

PERSPECTIVES ON INTEGRATION OF THE WESTERN BALKAN REGION INTO THE GLOBAL TOURISM VALUE CHAIN

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Abstract: *this paper aims to perceive the perspectives on integrating the Western Balkan region into the global tourism value chain. The research is based on the analysis of selected indicators of the number of tourist arrivals, international tourism revenue, percent of GDP, and hotel and restaurant price index for the 2017-2020 period. Additionally, a survey was conducted to collect the answers of hotel and travel agency representatives on tourism potentials, cooperation, and obstacles to development. The research revealed that the perspectives are related to developing the joint regional tourist offer, further improvement of infrastructure, association with international tour operators, investment in human resource development, and an emphasis on promoting the region's tourist potential.*

Keywords: *tourism, global value chain, Western Balkan region, perspectives.*

Discussion

Despite the diverse development potential of the five Western Balkan countries: Montenegro, Serbia, Bosnia and Herzegovina, Albania, and Northern Macedonia, the services sector is dominant in all national economies and contributes significantly to gross value added and employment. Within the service sector, tourism has been growing dynamically in the last two decades, mainly due to the inflow of foreign direct investment, the improvement of infrastructure, and the development of the tourist offer. The 2019 Travel and Tourism Competitiveness Index indicated the highest average score growth in the Balkans, Eastern Europe, and Eurasia subregions

(World Economic Forum, 2019). Western Balkan tourist destinations are becoming increasingly competitive, along with the richness in natural beauty, historical and cultural heritage, recognizability for good entertainment, and exciting nightlife. Within the Western Balkan region, tourism is vital for the economies of Montenegro and Albania, which depend mainly on the export of tourist services.

The tourism sector contributes significantly to GDP growth, employment, and local development. To take advantage of tourism's potential and growing competitiveness in the Western Balkans, it needs to be further developed with a particular focus on cooperation between all actors at the regional level. The global value chain (GVC) concept is based on the paradigm that the full spectrum of activities that bring the product/service from its conception to its end-user is carried out by multiple enterprises across different geographic areas. GVC enables local businesses to access missing knowledge, technology, and resources. Advanced and developing countries benefit from GVCs through efficiency gains, diversification, knowledge diffusion, and job creation (Todo et al., 2019). Participation in GVCs brings mutual benefits to countries through productivity spillovers based on intermediate trade, learning by interacting, accessing new markets, and upgrading for positioning in higher value-added activities (Yanikkaya & Altun, 2020). Hjalager et al. (2016) distinguish between two approaches to the value chain in tourism: destination logic and supply chain logic. However, in both cases providing tourist service is the product of a series of system and subsystem activities in which value is added for the end-user.

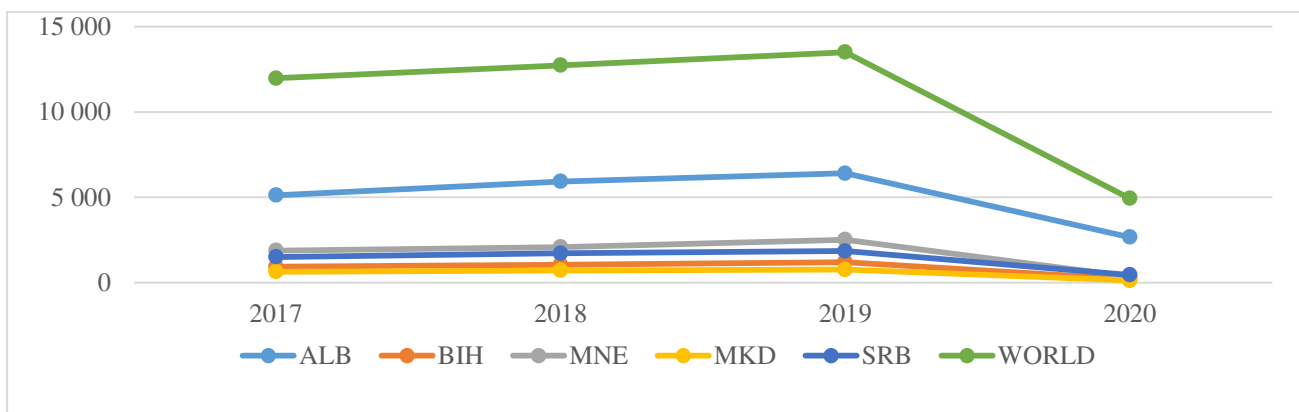
Given that the concept of GVC analysis finds wide application in sector analysis, this paper aims to perceive the perspectives on integrating the Western Balkans into the global tourism value chain (GTVC). The research subject is selected tourism development indicators, i.e., tourist arrivals, international tourism revenue, percent of GDP, and hotel and restaurant price index for the 2017-2020 period. Data on indicators were collected from The Global Economy website. Additionally, a survey was conducted to collect the answers of hotel and travel agency representatives

on potentials, cooperation, and obstacles to tourism development in the WB region. In 2021, during the pandemic caused by SARS-CoV-2, five hotels and travel agencies were included in the survey. A structured questionnaire was used with multiple choices of predefined answers and assessment possibilities using the Likert scale (Beraha & Đuričin, 2020). The survey was conducted directly by phone interviewing or indirectly by sending an E-mail questionnaire. The survey results indicate the current position, obstacles, and prospects for the WB integration into the GTVC.

Results

Measured by the number of tourist arrivals, the Western Balkan region recorded positive trends in the period before the pandemic crisis. Namely, the number of tourist arrivals in 2017-2019 increased in all countries. The highest growth of 34% was in Montenegro, while Bosnia and Herzegovina, Albania, Serbia, and Northern Macedonia recorded 30%, 25%, 23%, and 20% growth, respectively. However, such a trend was halted in 2020 due to the crisis. The restrictive measures introduced in Montenegro to prevent the spread of the virus caused an 86% decrease in the number of tourist arrivals in 2020 compared to 2019. Similarly, the number of tourist arrivals in Northern Macedonia, Bosnia and Hercegovina, Serbia, and Albania decreased by 84%, 83%, 76%, and 59%, respectively. The number of tourists in the WB and the world in the 2017-2020 period is presented in Chart 1.

Chart 1. Tourist arrivals: WBC vs. World, 2017-2020.

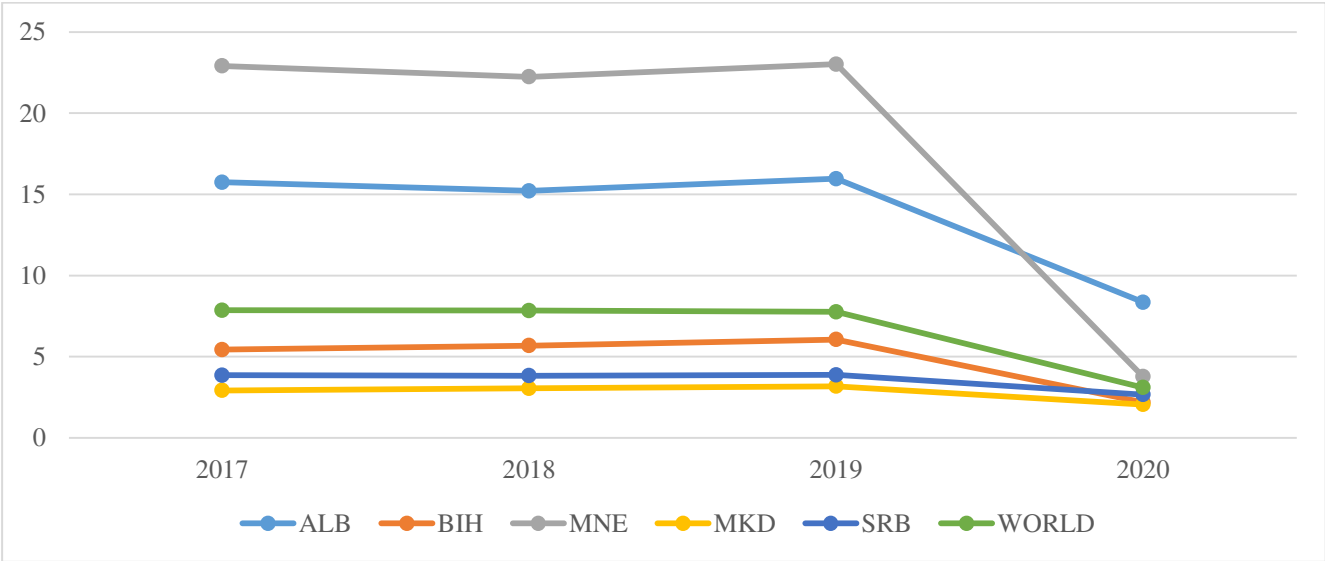


Source: According to GlobalEconpmy data

A drastic drop in the number of tourist arrivals in 2020 was recorded worldwide, which confirmed the vulnerability of the tourism sector to measures taken to prevent the spread of the virus. Hotels, restaurants, and household services have shown the highest exposure within the tourism sector (Guerini M. et al., 2020). The average number of tourist arrivals in the world in 2020, compared to 2019, decreased by 63 %. In 2019, the average number of tourist arrivals in 165 countries was 13,511, while in 2020, it was 4,935 in 123 countries. Accordingly, the decline in the number of tourist arrivals had a negative impact on the value of international tourism revenue and its share in GDP.

In the 2017-2019 period, Western Balkans showed considerable potential to generate international tourism revenue. This primarily refers to Montenegro and Albania, which recorded 66% and 55% higher international tourism revenue, percent of GDP than the world average.

Chart 2. International tourism revenue, percent of GDP, WBC vs. World, 2017-2020.



Source: According to GlobalEconpmy data

In the observed period, the average value of international tourism revenue, percent of GDP at the global level was 7.82 %, while it was 22.72% and 15.64 % in Montenegro and Albania, respectively. In Bosnia and Herzegovina, Serbia, and

Northern Macedonia, it was below the world average (5.73 %, 3.86 %, and 3.05 %, respectively). Due to the restrictive measures, the international tourism revenue, percent of GDP decreased by approximately 84% in Montenegro, which is 24 % higher than the world average. Also, a 64 % decrease was recorded in Bosnia and Herzegovina, which is above the world average. Albania, Northern Macedonia, and Serbia recorded a decline of 48 %, 35 %, and 31 %, respectively. A considerably lower decline in international tourism revenue, percent of GDP in Albania compared to Montenegro is mainly due to the price of tourist services. In 2020, most of the international tourism revenue of Albania and Montenegro was from other Western Balkan countries' visits. In the year of restrictive measures and limited movement of people, Albania offered significantly cheaper tourist arrangements than Montenegro, especially during the summer season. For comparison, the hotel and restaurant price index in Montenegro and Albania is approximately 74 and 51 index points, respectively. Compared to the world average, this index is 26% lower in Montenegro and 50% lower in Albania. It is 46%, 38%, and 31% lower in Northern Macedonia, Serbia, and Bosnia and Herzegovina.

The value of the indicators shows that Montenegro and Albania have the most excellent prospects for tourism development. Also, some countries in the Western Balkans have significantly higher international tourism revenue, percent of GDP than the world average.

After the partial abolition of restrictive measures in 2021, a survey was conducted to perceive the current potential, obstacles, and prospects for the WB's participation in the GTVC. Notably, the survey provided insights on how the representatives of hotels and travel agencies rate their position and cooperation in the value chain, what is their attitude toward support organizations (associations, clusters, business networks), what is their business orientation, and finally, how they evaluate their human resources capacity.

Respondents assessed the cooperation in the value chain as good and pointed

out that it is necessary to develop joint regional tourist routes further. Before the crisis, tourist locations were not famous enough for domestic guests, but the pandemic period opened an ample space to promote tourism in the region. Also, research showed that significant progress was made in terms of cooperation between hotels and online service providers. However, travel agencies still play the most crucial role in realizing travel arrangements. As subcontractors, tourism actors hold lower positions in the value chain. Travel agencies perceive the importance of cooperation with support organizations. Consequently, they are members of at least one relevant association, cluster, or business network, such as Danube tourism cluster Istar 21, Danube Competence Center, Association of Receptive Agencies, International Air Transport Association, European Tourist Bus Association (ETOA). On the contrary, hotels reported no such membership. Travel agencies and hotels are business-oriented in both national and international markets, whereby arrangements from abroad account for approximately 20% to 85% of the total services provided.

The most common services provided by travel agencies are accommodation, food and beverage, summer youth trips, work and travel programs, skiing, tour packages, Balkan tours for foreign tourists, excursions, group team buildings, travel services, ticketing services, corporate travel, etc. Arrangements in the region account for 15 % to 20% of the total offer of travel agencies. The typical tourism jobs are manager, service and sales workers. The most frequently cited obstacles are skilled workforce shortage, unfair competition from private accommodation units, and insufficient institutional support. Respondents believe that qualified and experienced employees are only partially available in their countries. Other problems relate to wages, labor regulations, emigration, work discipline, etc.

Perceptions of development opportunities differ among countries due to seasonal dependence. This is especially characteristic of Montenegro and Albania because of the sea tourism. The research also revealed that the positioning of the Western Balkans in the international tourism market is constrained by the difficulty of

directly placing the tourist offer in the Europe and China market. Accordingly, further cooperation with global tour operators and transport service providers is necessary. Despite significant progress, infrastructure needs to be further developed throughout the WB region.

Conclusions

The considerable expansion in recent decades, the richness of natural, cultural, and entertainment facilities, price competitiveness, and the growing trend in tourist arrivals and revenues before the pandemic indicate the potential for further tourism development in the WB region. The research revealed that the perspectives on integrating into the GTVC are related to developing the joint regional tourist offer, further improvement of infrastructure, association with international tour operators, investment in human resource development, and an emphasis on promoting the region's tourist potential. The value chain concept can be a valuable tool for policymakers to strengthen and improve the tourism sector's competitiveness by connecting all regional actors engaged in creating and delivering the tourism experience.

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