessity of regional connectivity.*** Attention should be put on equal participation in the joint association without imposing dominance or existence of suspicion of inferiority of any of the members in the initiative. Encouragement at institutional level to promote the initial phase of regional integration through regular meetings among the members shall be given. Monitoring whether the agreed forms of cooperation in tourism are respected and to initiate new projects and activities.

4 THE TOURISM IN NORTH MACEDONIA UNDER CONDITIONS OF CRISIS

The tourism is one of the most vulnerable industries that can feel all of the negative impacts of the immediate environment, such as financial crises, natural disasters, force majeure, military conflicts, terrorism and health epidemics that prevent the tourists to travel. In the recent past, there have been many examples when the world has been faced with crisis situations of a different nature that have left negative consequences on the tourism development globally (the Asian financial crisis in 1997, the terrorist attacks in the USA 9/11 in 2001, the SARS epidemic - the virus in 2002-2004, the great financial crisis of 2007-2009, etc.). The recent negative impacts of the COVID-19 pandemic (2019 and 2020) and the Russian-Ukrainian conflict (2022) have significantly contributed to halting the growth and tourism development at global, European, regional and national level.

4.1 THE TOURISM AND COVID-19

The emergence of the COVID-19 virus made World Health Organization (WHO) to declare a pandemic in the beginning in 2019 by completely banning movement and travel in all countries of the world. Travel restrictions and strict residence procedures continued in 2020 causing major changes in people's behaviour and desire for tourism. It resulted in stagnation in the development and huge losses in the economic activity of all countries.

Table 7: Tourism losses due to COVID-19, 2020

	The world		Europe		North Macedonia	
Total travel and tourism contribution to GDP	4.740 EUR in bil	-50,4 %	1.029,1 EUR in bil	-47,1 %	607,6 EUR in mil	-31,6 %
Total travel and tourism contribution to employment	272 mil	-62 мил	33,1 мил (1 од 10)	-4,7 мил	48.100	-6.700
(1 to 12)	-62 bil	33,1 bil (1 to 10)	-4,7 mil	48.100	-6.700	
Tourist consumption						
Foreign tourists	505 EUR in bil	-69,4 %	222,7 EUR in bil	-61,9 %	256,6 EUR in mil	-39,3 %
Domestic tourists	2.305 EUR in bil	-45 %	607 EUR in bil	-42,8 %	303 EUR in mil	-27,5 %
Total number of tourists	409,5 mil	-72,7 %	241,9 mil	-67,6 %	467.514	-61 %
Total number of overnight stays			1,4 bil	-52 %	1.697.535	-48 %

Source: WTTC. (2021). Travel & Tourism Economic Impact 2021. Global Economic Impact & Trends 2021.
 WTTC. (2022). Europe, 2022 Annual Research: Key Highlights.
 WTTC. (2022). North Macedonia, 2022 Annual Research: Key Highlights.
 MakStat database of the State Statistics Office of the Republic of North Macedonia.
<http://makstat.stat.gov.mk..>

Table 7 provides a summary overview of the 2020 global, European and national estimates of COVID-19 pandemic losses. In the world and Europe, there was a 50 % drop in the total travel and tourism contribution to GDP, and a huge job decrease in the total travel and tourism (62 million fewer in the world and 3.6 million in Europe). Subsequently, the tourist consumption decreased at world level (-69.4 % in foreign tourists and -45 % in domestic tourists), and in Europe (-61.9 % in foreign tourists and -42.8 % in domestic tourists). The number of tourist arrivals in the world and Europe decreased by about 70 %.

At the same time, Table 7 shows the summary of the COVID-19 pandemic consequences for the tourism in North Macedonia in 2020. Extremely negative results were registered such as a decrease of 32 % of the total travel and tourism contribution to GDP, as well as a decrease of 6,700 jobs in the total travel and tourism. The cancellation of contracts with foreign tour operators, the loss of jobs and the closing of businesses caused the tourism consumption to drop by almost 40 % in foreign tourists and almost 30 % in domestic tourists. Due to the restrictions and ban on travel and movement, a period of social instability and insecurity occurred. Negative results were also observed in the total number of tourists who visited North Macedonia (-61 %) and the total number of registered overnight stays (-48 %).

The 2021 results are encouraging when the tourism generally recovered at all levels, thus compared to 2020, positive results were registered (Table 8). Hence, the tourism is seen as a solution for quick recovery of the economies.

Table 8: Tourism in 2021

	World		Europe		North Macedonia	
Total travel and tourism contribution to GDP	5.675 EUR in bil	+21,7 %	1.316,9 EUR in bil	+28 %	743,6 EUR in mil	+22,4 %
Total travel and tourism contribution to employment	289 mil	+18,2 mil	34,7	1,6 мил	51.300	+3.200
(1 to 11)	+18,2 mil	34,7	(1 to 10)			
(1 to 10)	1,6 mil	+3,8 %		+23,9 %	368,2 мил евра	+43,5 %
	51.300	+3.200	275,9 EUR in bil	+34,2 %	355.9 мил евра	+17,6 %
Tourist consumption						
Foreign tourists	524 EUR in bil	+3,8 %	275,9 EUR in bil	+23,9 %	368,2 EUR in mil	+43,5 %
Domestic tourists	3.029 EUR in bil	+31,4 %	814,5 EUR in bil	+34,2 %	355.9 EUR in mil	+17,6 %
Total number of tourists	446,3 mil	+9 %	303 mil	+25,3 %	702.463	+50,3 %
Total number of overnight stays			1,8 bil	+27 %	2.313.543	+36,3 %

Source: WTTC. (2021). Travel & Tourism Economic Impact 2021. Global Economic Impact & Trends 2021, June 2021.
 WTTC. (2022). Europe, 2022 Annual Research: Key Highlights.
 WTTC. (2022). North Macedonia, 2022 Annual Research: Key Highlights.
 MakStat database of the State Statistics Office of the Republic of North Macedonia.
<http://makstat.stat.gov.mk>.

Furthermore, the tourism recovery was seen in 2022 primarily due to the control of the COVID-19 virus, the lifting of safety health protocols for travel and the complete release of tourist flows. At world level, in the first seven months of 2022, the number of foreign tourists increased for almost three times compared to the same period in 2021, and in Europe that increase was four times. Thus, in 2022, as a result of the recovery following the COVID-19 pandemic, almost 60 % of the tourist flows registered in 2019 were achieved worldwide, and 2019 was the last successful year prior to the COVID-19 pandemic, and a level of 40 % was achieved in Europe²⁵. In North Macedonia, a positive upward development line of tourism was also registered in the first eight months of 2022 when a total of 677,843 tourists and 2,228,138 overnight stays were recorded, which compared to 2019 means 60 - 70 % of the achieved results²⁶. Prior to the beginning of the Russian-Ukrainian crisis, the full level of tourism development was expected to be realised in 2023, however now this has been foreseen for 2024.

In order to protect the population and safety in tourism operations, in each country the relevant institutions introduced recommendations and measures to deal with COVID-19 in tourism, which differed depending on the tourism development of the country, the tourism contribution to GDP, etc. Numerous strategies and plans were adopted to deal with and

25 UNWTO. (2022). World Tourism Barometer.

26 MakStat data base. <https://makstat.stat.gov.mk/PXWeb/pxweb/mk/MakStat/?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7ec5ef>

manage the risk, generally directed in three directions: a) Protection of people (tourists and tourism employees), b) Business sector (survival of catering-tourism companies through a package of action measures), and c) Sector policy (coordination in the tourism sector as to achieve its recovery and promotion).

Bn North Macedonia, generally the following tourism-related measures due to COVID-19 were taken:

Health measures: The following were among the most rigorous measures: closing of borders and airports, the time ban on movement (curfew), the restriction of movement and travel (except for a precisely defined category of passengers) and the closure of catering and tourist facilities. A small number of accommodation facilities, which were given the role of “state quarantine facilities”, and a small number of catering facilities, which only worked with food delivery, remained operational. From the measures that lasted for a longer period of time are the following: mandatory wearing of protective equipment, raising awareness of hygiene and mandatory implementation of hygiene protocols with prescribed hygiene products; maintaining social distance; limitation of capacities in public transportation and catering-tourist facilities; ban on holding public events, and later limiting the capacities for monitoring a public event; travel in small groups, introduction of “COVID-passport” etc.

Economic measures: The government adopted several financial measures. The following were very significant for the tourism sector : a) Payment of salary in the amount of MKD 14,500 for April and May in 2020 in order to help the employers retain their employees; b) Payment of a monthly allowance in the amount of 50 % of the average salary if the person had lost his job due to the crisis; c) Mandatory use of the first part of the annual leave for 2020 as of May (approved by the employer); and d) Establishment of a COVID-19 fund. The following economic measures (subsidisation of employees' salaries, interest-free loans and tax reduction, prolongation of income tax payment) are considered the most useful for employers in order to retain employees in the tourism sector²⁷.

Measures dedicated to support tourism:

- By a government decree with legal force, vouchers in the amount of MKD 6,000 were issued to a certain category of people in order to encourage domestic consumption and support the domestic tourism and hospitality sector during a state of emergency. In addition, an electronic payment card of MKD 3,000 was to be used in all resting facilities as well as other catering facilities in the country. The initial term of the vouchers was 6 months (by December 15, 2020), however it was further extended by the end of 2021, together with the extension of the duration of the licenses to work in the hospitality-tourism sector and the categorisation of accommodation and catering facilities.
- With a budget of EUR 10 million, the campaign „Home is at home“ was implemented to promote the tourist potential of the country and encourage travel and stay of domestic tourists in order to increase their number and help hoteliers to reduce their losses.

27 USAID & EPI Center. (2020). Study of the effects on the private sector – tourism and hospitality affected by the health and economic crisis caused by the COVID-19 pandemic, with recommendations in dealing with the economic effects.

- A Coordinating Body for Tourism was established with representatives from all main stakeholders in charge of tourism development in the country (Ministry of Economy - MoE, APSTRNM, tourist associations and chambers of commerce) in order to monitor the implementation of WHO recommendations and propose measures to deal with the negative consequences of the crisis.
- The MoE initiated the establishment of a Tourism Fund with EUR 1.5 million allocated for direct assistance to the tourism sector, which would be activated in the later period.

According to the qualitative research²⁸ conducted among the tourism policy makers in North Macedonia, the adopted government measures have been assessed as inadequate, insufficient and modest primarily due to the small allocated budget for damage remediation.

4.2 TOURISM AND THE CRISIS IN UKRAINE

Under the conditions of the economic crisis caused by the Russian-Ukrainian military conflict, there is a great degree of uncertainty and the impossibility of correctly interpreting the external factors that have a huge impact on regional tourism development. However, it is evident, that the optimistic start and tourism recovery in 2022 shall be slowed primarily in international tourism due to higher oil prices, inflation, disrupted international supply chains and additional pressure on businesses, leading to increased travel and accommodation costs both in 2023 and in the years to come.

To sum up, the tourism industry within the world and European frameworks shall face the following impacts caused by the crisis in Ukraine:

- Reduction in the number of tourists from Russia and Ukraine. At world level, these two countries participate with 3 % in the total tourist consumption, and with the prolongation of the crisis, a loss of 13 billion is possible in 2022. In the European tourism market, the participation of Russia and Ukraine is small with only 4 % and 1 % in international incomes . However, certain destinations²⁹. shall experience a significant change³⁰ in decreasing number of tourists from these two countries;
- Airline restrictions due to high fuel prices. In the major damage assessment, it is possible that there may be a merger of the airlines and the cancellation of certain airline routes; and
- Declining of the travel desire to travel due to rising cost of living.

At global level, due to the potential consequences of the Russian-Ukrainian conflict on the global economic recovery, the projection for expected world economic growth has been

28 UNWTO. (2022). Impact of the Russian offensive in Ukraine on international tourism – Overall assessment of the impact on tourism. <https://www.unwto.org/impact-russian-offensive-in-ukraine-on-tourism>

29 UNWTO. (2022). Impact of the Russian offensive in Ukraine on international tourism – Overall assessment of the impact on tourism. <https://www.unwto.org/impact-russian-offensive-in-ukraine-on-tourism>

30 Turkey shall be the most affected by the lack of tourists from Russia and Ukraine. Thailand and China shall lack tourists from Russia, while Poland and Italy shall lack tourists from Ukraine. Data according to Economist Intelligence Unit (2022). How shall the war in Ukraine affect the tourism - Explore the prospects for Europe's travel sector in 2022.

reduced from 3.6 % to 2.6 %. More specifically, the expected recovery of tourism forecasted for 2023 and its return at full level as from before the COVID-19 pandemic, is gradually corrected and postponed for 2024, precisely because of the turbulent economic conditions caused by the Russian-Ukrainian conflict³¹.

North Macedonia is not immune to the impact of the Ukrainian crisis. The adverse impacts are generally felt in the economic flows through increased inflation of 19.8 %³², continuous increase in energy prices, reduction in the number of flights in 2022 by 21 % compared to 2019³³, social insecurity and the like. All these have generally affected the tourism development, primarily by price increase of tourist arrangements for travel and accommodation, and thus the emergence of dissatisfaction among potential tourists and the absence of the desire to participate in tourist flows. Hence, small countries like North Macedonia are sensitive to all influences from the global conditions and can hardly assert themselves as being competitive. Thus, trips to shorter destinations within the common regional tourism market are regarded as a simple and quick solution for adapting to the changes. The Open Balkan initiative is offered as a possible solution for enhanced active involvement.

Due to the uncertainty of whether and how long the Russian-Ukrainian conflict shall last, there is no possibility for a precise interpretation and projection of the impact on tourism development in North Macedonia. In general, two development directions of the international tourist demand in North Macedonia are possible, namely:

- 1) ***No change in the international tourism demand from Russia and Ukraine.*** In the foreign tourist structure registered in North Macedonia, tourists from Russia and Ukraine participate with an insignificant number³⁴. More specifically, in the period between 2011 and 2019, Russian tourists on average participate with 1 % in the total number of arrivals of foreign tourists and with 1.3 % in the total registered foreign overnight stays. That average for Ukrainian tourists is even lower, or 0.6% in arrivals and 0.8% in overnight stays, respectively. This means that in the past years, Russia and Ukraine have never been a significant direct inbound tourist market for North Macedonia. Hence, it can be interpreted that the impacts of the Russian-Ukrainian conflict shall not significantly affect the reduction of international tourism demand. On the other hand, despite the insignificant relative number in the total foreign tourist structure for the period between 2011 and 2019, the average length of overnight stays for Russian tourists was 2.9 days and for Ukrainian tourists was 2.7 days which is above the average of foreign tourists in North Macedonia (which was 2.2 days), thus indicating the potential of this group of tourists. Additionally, the analysis of 2021 is interesting, according to which the arrivals and overnight stays of tourists from Russia and Ukraine increased several times compared to the average for the period between 2011 and 2019. Furthermore, arrivals of Russian tourists increased by 2.6 times and overnight stay by 1.9 times, whereas arrivals of Ukrainian tourists increased by 5.5 times and overnight stays by 2.7 times. This means that in 2021, the number and overnight stays of tourists from Russia and Ukraine increased significantly, which once again confirms the potential of this group of foreign tourists

31 UNWTO. World Tourism Barometer, 20(5), p.1, September 2022.

32 The data refers to October 2022 according to the State Statistics Office of the Republic of North Macedonia, Price Announcement

33 UNWTO. (2022). Impact of the Russian offensive in Ukraine on international tourism – Overall assessment of the impact on tourism. <https://www.unwto.org/impact-russian-offensive-in-ukraine-on-tourism>.

34 (<http://makstat.stat.gov.mk>).

- 2) ***Increase in the foreign tourist demand.*** North Macedonia could benefit from the Russian-Ukrainian conflict by “taking over” tourists who normally visit Russia and Ukraine or the immediate surroundings. Namely, with a good pricing policy and targeted promotion, North Macedonia can identify new inbound tourism markets.

Regardless of the direction in which the international tourist demand in North Macedonia shall develop, it is necessary to take into account that the Russian-Ukrainian crisis has caused reservations among tour operators who are restrained in offering to the tourists from the wider region primarily for security reasons. Hence, it is mandatory to work on promoting North Macedonia, and the Open Balkan region, as an extremely safe tourist destination.

5 TOURISM AND THE OPEN BALKAN INITIATIVE

5.1 ANALYSIS OF INBOUND TOURIST FLOWS FROM OPEN BALKAN

The basic tourism statistics for the period between 2011 and 2022 for Albania and Serbia as inbound tourist markets for North Macedonia are shown in Table 9. A more detailed analysis was carried out with data for the period between 2011 and 2019, while due to the negative impacts of the COVID-19 pandemic; the data for 2020 and 2021 are exempt from the in-depth analysis.

Table 9 shows that the participation of foreign tourists from Albania and Serbia in the total international tourist demand of North Macedonia in the analysed period (between 2011 and 2019) was on average 4% for tourists from Albania and 9% for tourists from Serbia. There had been a continuous increase in relative numbers throughout the analysed period until 2020, when due to the COVID-19 pandemic; there were almost no foreign tourists in North Macedonia. Considering that these are neighbouring countries, the trend of their arrival continues even in the pandemic period (2020), but in a drastically lower number due to the travel restrictions and security protocols for tourist overnight stays. That is the reason why the absolute participation of tourists from Albania and Serbia in the total international tourist demand in North Macedonia recorded an increase in 2020 (7.2% for tourists from Albania and 9.9% for tourists from Serbia).

Table 9: Number of arrivals and overnight stays of foreign tourists from Albania and Serbia in North Macedonia, 2011-2022

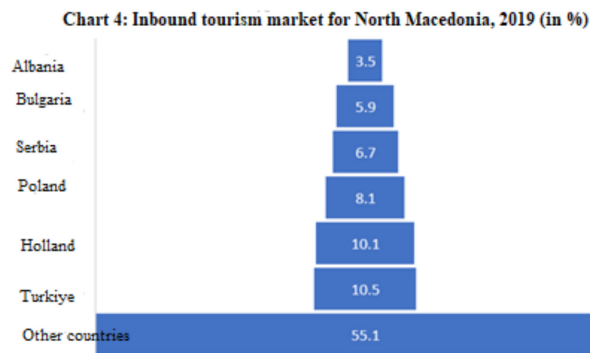
Year	Albania				Serbia				North Macedonia	
	Tourists	%	Overnight stays	%	Tourists	%	Overnight stays	%	Tourists	Overnight stays
2011	13.614	4,2	35.916	4,8	35.692	10,9	72.601	9,6	327.471	755.166
2012	13.412	3,8	34.707	4,3	36.530	10,4	71.153	8,8	351.359	811.746
2013	16.982	4,2	40.671	4,6	38.127	9,5	74.076	8,4	399.680	881.375
2014	17.561	4,1	42.067	4,6	41.013	9,6	76.630	8,3	425.314	922.513
2015	18.493	3,8	39.086	3,8	43.613	9,0	85.042	8,2	485.530	1.036.383
2016	20.862	4,1	44.217	4,2	50.145	9,8	93.782	8,9	510.484	1.054.017
2017	21.194	3,4	44.928	3,5	53.121	8,4	100.692	7,8	630.594	1.294.692
2018	27.311	3,9	53.531	3,6	57.460	8,1	100.520	6,7	707.345	1.491.535
2019	27.311	3,6	55.686	3,5	59.567	7,9	106.103	6,7	757.593	1.577.771
2020	11.555	9,8	18.315	7,2	11.697	9,9	25.109	9,9	118.206	252.930
2021	16.410	5,6	31.500	4,7	43.914	14,9	89.612	13,4	293.963	670.460
2022*	11.597	4,2	20.426	3,5	37.123	13,5	74.713	12,8	274.517	585.436

Note. *The data for 2022 is incomplete and refers only to the period from January to June.

Source: Calculations according to the MakStat database of the State Statistical Office of the Republic of North Macedonia (<http://makstat.stat.gov.mk>).

In 2021, tourism in North Macedonia was recovering and compared to 2019 as the best year before the COVID-19 pandemic, almost 60% of the number and overnight stays by tourists from Albania and 75% of the number and overnight stays by tourists from Serbia were registered. This clearly shows that tourists from these countries are returning to North Macedonia, which is also supported by the partial data for the first seven months of 2022, when 70% of tourists from Albania and 80% of tourists from Serbia were registered.

In addition, the importance of tourist flows from these two countries for North Macedonia is confirmed because they are ranked among the best 6 inbound tourism markets for North Macedonia. Namely, in 2019 as the best tourist year for North Macedonia, tourists from Albania participated with 3.5% in the registered foreign overnight stays, and tourists from Serbia with 6.7% (Chart 4).



Source: Calculations according to the MakStat database of the State Statistical Office of the Republic of North Macedonia (<http://makstat.stat.gov.mk>).

The potential size of Albania and Serbia as inbound markets for North Macedonia has been further analysed by calculations of standard indicators of seasonality in tourism (Gini coefficient - G, Theil coefficient, seasonality indicator - SI, and coefficient of variation - CV)³⁵. In the analysed period (between 2011 and 2019), extremely low seasonality was determined, which means that tourists from Albania and Serbia visit North Macedonia constantly throughout the year. This indicates favourable preconditions for creation of a regional tourist market which can offer an innovative sustainable regional tourist product without any seasonal characteristics.

With the facilitations and free movements agreed within the framework of the Open Balkan initiative, the common regional market would contribute to further continuous tourism growth and creation of a destination with zero seasonality.

5.2 CHALLENGES AND OPPORTUNITIES FOR REGIONAL TOURISM COOPERATION

The tourism as a hospitality sector is of great importance for all of the countries that work on tourism development, thus the freedom to provide services is one of the most important principles on which the regional cooperation is based. This means that hospitality and tourism services can be freely created and performed under equal conditions regarding company establishment and operation in that sector. The services have gained importance many decades later, following the General Agreement on Tariffs and Trade, thus the expected implementation of free movement of services lags behind the free flow of goods. Hence, there is a large room for progressing and integrating the economies, especially the economies of the members of Open Balkan.

Under conditions when all members of the initiative have a modest level of technological development, tourism offers an opportunity for foreign currency inflow way easier through creation and sale of a joint tourist product, rather than through an industrial product and its export. Hence, the connection of the economies of the members and the initiated regional tourism cooperation in a joint regional market of over 10 million inhabitants means free movement of the Open Balkan tourist market, which is estimated to have the same number of domestic tourists. In addition to that figure is the possibility of visiting tourists from distant third countries who generally would not decide to visit three small countries separately.

Opportunities are opening up to create a common competitive tourist destination that is abundant in natural beauties, economic stability and security. The main goal that offers the possibility of regional tourism cooperation is to increase the utilisation and promotion of the tourist potential of all members as a quick and easily accessible regional weekend destination. This is easily achievable through the air lines connecting Skopje with Belgrade, Tirana, Sarajevo, Pristina, and Podgorica and vice versa.

35 Со примена на стандардни формули, пресметани се индикатори за сезоналност во туризмот, при што основна променлива е остварени ноќевања во Северна Македонија на туристи од Албанија и Србија за периодот 2011-2019 година. Така, за Албанија G = 0,1904, Theil = 0,0256, SI = 0,5154 и CV = 38,8, додека за Србија G = 0,2156, Theil = 0,0299, SI = 0,5827 и CV = 40,4.

The following key dimensions may act supportively; however, they can also be inhibiting to the regional tourism cooperation:

Challenges related to the economic dimension: Despite the positive trend of tourism development in North Macedonia, given the unfavourable and turbulent circumstances in the wider European and world context, the economic benefit for North Macedonia from the common market depends on several factors, such as: the distribution of benefits from tourist flows in the regional destination, the development of the general and tourist infrastructure and the availability of the labour force qualified for hospitality-tourism activities. On the one hand, the regionalisation can result in greater benefits for larger and more tourist-ready members (for instance: Serbia), and in distortion and marginalisation for the smaller members. However, it has been proven that the regional integration always gives better results for “small” members than the modest and insignificant results of independent individual non-competitive presentation.

Challenges related to the political dimension: Therefore, the tourism is the key to achieve political stability through the focus on culturalism and cosmopolitanism; hence the open political issues become secondary. When joining a common market, the existing political and historical differences are ignored, and the priority is unity, stability and prosperity for all of the countries members of the group. The regional tourism market means rapprochement, freedom, openness and cooperation, rather than political instability, divergence, limitation and disintegration.

Challenges related to the European development dimension: Through the real functioning of a common tourist market, the members of the initiative, which at the same time have aspirations for membership in the EU, are a step closer to realising that strategic development objective. Strengthening the regional tourist market and supporting its development simultaneously means respecting the basic principles and fulfilling the criteria for accelerated integration into the EU.

6 QUALITATIVE ANALYSIS

6.1 RESEARCH METHODOLOGY AND OBJECTIVES

The qualitative research is an additional primary examination of the opinions and attitudes of tourism professionals about the development policies and strategic directions of the tourism sector in North Macedonia.

The data collection method is an online asynchronous in-depth interview conducted through email³⁶. This technique was chosen due to numerous advantages in data collection, such as: saving time, the respondents can answer in writing at any time, the health security and safety is taken into consideration, the risk of errors in data collection is eliminated, and the respondent independently formulates the answer which can later be reread, providing more details and specifications. An additional reason for applying this technique is the limited access to respondents who are mostly policy makers, which means that due to their managerial position they have limited free time.

Firstly, a question protocol was created and it comprised of 3 main parts having 5 questions each and sub-questions which served to clarify/facilitate the respondents in the direction of answering and obtaining general and expert opinion (Appendix 1 – Protocol for carrying out a qualitative research). Respondents are representatives of institutions (in)directly involved in the process of policy-making and decision-making for the tourism development in North Macedonia, university professors with an expert opinion on tourism growth and regional development, and long-term practitioners who are very familiar with the situation in the tourism sector. The data was collected in October 2022 by interviewing 6 people. All of the data collected with a wide range of diversity, was listed and interpreted, thus resulted in a great deal of answers and possibility of comprehensiveness in interpretation. Out of the numerous techniques for qualitative analysis available, a combination of the following was used:

- The method „keywords in context“³⁷– *posteriori* keywords (words that are frequently used) are selected, which are important for the research and are beneficial when the conclusion is drawn;

36 Meho, L. (2006). E-mail interviewing in qualitative research: A methodological discussion. *Journal of the American Society for Information Science and Technology*, 57(10), 1284-1295.

37 Fielding, N.G. & Lee, R.M. (1998). *Computer analysis and qualitative research*. Thousand Oaks, CA: Sage

- The „word count“ method – specific words that describe the statement (linguistic fingerprints)³⁸ are selected and the number of times they are repeated is counted in order to reveal analytical integrity; and
- The „classical content analysis“ method³⁹ – codes are identified and their repetition is counted in order to reveal the concept of the statement.

The purpose of the qualitative research is to obtain detailed and specified expert answers providing closer views, opinions, advantages and disadvantages of the stakeholders responsible for policy making and decision-making for the tourism development in North Macedonia.

6.2 GENERAL DATA ON THE RESPONDENTS

The first part of the interview consists of general data about the respondents regarding their job position and the institution where they are employed in.

Table 10. Summary results of questions regarding the general data on respondents

Question	Answer	Number of answers
Job position:	Management	2
	Employee	
	Tourism Analyst	2
	Professor	2
	Public institution (Ministry, Chamber of commerce, etc.)	1
Institution	Hospitality sector	1
	Travel agency (tour operator)	1
	Educational institution (faculty, institute, etc.)	2
	Other (Tourist guide)	1

Table 10 shows an equal representation of respondents in relation to the job position, or two of the respondents are managers, two are tourism analysts and two are professors. According to the institution in which they work, the respondents work in a ministry (public institution), university, hospitality sector, travel agency and tour guide. A conclusion can be drawn that the respondents match the profile and expertise for analysing the tourism sector in North Macedonia because they are directly and indirectly involved in the decision-making process for tourism development and are very familiar with the current situation and challenges for tourism growth.

38 Pennebaker, J.W., Mehl, M.R., & Niederhoffer. (2003). Psychological aspects of natural language use: Our words, our selves. *Annual Review of Psychology*, 54, 547–577.

39 Bauer, M. W. (2000). Classical content analysis: A review. *Qualitative researching with text, image and sound*, 131, 151.

6.3 GENERAL VIEWS AND RESPONDENTS' OPINION

The second part of the interview comprises of questions with regards to the general views. The objective is to find out the respondents' general opinion about the Open Balkan initiative for regional cooperation and the specific meaning of the initiative in the context of tourism.

Main findings with regards to the opinion on the initiative Open Balkan for regional cooperation (Key words: excellent initiative, regional economic growth and development, modest results, necessity of commitment in order to be implemented):

- Almost all respondents (5) believe that the Open Balkan initiative is excellent, and only a single respondent evaluates it as good, which would contribute to strengthening economic flows. Almost all of the respondents agree that the initiative provides an opportunity for better economic and logistical cooperation among the members since regional stability also means development. Emphasis is placed on creating favourable conditions for strengthening the regional aspect of cooperation at all levels, especially in the field of personnel mobility.
- Almost all of the respondents (5) consider that many limitations still exist, so regardless of the signed cooperation agreements, the results are modest. There is still no concrete easing of the procedures that the tourist trips organisers during their realisation are faced with in the countries of Open Balkan. With regards to the hospitality industry, the initiative offers a huge opportunity, but there would be much more significant effects and better results provided that the other countries from the region were also involved.
- A small part of the respondents (2) appeal to be careful about the possible overlapping and duplication with CEFTA.
- Half of the respondents believe that work should be dedicated to the implementation of the initiative so that the citizens can see the benefits of the cooperation. They call for coordination in order to find a single common platform for increased cooperation. What is stated as a prerequisite is the inevitability of working in synergy as to expect better tourism results. The solution to success is seen in association in a common market that shall be more competitive in international tourist flows.

The conclusion drawn from Table 11 is that the greater number of the respondents assess that the greatest benefit of the Open Balkan initiative is the regional economic growth and development. Undoubtedly, the economic dimension of the regional integration is the basic essence, even in the context of tourism development. Thus, the improvement of the business climate, creation of new jobs and increased employment, attraction of foreign direct investments, support and stimulation of domestic investments, shall mean improvement of the region's well-being. In that direction, the tourism can contribute to the increase and prosperity of economic growth, and with that the members of the Open Balkan would make faster progress towards the European integration. North Macedonia, as a small country with its fragmentation in the economic area of the region, is offered an excellent opportunity as to ensure continuous progress through the common regional tourist market.

Table 11: Summary results of a question regarding respondents' general attitudes and opinions

Question	Response	Number of responses
2. Please mark which of the offered options best describes the Open Balkans initiative.	2.1. Possibility of easier integration into the EU	
	2.2. Good neighbourly relations and regional stability	
	2.3. Common regional tourism market	
	2.4. Increased attractiveness of the region as a tourist destination	1
	2.5. Regional economic growth and development	4
	2.6. Increased competitiveness in the international tourism market	1

6.4 EXPERT VIEWS AND RESPONDENTS' OPINION

The third part of the interview contains questions with regards to the expert views. The objective is to reveal the respondents' opinion on the tourism in North Macedonia in context of changes in the environment due to the COVID-19 pandemic and the crisis arising from the Russian-Ukrainian conflict, with the possibility of identifying recommendations for strategic tourism growth through regional unification of the tourism market.

The main findings of the opinion on the impacts of the new environment (COVID-19 pandemic and the Russian-Ukrainian conflict) on the tourism in North Macedonia (Key words: huge losses, insufficient measures, stagnation) are the following:

- All respondents have assessed the extremely negative COVID-19 pandemic consequences for the tourism and hospitality in North Macedonia, seen through the decline in tourist turnover, cancellation of contracts with foreign tour operators, loss of jobs, social instability and insecurity, and closing of businesses. The complete closure of the countries and the ban on travel and movement resulted in huge losses.
- The adopted measures and applied instruments to deal with the consequences of COVID-19 in North Macedonia were similar to those in other countries, but the majority of respondents have evaluated them as inadequate, insufficient and modest. It was assessed that the measures should have been more aggressive and applied for a longer period of time in order to overcome the negative impacts far easily. The main reason for the impossibility to respond sufficiently in order to remediate the negative consequences on the economy from a microeconomic point of view is the slow and untimely reaction of the Government to initiate measures, the selective approach of choosing companies to receive subsidies, the small budget intended to deal with the

challenges of the pandemic, the complex administrative procedures and the stringent aid criteria. It is estimated that insignificant measures have been applied to revive the tourism sector in general through support and subsidisation for travel in the country, thus the domestic tourism has been supported, but not enough to overcome the large losses.

- An opportunity for additional measures in the tourism has been identified, such as: monitoring and evaluation of the use of vouchers to encourage domestic tourism, obtaining non-refundable funds for lost jobs, providing subsidies to hospitality-tourist entities to attract tourists, increased promotion with reference to natural resources, healthy food and traditional activities in the rural areas, the possibility of obtaining greater loans with lower interest rates and a longer repayment period, harmonising and strengthening of the intersectoral cooperation, and compliance with the requirements of the chambers of commerce.
- All of the respondents unreservedly have assessed that the Russian-Ukrainian crisis generally has affected the overall economic development in the world, and thus the tourism development. The unfavourable inflationary movements, high energy prices, rising prices for arrangements and unstable international environment, dissatisfaction and social insecurity, significantly affect the stagnation of tourism development at global and European level.
- Half of the respondents believe that the Russian-Ukrainian crisis in general shall fail to affect the tourism in North Macedonia, because an insignificant number of tourists from those countries are registered in the structure of foreign tourists, so it shall not be felt into the direct inbound market. It has been assessed that due to the relative proximity of North Macedonia to the countries in the conflict, it is possible that the tour operators, and thus the tourists from Western Europe and the world, would avoid travelling to the Open Balkan region as a destination for a short time, primarily as prevention. It is advised to work on promotion and raising awareness that North Macedonia, and thus the Open Balkan region, is a safe tourist destination and favourable price policy should be carried out.
- One opinion of a respondent was rather interesting due to the fact that it was stated that a possibility to benefit from the Russian-Ukrainian crisis exists by creating opportunities to attract new tourists and the possibility to create a new inbound market. Namely, because of the military conflict, instead of travelling to Russia and Ukraine or to the immediate surroundings, the tourists may decide to visit North Macedonia.

The main findings of the opinion on tourism policy and strategic tourism development directions in North Macedonia (Key words: inadequate tourism policy, lack of coordination, redefinition of strategic documents) are the following:

- Almost all of the respondents (5) believe that there is no proper tourism policy management and that there is no planning for tourism development in North Macedonia at all hence complete substantial reforms are advised.

- The biggest problem is the lack of initiative at all levels and of entrepreneurial spirit in tourism, as well as the lack of coordination of activities among numerous unions, associations and bodies operating partially and in a dysfunctional manner. It has been established that there is a need to create a separate ministry for tourism as a single body that will subsume and take over the roles of the two institutions, the tourism and hospitality sector at the MoE and APSTRNM. As a proposal, it is indicated to approach the re-establishment of the local tourist organisations, especially in the main tourist centres that had functioned successfully in the past.
- It has been identified that numerous weaknesses have arisen due to non-updated and outdated strategic documents for tourism development and the impossibility of their adequate applicability. Especially following the COVID-19 pandemic and the new geostrategic environment with the Russian-Ukrainian crisis, it is necessary to correct and create a new set of strategic documents. The absence of a current national strategy for the tourism development, sub-strategies with an expired deadline, misplaced development directions, the lack of regulations defining concrete solutions, as well as the many unrealised activities due to the new environment, are the remarks made by the respondents. There is no monitoring of the results of the activities proposed in the strategic documents, so it is not possible to evaluate the realisation and the degree of deviation in the planned strategic direction of tourism development according to the current tourism policy.

The main findings of the opinion on regional tourism cooperation (Key words: necessity of regional connectivity, creation of joint regional tourism product) are the following:

- The majority of respondents (4) believe that so far there has been good regional tourism cooperation with Albania and Serbia and that this is the future for the tourism development in North Macedonia. The creation of the Open Balkan initiative shall directly contribute to further strengthening and promotion of the existing regional tourism cooperation only if the agreed forms for facilitating the movement of people, goods, services and capital are consistently respected and implemented. The comparative advantage of Albania (sea) and Serbia (more developed tourist resources) has been mentioned as a possible potential danger for reduction of the tourist flows in North Macedonia, thus in the regional initiative, North Macedonia may only be a tourist transit zone.
- All respondents have emphasised the need to create a joint attractive regional tourist product as an opportunity for better positioning of the region on the international tourist market. The package offer of the region for tourist visits shall be far more attractive offer for tourists from more distant countries. The regional combined package means visiting the countries of Open Balkan as a whole single unit with its culture, gastronomy and tradition. It is necessary to offer favourable and inexpensive arrangements in the incoming tourism that shall be well promoted in the general price increase of all products and services.

- The circular tourist tours, which include visiting a larger number of destination countries, are indicated as a positive example and an advantage of regional association of the tourist market, for which there is already initial interest from tourists and tour operators. Taking into account that North Macedonia is a relatively small destination for the needs of modern tourists, it is necessary to facilitate the conditions for the movement of people and to create favourable preconditions for creating circular tours through the countries of Open Balkan. A cheap and well-promoted destination with a unified tourist market shall contribute to overcome all the shortcomings that North Macedonia has had over the years because it has acted independently.

7 CONCLUDING OBSERVATIONS – CHALLENGES OF THE COMMON REGIONAL MARKET

Up until 2019, the tourism in North Macedonia had recorded continuous moderate growth expressed in the number of registered tourists and overnight stays, or that is up until the break of COVID-19 pandemic. In 2020 the tourism recorded extremely negative results, and in 2021 a period of stagnation occurred. In 2022, a period of recovery of tourism development was obvious with expectation that in 2023 the best development trends shall be realised just as before the pandemic. However, the instability in the international environment, primarily caused by the Russian-Ukrainian crisis, gives an initial indication that the positive growth shall be prolonged to 2024.

The countries see a quick solution for economic progress in regional integration by inter-connecting in a common regional and single market with no restrictions, no borders and for long-term development that shall result in a better life for all citizens. With the idea of securing the four European freedoms through the practice of free movement of people, capital, goods and services, the Open Balkan initiative is a basic amplifier for regional connection and cooperation of as many citizens and companies as possible.

The integration of North Macedonia into a common regional tourist market has an objective, first of all, to enable greater and more stable economic growth to North Macedonia as a member of the Open Balkan initiative. Taking into account the many benefits that resulted from joining the EU as a model of economic integration, it is justified to expect that Open Balkan shall be a successful model at regional level that shall bring many economic benefits thanks to cooperation in tourism. Considering that one of the tourism functions is to maintain stability, the joint regional tourist market is an excellent opportunity to overcome certain open political and historical issues that are of common interest to the members. This, on the other hand, means acceleration towards EU membership. The favourable political dimension of the current processes brings the possibility of deeper economic benefits and lays the foundations for sustainable development.

Open borders, freedom of movement, facilitation, cooperation and progress among the members indicate a clear and open intention to realise a common regional tourism market through which the benefits for the members shall be immediately visible, primarily through economic growth and improvement of the quality of life. Thus, a comprehensive regional tourism market would mean attracting tourists from outside the wider region by creating a positive climate for the existence of a broad opportunity to facilitate the flow of passengers and services.

With joint coordinated cooperation, the initiative shall support the creation of a fully functional joint regional tourism market in a short period of time. The established general freedoms are an excellent basis as to further specify the other procedures and proceedings

related to the tourism development. At the same time, part of the planned initiatives that (in)directly contribute to the creation of a common regional tourist product, and thus the sustainability of the regional tourist market, are the following:

- Establishment of a joint agency for attracting investments, regional youth exchanges, schools, festivals (regional theatre festival) and funds (regional film fund);
- Promotion of the region as an attractive tourist destination with a focus on the exceptional wine and gastronomic potential; and
- Reduction and removal of fees and taxes arising from the procedure of cross-border movement of people, goods or services.

Consistency, transparency and commitment of the institutions in the management of the agreed activities are inevitable as to achieve visible results from the commenced integration to create a common regional tourist market. At the same time, it is an appeal to tourists to consciously choose to travel to nearby but „new“ destinations that shall be economical for the budget, but also shall be tailor-made to the needs of the „new age“. In that context, Open Balkan, from a tourist point of view, initiates the creation of a competitive destination in Europe, but also in third countries, attracting a greater number of tourists who shall discover the destination in a different way, through the practice of active forms of tourism, wine and cultural routes. It means creating a regional destination attractive throughout the whole year (in the four seasons) by offering visits to lakes, national parks, archaeological sites, monasteries, churches and mosques, and other attractions with a rare undiscovered multiculturalism.

8 RECOMMENDATIONS

The objective of each regional integration process is to act as a preparatory step for members having aspirations to enter the EU, but so far have failed to succeed. The creation of a regional tourist market through which the members shall make an attempt to get closer to the internal market of the EU is in that direction.

It is necessary for North Macedonia to make an institutional effort in order to be a step closer as to realise the integration at regional level. The offered recommendations refer to: recommendations for general strengthening of the Open Balkan initiative in terms of tourism growth and development, and recommendations for promoting the regional tourism market. Considering that the recommendations would be implemented through a series of initiatives, their interweaving and complementarity is possible.

The recommendations for strengthening the Open Balkan initiative in the context of the tourism development of North Macedonia refer to specific activities that should be implemented, namely:

- Providing additional institutional support to connect and integrate all of the stakeholders in order to ensure sustainability of the current tourism flows, and develop new strategic partnerships and collaboration.
- Coordination among the members at all levels for the full operationalisation of activities and initiatives respecting the principles of European integration and European standards.
- Legal improvements in North Macedonia to create conditions for treating tourism as in the countries of Open Balkan and Europe at ministerial level.
- Sharing experiences from the treatment of tourism at ministerial level, as in the examples of Albania, which has a Ministry of Tourism and Environment, and Serbia, which has a Ministry of Trade, Tourism and Telecommunications.
- Sharing and application of good regional practices in tourism.
- Introducing simple travel rules and harmonising the visa regime for tourists from the Open Balkan, as well as from third countries, including digital solutions for contactless and safe travel.
- Harmonisation of the labour market regulation in order to ensure sufficient workforce in the region that shall be engaged in the hospitality-tourism sector.
- Harmonisation of the regulations for the operation of tourist agencies for carrying out tourist activity.
- Strengthening of institutional capacities that would contribute to broad support of the business community and chambers of commerce and associations.

The recommendations for promoting the regional tourism market refer to specific individual activities of North Macedonia, but also of the other members, namely:

- Increasing the quality of hospitality and tourism services in each member state, making the region more attractive.
- Initiating capital investments in traffic and tourist infrastructure.
- Formation of a mandatory special item in the APSTRNM budget for a creative tourism promotion campaign and creation of a recognisable regional tourism product that shall encourage multiculturalism.
- Creation of a regional tourist offer based on the real potential of Open Balkan which is identified in the archaeological and natural treasures, wine tourism and gastronomy which shall be offered in all four seasons throughout the year.
- Tourism branding with road marking of tourist attractions, marking and visibility of border crossings, as well as building common platforms for cooperation in Open Balkan as common destination.
- Promotion of the Open Balkan destination as a safe and accessible destination that offers diverse and tourist attractive concepts.
- Subsidising travel agencies in North Macedonia that operate „incoming“ tourism for the realisation of circular tourist routes through the common regional market.
- Adjustment of members to the new needs of tourists from the region (low prices, short trips full of interesting content, emphasis on safety and security during travel and stay, lowering the age limit of tourists)

Impossibility to respect and implement the recommendations can lead to potential **risks**, such as:

- Non-complementarity of the regional tourist market with European standards and integration principles;
- Individual dominance of a member, and thus unequal distribution of benefits and inconsistency in the creation of strategic tourism development documents; and
- Defocus from tourism regional growth and development goals

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This research was carried out within the framework of the project „Strengthening the regional economic integration - The opportunities and benefits of the regional common market in the sector of agriculture and tourism in North Macedonia“, implemented by Analytica - Skopje, with the financial support of the Open Society Foundation - Macedonia. The content of this brief is the sole responsibility of Analytica - Skopje and under no circumstances can be considered to reflect the views of the Open Society Foundation - Macedonia.

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