

IMPACT OF TOURISM ON REGIONAL ECONOMIC DEVELOPMENT

*Vera Karadjova*²¹

*Katerina Angelevska-Najdeska*²²

Abstract: The paper stresses the impact of tourism on the economic development, especially on the regional economic development. Using that aspect of development, the aim of this paper is to discover a part of potential factors for mutual regional development of the Balkan Peninsula states, especially in the sphere of tertiary activities and tourism in that frames. Further detailing will be direct on utilization of natural wealth as favorable climate conditions and natural beauties as comparative advantage of the Balkan region that fortunately remain almost untouched by the contemporary polluters present in the other parts of the world. This kind of analysis must stress not only the current situation, but especially have to determine future directions through different programs in order to achieve positive impact on development process.

Using natural benefices as a real development factor will be examine through a theoretical model for Republic of Macedonia, and then in a broader region with which Macedonia has natural relations. That is because Republic of Macedonia is a small country situated in the southern part of the Balkan Peninsula and it is a natural bridge between east and west, north and south. Priorities in Macedonian development perspectives are: to increase the economy efficiency and to achieve sustainable development; to increase employment and improve social conditions; to develop open economy and to ensure necessary domestic products protection; and export orientation of the economy. In order to accomplish those basic directions and development priorities, a number of limiting factors have to be overcome. One of the possible solutions may be creating tourism regional development strategy, using the possibilities for attracting visitors from large metropolises. That gives possibility for using tourism and especially its ecological aspects as one of the most important segments for realization of the regional development of Macedonia and a broader Balkan region.

Key words: Economic Development, Regional Aspect, Tourism, Factors for Economic Development

JEL classification: O18

UDC 338.48:332.1(082)

²¹*Vera Karadjova, Faculty of Tourism and Hospitality, Ohrid, Republic of Macedonia, verakaradzo@yahoo.com*

²²*Katerina Angelevska – Najdeska, Faculty of Tourism and Hospitality, Ohrid, Republic of Macedonia, k_angel_naj@yahoo.co.uk*

INTRODUCTION

The concept of economic development with the incensement of material production and newly created value in a country and which is desired to be fulfilled from year to year, in modern conditions of globalization of this conceptual determination of the economic development surpasses the national borders. To take into consideration the theoretical and practical possibility for planning, organizing, accomplishing, and analyzing of the totality of such economic development except of branch (structural) and dynamic (temporal) aspect and also from territorial or rather spatial and regional aspect, we come to an approach of regional integration as a conscious activity of economic subjects, and which completely spontaneously attaches to the natural interactive dependency of things, objects and subjects independently on which side of the borders drawn by man they are. So, economic activities are simply located in a certain geographical space and on this geographical space filled with economic activities, and subject that accomplish them and mutual relations and influences between them, it turns into economic space. During this, every economic activity which as a real and social phenomenon happens on some point or such determined space, further it achieves effects which are concentrically spreading in closer and further economic surrounding. To start with the most basic economic theory, the regional aspect of the regional development puts compresses to minimization of expenses that come in surmounting the space meaning on concentrating on needed factors of production on one place and bringing products and services nearest of to the spenders. To accomplish all this, that is to say accomplishing the highest economic effects with the least expenses, numerous problems need to be solved, assignments and aims which together form the content of the spatial aspect of the development. Rational and efficient accomplishing of the economic activities from the aspect of space demands knowledge of economic laws and principles that regulate economic activities from spatial and territorial aspect, that is to say it is inevitably to involve knowledge and principles of spatial economics.

To use two-dimensional access to spatial economy and regional development in its frames, that is to say applying of the knowledge for the regional development in surpassing of inadequate development between separate regions in one national economy from one side and the need to bring into accord the development between regions that belong to different countries or rather with parts of different economic systems and to homogenate natural systems in the same time as a second and much more complicated aspect of this problematic, this work discusses some moments of the second aspect of the regional development. Taking into consideration the size and complexity of this problematic and the spatial limitation for the text of this kind, this work not even from far away aspire on holistic processing of the previously mentioned problematic, but it is only one simplified theoretical model for bringing into accord the inner state or regional development between states of a geographical region like the Balkan Peninsula and the countries that are embraced, to start with the Republic of Macedonia as a part of that region. The further specification refer to the try to analyze the place and the part of tourism in context of regional development, especially its ecological aspects and the maximum permitted abstraction from theoretical aspect of all other activities and branches on that geographic region.

TRANSITION AND REGIONAL DEVELOPMENT OF THE BALKAN PENINSULA STATES

Trying to analyze integrally any aspect of the economic activity of the Balkan Peninsula countries, the first connotation that is valid for most of them is that they are "countries in transition". This term only shows existence of some changes - but the kind of changes may be very different. The nomination as "countries in transition towards market economy" closely specifies the character of the changes that are activated in the economical practice of those countries, which are pure opposite, a 180° turning in relation to the ideology which cultivated on their scope for 50 years raised to a level of "general truth" and on which the total space for discussion and different thinking was closed when the ideological prejudices are almost completely surpassed, pluralism is introduced in all spheres of living (political pluralism, pluralism of ownership, markets pluralism and so on). In such conditions more brave names started to be used "contemporary market economy", "stock economy", "intrapreneuring economy" and similar, and in any case we talk about economies that are more or less successful and they need more or less time to accept the market imperatives. In the same time and most commonly those are small economies which have to be open economies firstly towards the closest surrounding and then towards the rest of the world. They can't be isolated from the process of globalization which is happening in every field of human living - from economy as essential for physical existence, to every sphere of social activity: education, science, culture, art, entertainment etc.). On that way we come to the necessity of development. The countries from South Eastern Europe are named as "countries in development". Taking the development into consideration as an imperative essentiality and as a common characteristic of the countries in the region, as a road which should be passed through for accomplishing higher economic values and getting closer to the more developed countries, naturally imposes the need for cooperation in order to merger their advantages and minimizing the weaknesses and expenses. The imperative for development of the countries from the above mentioned region impose as an absolute need, and there is a need for development not only for the countries which have to accelerate theirs development, but for the developed ones also. Political, non-political, financial and other different organizations and institutions in developed market economies are helping the development process through different forms of help: financial, technical-technological, organizational, staffing and similar kinds of help. Having that in mind, in order to explain the potentials of "sub-regional connection" probably the optimal solution for Balkan Peninsula States is to have their own development programs and to adjust them to the needs of every individual sub-region. Also, there is a need for encouragement of all local and non-government organizations and institutions in the sub-regional actions.

ECONOMIC DEVELOPMENT FACTORS (REPUBLIC OF MACEDONIA CASE)

The realization of the economic development has a multidimensional character and multiplicative effects. That marks two-sided interactive dependency of the factors of development and the effects of development of a country, area, region and so on, usually using natural conditions that is to say natural richness on which the development would be founded on, especially in the area of tourism. However, this non-professional understanding is negated with many comparative analyzes for the correlation of natural richness and the steps of development generally, or the development of tourism specifically. Simply, the natural conditions are almost unchangeable, and the degree of development of one area changes through historic periods. Factors that determine the economic development of every country, wider area or region are numerous. But they are not equally important, so there is a need for further discussion of their importance. The possibilities and the perspectives for the development of tourism in Republic of Macedonia will be discussed through a short analysis of the following groups of factors: (Mojsoski, Karadjova, 2002)

- Factors of socio-political nature;
- Scientific-technological progress;
- Capital (sources of investment funds);
- Labor;
- Natural resources;
- Infrastructure;
- Entrepreneurship and management, etc.

All these factors affect across countries and regions, in developed as well as underdeveloped countries, having in mind that in some cases they have a stronger effect, in others less. Hence, the importance of economic development policy is accomplished by a *combined and skillfully usage of the factors*. The need is to evaluate the *factors real power* in each case, and not to use them only because they are disposal. This means that always should be determined whether and how is economically justified the use of any factor or it can be substituted or replaced by another factor, e.g. capital with labor, capital with natural resources and so on. Practically it is impossible enumerate and categorize development factors according to their priority or importance, nonetheless can be said that natural resources don't have pretension to be on the first place. No matter of the order and intensity of the separate factors influence, the importance of the economic development policy is directed to combination and skillful using of factors. On the example of the Republic of Macedonia as a country in development it is completely evident that in conditions of limited power of the other factors for development, its comparative advantage in the development (especially in the development of tourism) should be located in natural resources with which Macedonia disposal in abundance and in appropriately qualified and specialized working force.

FACTORS THAT HAVE SOCIAL-POLITICAL NATURE

The factors of socio-political nature can be regarded as very important, almost crucial. When they act negatively or when they stop economic development, other factors do not come to the fore and the country stagnated and even regresses. To the contrary, when the socio-political conditions are suitable, the beneficial effects of other factors come to full expression. But it should not be understood that social and political conditions are only important. For example, after economic or political reform, social and political conditions become suitable, but they cannot automatically make the country developed. The economic development after any socio-political reform will depend on many other factors.

It can be listed several factors of social-political nature among which the most important are: (Biljanoska, Karadjova, 2006, pp.258)

- The nature of the economic and political system;
- Economic policy and
- Economic system.
- *Socio-economic and political environment*

The factors of socio-political nature include many important conditions related to *socio-economic and political order of the country*. Specifically, among such conditions which are development factors of socio-political rather than material nature can be mentioned: the level of expression of citizen's *personal rights* and *freedoms*, freedom of political parties activity, the nature of ownership, free market operation, the role of public authorities in the regulation of economic life, etc. Indeed these and other such factors constitute the *political system*, *economic system* and *economic policy* of the country as factors of its economic development. When these factors are suitable, they are important drivers of the economic development.

The changes in 90s in the economic and political system of Macedonia as well as in other former socialist countries were made in order to provide *better conditions* for economic development.

The second part of this group of factors is related to the *general situation* in which economic development takes place in one country, area or region. Any period of *economic* and *political crisis* is followed by stagnation in economic growth. On the decline of manufacturing great influence have also *social turmoil* and *labor unrest* expressed through mass strikes, and related to the failure of firms, layoffs, unemployment, corruption and similar phenomena.

The situation in the *international political and economic environment* is also important for the speed of economic development. Amid the tension of relations with other countries and threats to the territorial integrity of the country, a greater amount of GDP should stand for strengthening the defense, army etc. These shrink funds for personal consumption and investment, and thus directly constrict opportunities for faster development. (Mojsoski, Karadjova, 2002, pp.407)

Having in mind previous mentioned, Macedonia seeks to establish and maintain good economic and political relations with all countries, and in particular with the countries of the former Yugoslavia and neighboring countries. In this function are agreements for *free trade* concluded with some countries, striving for integration into the European Union, joining the World Trade Organization etc.

Can be concluded that without good socio-political conditions and good economic and political environment, cannot effectively be used other factors of economic development, no matter how they are favorable. However, among the factors of socio-political nature of particular importance can be mentioned the character of the political and economic system, and the role of the economic policy which means skillful use of all other factors, in accordance with objective economic principles. The role played by the economic system for economic development of the country or region is higher as the system is more stimulative for the economic subjects.

Economic development in general and especially in tourism can be realized only in conditions of peace, safety, social harmony, economic and political stability. A simple quantification of the influence of those factors can be presented through the number of tourists that visited Republic of Macedonia from 1989 when Macedonia was still in the Yugoslav community and it was considered as a safe and stable area till the year 2011. It can be noticed that in the whole analyzed period Macedonia still cannot reach the number of tourists from the period before become an independent state. 2001 is considered to be worst tourist year in Macedonia, because in this year come to a significant decrease of domestic and foreign tourist turnover. The basic reason was the political instability in Republic of Macedonia in that year.

Table 1: Volume, dynamics and pace of the increase in the number of tourists in Republic of Macedonia, in the period 1989-2011

Year	Total number of tourists	Dynamics of movement	Pace of increase	Domestic tourists	Foreign tourists
1989	1.032.072	These data is calculated from '91 and on because the data for '89 and '90 are in the frame of SFRJ		441.842	590.230
1990	974.537			412.126	562.411
1991	710.278	100	/	415.955	294.323
1992	585.699	82,46	82,46	366.637	219.062
1993	647.728	91,19	110,59	439.537	208.191
1994	613.154	86,33	94,66	427.740	185.414
1995	503.837	70,94	82,17	356.830	147.007
1996	476.205	67,05	94,63	340.068	136.137
1997	451.871	63,62	94,89	330.534	121.337
1998	575.080	80,97	127,27	418.410	156.670
1999	549.630	77,38	95,57	368.842	180.788
2000	632.523	89,05	115,08	408.507	224.016
2001	333.308	46,93	52,70	234 362	98 946
2002	441 712	62,18	132,52	318 851	122 861
2003	483 151	68,02	109,38	325 459	157 692
2004	465 015	65,47	96,25	299 709	165 306
2005	509 706	71,76	109,61	312 490	197 216
2006	499 473	70,32	97,99	297 116	202 357
2007	536 212	75,49	107,36	306 132	230 080
2008	605 320	85,22	112,89	350 363	254 957
2009	587 770	82,75	97,10	328 566	259 204
2010	586 241	82,54	99,74	324 545	261 696
2011	647 568	91,17	110,46	320 097	327 471

Source: Statistical yearbook of the RM for 1999; 2004; 2007; 2012 (personal calculations)

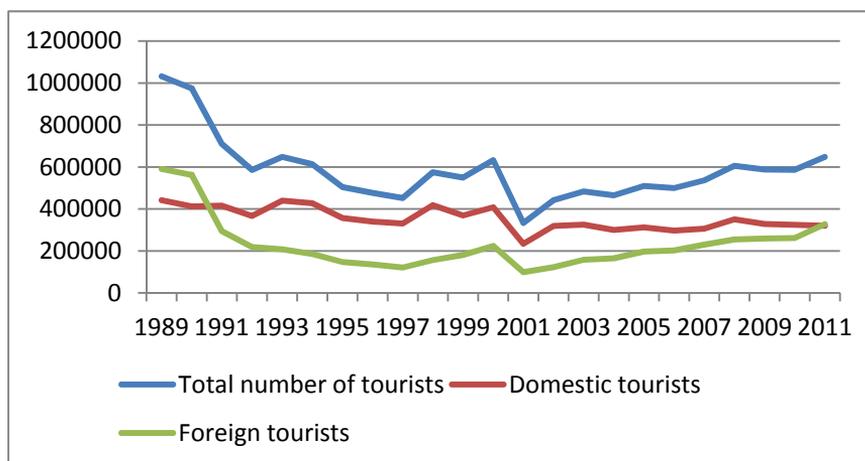


Figure 1: Total, domestic and foreign tourists in Republic of Macedonia (1989-2011)

SCIENTIFIC-TECHNOLOGICAL PROGRESS

The scientific-technological progress as a factor for economic development is in close relation with investments, that is to say the capital as a factor for economic development. Scientific-technological progress is the most dynamic factor for economic development because using it we come to new and useful discoveries. The innovations are the essential moment in development and they have influence on the equipment, staff professionalism, products and services that are offered, enlarge productivity, and they improve working efficiency in generally. In relation with the use of scientific discoveries the possibility for transfer of scientific-technological progress shouldn't be neglected from one country in to another. That means not only the one's own but also the transmitted innovations are of a great importance and cannot be limited. Scientific and technological progress is a special and very important factor in economic development, both in developed and developing countries and regions.

The application of scientific and technological progress in tourism can be expressed by introducing: (Mojsoski, Karadjova, 2002)

- New products in production programs of tourist enterprises and enterprises that are complementary to tourism;
- New types of services;
- New materials for production and productive equipment;
- New types of energy;
- New effective ways of communication;
- New forms of organization of production and modern ways of managing the operations.

All these result with an increase in production efficiency. Innovations in technological processes, equipment, supported by professional staff leads to increased productivity and effectiveness, or to more efficient operation of tourist and other connected businesses. The difference in the application of technological progress between developed and less developed countries is that the developed countries are always concerned about scientific

discoveries and construction of new assets, as they already have in use discoveries previously found and constructed. In underdeveloped countries and regions however, the question is primarily to introduce in use assets already discovered, constructed and used in more developed countries. It should be mentioned the *transfer of scientific and technological progress* from one country to another or from one area of the country to another, which can be a very important factor for the economic development. Science is not an industrial product but intellectual creation and it must not be protected from foreign competition. Science can only be enriched in communications. It can always find its place in a wide range of fundamental, applicative and development researches.

In Macedonia's case, having in mind the level of development and other problems, accepting already known new productive technology solutions from developed countries is of great importance for the dynamics of development. Macedonia has significant scientific and professional personnel potential, with several research institutes, with development centers in many areas, which can *apply* technical, technological and other innovations that are found in industrialized countries. However unfavorable economic and political conditions and lack of funds prevent faster modernization of production processes.

AVAILABLE CAPITAL AND INVESTMENTS

The shortage of investment capital is a big handicap for the countries in development. Investments directly affect economic growth, i.e. the growth of gross domestic product, so it is important in the investment policy to be taken care primarily for performance, despite attempts to provide the necessary scope and structure of investment required when there is so much sacrifice of current consumption.

The use of foreign funds is objective legality and not only as a transitional phase, but as a continuous phenomenon continues at the highest level of development, as the country emerges as both an importer and exporter of capital. It is important to follow the general indebtedness of the country. In the complete development of the Republic of Macedonia, there is a chronic shortage of capital, due to the low level of domestic savings (accumulation) and due to insufficient inflow of foreign capital.

In such conditions, but generally at the present stage of development of the Macedonia economy, there is an objective need for using *foreign funds* for investment. Foreign assets are in the form of *loans* and *credits* from international financial institutions and other countries, then as *joint ventures* of domestic and foreign companies and in the form of *donations* in various forms of technical assistance, etc. Especially significant funds are received from international financial institutions such as the World Bank and the International Monetary Fund, not only because of the scope of the funds, but much more because of the possibility for obtaining credits and loans from other sources.

At the end of 2012, gross external debt of the country reached level of 5.163,2 million Euros, or 68.6% of GDP. If we exclude repo transactions of the monetary authority, gross external debt amounted to 5.005,6 million Euros, or 66.6% of GDP which is relatively high participation (National Bank of Republic of Macedonia, Skopje, *Quarterly Report April, 2013*, pp.42).

Table 2: Gross external debt

National Bank of the Republic of Macedonia							
Department of Statistics							
(In millions Euros)							
	12/31/2006	31.12.2007	12/31/2008	12/31/2009	31.12.2010	12/31/2011	12/31/2012
1.STATE DEPARTMENT	1,065.56	897.71	906.33	1,055.84	1,113.40	1,464.24	1,589.81
1.1 Short-term liabilities	0.00	0.00	0.00	0.21	0.41	10.88	3.64
1.2 Long-term liabilities	1,065.56	897.71	906.33	1,055.64	1,112.99	1,453.36	1,586.17
2. MONETARY AUTHORITY (Central bank)	51.99	9.01	9.15	71.74	76.42	310.82	234.24
2.1 Short-term liabilities	0.00	0.00	0.00	0.00	0.00	232.53	157.57
2.2 Long-term liabilities	51.99	9.01	9.15	71.74	76.42	78.29	76.67
3. BANKING SECTOR	269.88	387.85	384.07	468.22	578.78	564.75	618.82
3.1 Short-term liabilities	115.44	178.12	171.35	222.20	165.95	111.15	184.81
3.2 Long-term liabilities	154.44	209.73	212.72	246.02	412.83	453.61	434.00
4. OTHER SECTORS	786.69	1,115.71	1,321.91	1,346.99	1,398.48	1,622.68	1,682.18
4.1 Short-term liabilities	435.42	727.89	738.32	742.04	825.53	950.95	1,000.00
4.2 Long-term liabilities	351.27	387.81	583.59	604.95	572.95	671.72	682.18
5. DIRECT INVESTMENT S: Loans between related parties	329.30	430.77	682.70	837.56	938.64	884.12	1,038.11
5.1. Liabilities to directly invested entities	13.16	6.11	7.40	7.49	11.97	14.75	17.29
Short-term liabilities	12.16	5.61	6.54	6.57	10.91	14.75	17.29
Long-term liabilities	1.00	0.50	0.87	0.92	1.05	0.00	0.00

5.2. Liabilities to direct investors	316.14	424.66	675.29	830.07	926.67	869.37	1,020.82
Short-term liabilities	162.51	219.65	246.37	271.24	310.19	267.56	361.24
Long-term liabilities	153.63	205.01	428.92	558.83	616.48	601.81	659.58
GROSS EXTERNAL DEBT	2,503.42	2,841.05	3,304.16	3,780.36	4,105.71	4,846.61	5,163.15
GROSS EXTERNAL DEBT - without the commitment of the monetary authority in repo agreements						4,614.08	5,005.59

Since 2007 the source of data for commercial loans is questionnaire KIPO.

Since 2010 figure includes the accrued interest.

GDP data for 2012 are estimated.

Source: Adjusted in accordance to NBRM statistics

(<http://www.nbrm.mk/?ItemID=B9A274F7B2099341977F38557D6DDF83>)

LABOR (WORKING FORCE)

The working force is a factor of development that drives the means of work; it activates the capital and the natural resources. Although the number of the population is important, for the economic development especially is important it's structure which is expressed through several criteria: activity, education, qualification structure, age structure, structure from the aspect of agricultural and non-agricultural population, urban and rural population and similar. The structure of the population expressed through these criteria is one of the indicators that show the level of the country development. However we need to appreciate the real power of this factor. How important is this factor is reflected by the fact that most developed countries with lack of labor, tend to "imported" from developing countries, especially highly qualified and highly educated workforce. Indeed, the technical progress and the growth of labor productivity decreased demand for unskilled, but there is growing need for highly qualified labor.

The population as a factor of economic development occurs in two-fold role. On the one hand as a *source of labor* that performs economic activities, on the other hand, as a *consumer* of goods and services. Population with its size, structure and education level determines the production, and from the other side with purchasing power determines consumption. Having purchasing power in mind, Macedonia faces with the problem of poverty too. The first calculations of poverty rates dating from 1996, while the first policy documents (such as the National Strategy for Poverty Reduction, Ministry of Finance, 2002) are published in 2002. Trying to deal with this problem, in Macedonia has been

adopted and implemented *National strategy to reduce poverty and social exclusion in the Republic of Macedonia 2010-2020*. Based on this strategy, *the main strategic goal* for reducing poverty and social exclusion in the Republic of Macedonia is:

Reduction of poverty and social exclusion in the Republic of Macedonia through better use of available human and material resources, improve living conditions, work conditions and social conditions for all citizens, systemic and institutional collaboration in a function of faster development, higher living standards and better living (National strategy to reduce poverty and social exclusion in the Republic of Macedonia 2010-2020).

Tourism enables significant effect on employment as a macroeconomic category. Table 3 below compares the expansion of employment in the hotel and restaurants sector with expansion in the overall working population and shows steady growth in both the numbers and the percentage of the national workforce employed in the hotels and restaurants sector. It would also appear that employment in the tourism sector (hotels and restaurants) is in fact growing faster than in the economy as a whole, almost doubling between 2003 and 2007, compared with only 8 per cent growth for the wider economy as a whole in the same period. In period 2007-2010 the percentage of Hotel/Rest Employees in Total W/force remains about 3% (Karadjova, Diceska, 2011).

Table 3: Hotel/Restaurant Employees in the Working Population 2007-2010

	2007	2008	2009	2010
Total number of employed	434.041	434.858	426.252	435.524
Hotel/Rest Employees	13.040	13.265	13.668	13.371
Hotel/Rest Employees as % of Total W/fce	3,00	3,05	3,21	3,07
% Growth of Labor force	1,01	1,01	1,01	1,01

Source: Own calculations in accordance with Statistical Yearbook of the Republic of Macedonia 2011, 07.Labour Market, State Statistical Office

Ever since the 1980's, Macedonia has suffered from a high rate of unemployment. At the time of independence the unemployment rate was close to 24 per cent. The restructuring of the economy has led to an overall decline in labor demand, and the overall low growth and lack of major investments have failed to create a sufficient number of job opportunities. Recent labor market reforms, including a new Labor Relations Law in 2005, are a step forward to improving the unemployment situation in Macedonia.

Currently, the rate of unemployment is 32 per cent. It should, however, be borne in mind that this figure does not take into account the large grey economy, as a result of which the actual number of unemployed may be significantly lower. Figure 2 below presents the contribution of hotels and restaurants to the total employment in Macedonia.

As the figure shows, while overall employment in Macedonia has fallen and then recovered to its earlier position in the period 2001 – 2007, the number employed in hotels

and restaurants in the same period has almost doubled, with particular growth evident from 2006. Employment in hotels and restaurants has grown from 1.6 per cent of the labor force in 2001 to 3.2 per cent in 2007 and 2009. This percentage in 2010 is 3.07. It is important to recognize that tourism is a specific sector where the introduction of technology does not significantly influence (i.e. reduce) the number of employees, as it is the case with other sectors. In other words, tourism services are more labor intensive than other services in the economy. According to data from the State Statistical Office, approximately 20,000 people in Macedonia are employed in tourism industry. However, there is a big gap between official government statistics and the situation in the field. Some estimates suggest that the number of undocumented workers is between 15,000 and 30,000. This should be the first area of intervention. In order to have relevant data and information a Tourism Industry Survey is absolutely necessary before taking any serious action. Regarding the structure, the Tourism Industry Workforce has a very favourable composition in almost all segments, in education, in ages and in terms of population growth (Government of the Republic of Macedonia, 2009, *National Tourism Development Strategy 2009 – 2013*, pp. 140).

In this respect we can conclude that in a situation characterized by high unemployment, development of tourism will contribute greatly to recruitment and the reduction of unemployment.

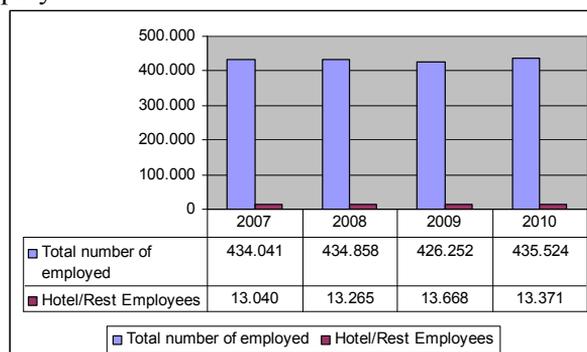


Figure 2: Share of hotels and restaurants in the total employment 2007-2010

Source: SSO, *Statistical Yearbook of the Republic of Macedonia 2011*, Skopje, 2011, and SSO web-site: www.stat.gov.mk

NATURAL RESOURCES

Natural resources are only one factor of economic development, which *in integration to other factors* (capital, skilled labor, etc.) can become *significant, but not always the most important* development factor (Mojsoski, Karadjova, 2002, pp.413). Talking about the factors of economic development of any country, it is good to dispose with all of them, because all of them are necessary. But no country may possess all natural resources that are needed by modern diversified economy. However, areas that have a *diversified natural resources* or *large reserves* from one source have more favorable conditions for development than the others. The natural resources should be managed rationally. This especially refers to resources that are not renewable, but also refers to the renewable resources (controlled volume of timber logging, rational use of agricultural land, etc.). Rational use of

natural resources has to be increasingly associated with *environmental protection* (Biljanoska, Karadjova, 2006, pp.264).

Although Macedonia has relatively small territory, it is characterized by *diverse, but not very rich natural resources*. Although natural resources are modest, they cannot be considered as limiting factor of development. However, it could not be set aside some particularly plentiful resource on which the economic development can be relied and which would have raised the development level of the country. Anyway, Macedonia has a lot of attractive factors for the development of lake tourism, river tourism, mountain tourism, spa tourism, hunting, fishing tourism, speleological tourism, urban and rural tourism, manifestation tourism, recreate tourism, cultural tourism, transit tourism etc. On the area of 25.713 km² Macedonia has available natural resources which are important factor for encouraging development. Generally speaking, though development cannot be based only on greater utilization of natural resources, certainly their greater exploitation in interaction with other development factors, primarily with investments and technological progress, they can form the basis for rapid economic development. A short overview of the attractive natural factors for the tourism development of Republic of Macedonia would include:

Table 4: Attractive natural resources for tourism development in Republic of Macedonia

Type		Nb.	Location
lakes	tectonic	3	Ohrid, Resen and Dojran
	artificial	25	Skopje, Mavrovo, Debar, Kavadarci, Kočani, Veles, Kumanovo, Strumica, Prilep, and other.
	glacial	28	Pelister
mountains		14	Šar Planina, Bistra, Stogovo, Korab, Jablanica, Galičica, Kožuv, Niče and other.
spas		11	Catlanovo Spa, Banjište, Kosovrasti, Negorci Spa, Bansko, Kežovica, Spa of Kumanovo, Spa of Kočani, Podlog, Istibanje, Smokvica
caves		164	Demirkapia gorge: Bela voda; Beauty of Bukovič; Alilica on Bistra; Makarovec in Pešti gorge; Jaorec near vilage Velmej and other.
fishing centers		11	Radika, Crn Drim, Crna Reka, Ohrid Lake, Kalimanci, Vardar, Matka, Mladost etc.
areas protected by law	national parks	3	Mavrovo, Pelister, Galičica
	special reservates	10	
	special areas with natural beauties	2	
	monuments of nature	55	
	memorial monuments of nature	3	

cultural monuments	Paleolithic period	2	Skopje, Skopsko Kale
	Neolithic period	12	
	Iron age	30	
	Pre-Roman period	29	Heraklea- Bitola; Isar-Valandovo; Marko Towers-Prilep; Stobi-Gradsko; St.Erazmo-Ohrid; Gorni Saraj-Ohrid etc.
	Roman towns	11	Štip, Prilep, Skopje, Ohrid, Gradsko, Bitola
	Early-Christian period	42	Gradsko, Ohrid, Struga, Oktisi, Resen, Štip, Bitola, Prilep, Demir Kapija, Vinica
	Churches and monasteries		St. Pantelejmon IX ct.; St. Naum IX ct.; St. Sophia XI ct; St. Kliment -Holy mother Perivleptis XIII ct.; St. Jovan Bogoslov Kaneo XIII ct; St. Konstantin and Elena XIV ct; St. Dimitrija XIV ct.; St. Mother of God Čelnica XIV ct; St. Erazmo XIV ct.; St. Stefan XIVct.; St. Mother of God Peštanska XIV ct.; Sv. Mother of God Zaumska XIVct.; St. Petka-Velgošti XV ct.; monastery Lešok XIVct.; monastery Kališta XIV ct.; monastery Matka Glumovo XV ct. etc.

Source: Adjusted according to "Special base for the development of contemporary kinds of tourism in RM"- Prof. Naume Marinovski, Ph. D.Third International conference "Multiplicative factors for tourism development"- 2001

The role of successfully conducted policy of economic development consists of rational choice of natural resources and their protection or their rational use. It is not a purely technical issue, but even more an economic issue. Namely, it is not enough to dispose of natural resources, but they need to properly evaluate them or rather, it is necessary to assess their value. Professional methods are used for the valorization of natural resources, specific calculations for different resources and even after so conducted evaluation can be calculated investment projects and elements required for their implementation. This is the only way to judge the economic feasibility of exploitation of natural resources. In that direction as an economical most profitable kind of tourism which offers a possibility for the development of tourism in Macedonia is rural tourism. The Strategy for Sustainable Development of the Republic of Macedonia, adopted by the Government in January 2011 among the six key areas directly composing sustainable development, on the fourth place is rural development including agriculture, forestry and tourism in rural areas. Such a place of rural tourism in the long term Strategy for Sustainable Development of Macedonia shows the strategic importance of rural tourism as a sector that needs to experience growth in the country and the position of Rural Tourism which is defined in the long-term development of the country (Ministry of Economy, Department of Tourism, 2012, *National strategy for rural tourism 2012-2017*, Skopje, pp.19). Starting in 2008, Republic of Macedonia in the international promotion of the country as a unique travel story make a serious step forward in the campaign "Macedonia Timeless". In the campaign were made 8 themed videos that cover all aspects of the best of Macedonian tourism offer. Especially important for rural tourism promotion was the promotion in

the most of the world's most influential media of natural, cultural, gastronomic and authentic tourist offer of Macedonia (Ministry of Economy, Department of Tourism, 2012, *National strategy for rural tourism 2012-2017*, Skopje).

INFRASTRUCTURE

Infrastructural conditions are necessary condition for tourism development. No country or region can start or realize its economic development without the necessary infrastructure requirements, which means without "infrastructural opening of the area". In areas which do not have the needed infrastructure other developmental factors that exist in that area remain unused. In the case of RM it can be stated that great efforts are made for improvement of the infrastructural conditions.

Having in mind the general development level of the country can be concluded that Macedonia has *relatively good infrastructure conditions*. The country has a *solid road network* with modern line width that connects the cities, and with certain delay, but with major negative consequences Macedonia develops local road network between cities and villages. The total length of road network in Macedonia reached a 13,124 km of which 4,707 km are highways and regional roads, and 8,417 km are local roads of which only half are paved. About 80% of the total traffic takes place on highways and on some regional roads. Other regional roads have a low traffic with less than 2,000 cars of the day. The quality of the road network is fairly heterogeneous. While two-thirds of highways and regional roads have solid quality that is comparable to those in the surrounding countries, the quality of one-third of the regional roads and the all local roads network is pretty bad. According to some estimates, over 70% of local roads are of poor quality. This is primarily due to insufficient maintenance due to extremely low amount of funds allocated for that purpose decades ago (Ministry of Economy, Department of Tourism, 2012, *National strategy for rural tourism 2012-2017*, Skopje, pp.37). Disadvantages also can be noted in a poorly developed public transportation services to the most of the rural areas.

Almost all villages in the country are electrified, but in many villages and towns *lagging communal infrastructure*, particularly water supply and sanitation. Most of the territory is covered with the broadcast signal, and today more and with classical and mobile telephony. There are solid network of direct connections with international telephone, television and information systems (Internet). The high percentage of mobile phone users in relation to total population in Macedonia, together with the quality of mobile networks operators, which cover over 90% of the territory, offers the possibility for simple connection of the rural areas with the latest technological trends (Ministry of Economy, Department of Tourism, 2012, *National strategy for rural tourism 2012-2017*, Skopje, pp.38). In the first quarter of this year, 55% of households had access to the Internet, 58.9% of the total population aged 15 to 74 years use the computer while 56.7% have Internet. Internet access as one of the key factors for interactive communication with potential tourists can be used as a strategic advantage over other countries in the region.

CONCLUSION

Macedonia adopted National Strategy for Tourism Development of the Republic of Macedonia 2009-2013" listing the priorities for the development of certain forms of tourism according to the characteristics of the region, as well as detailed National strategy for rural tourism 2012-2017. Republic of Macedonia as a tourist destination possesses affirmative tourist values which have meaningful tourist potential and which activation should represent one of the imperatives for the total development of a country in the next period. There is almost no country in the world which does not include tourism in its developing strategies, especially because of its multiplicative developing effects. Unfortunately, despite the comparative advantages that Macedonia has in the sphere of tourism, it has not have a big part in creating of the gross domestic product of a country. The participation of tourism is marginalized, which is a characteristic of undeveloped countries. The participation of tourism and hospitality industry in the creation of gross domestic product in RM in the period from 1991 to 2000 according to official data of the State statistical office moves from 1.7% to 2.1%. Further comparisons require some adjustment considering that in accordance to the National Classification of activities, overall economic activity is divided into sectors, divisions, groups, classes and subclasses and thus are separated 17 sectors with multiple departments, groups, classes and subclasses and there is no certain activity tourism in its frames. There is a sector *I. Accommodation and food service activities* and its participation in the creation of the GDP according to the production method of GDP creation in the period 2007-2010 ranged from 1.5 in 2007, 1.4 in 2008, 1.3 in 2009 to 1.1 in 2010. According to international standards this is exceptionally low level of participation, and tourism is in the group of activities which need special attention in long-term developing strategies in order to use its unused potentials, and its stimulative influence over the total economic development.

Macedonia is considered ac a country with a relatively high degree of environmental clean environment, and also as a country which is still not using its comparative advantages embodied in a favorable climate and beautiful nature. That offers great potential for development of tourism and especially for rural tourism development primarily for the large number of potential tourists from major urban centers that have surpassed the need to enjoy luxury accommodation and great facilities. In rural areas of Macedonia agriculture and livestock breeding are the main productive activity of providing subsistence minimum, but at the same time it can be used as an advantage in terms of promoting a healthy and natural lifestyle, direct participation of tourists in the preparation and consumption of some traditional dishes, participation of the tourists in some local customs (fairs, fancy party, religious holidays, etc.).

The use of the opportunities offered by tourism requires the implementation of international standards for the quality of the tourist product. In this sense, especially are important EUROGITIS - standards of the European Federation for Rural Tourism. Because of the specificity and diversity of the European territory and inability to make detailed uniform standards for rural households EUROGITIS define minimum (general) criteria which are identical for the entire rural area of Europe that have been implemented (or should be implemented) in national or regional standards.

REFERENCES

- [1] Biljanoska, J., Karadjova, V. (2006), *Applied Economy*. Ohrid: CNIR FTU.
- [2] Government of the Republic of Macedonia (2009), *National Tourism Development Strategy 2009 – 2013*, Skopje.
- [3] Karadjova, V., Diceska, S. (2011), *Interactions between financial system development and tourism development (conditions in Republic of Macedonia)*, Tourism in South East Europe 2011, 1st International Scientific Conference “SUSTAINABLE TOURISM: SOCIO-CULTURAL, ENVIRONMENTAL AND ECONOMIC IMPACT”, Opatia, pp. 182
- [4] Marinoski, N. (2001), *Special base for the development of contemporary types of tourism in Republic of Macedonia*, Third International conference "Multiplicative factors for tourism development", Ohrid.
- [5] Ministry of Economy, Department of Tourism, (2012), *National strategy for rural tourism 2012-2017*, Skopje, pp.38
- [6] Ministry of finance, 2002, *National Strategy for Poverty Reduction in the Republic of Macedonia*. Skopje.
- [7] Mojsoski, V., Karadjova, V. (2002), *Applied Economy – economic system and economic policy*. Ohrid: Institute for tourism research, FTU.
- [8] National Bank of Republic of Macedonia (2013), *Quarterly Report April, 2013*, Skopje.
- [9] National strategy to reduce poverty and social exclusion in the Republic of Macedonia 2010-2020.
- [10] State Statistical Office (1999), *Statistical Yearbook of the Republic of Macedonia*.
- [11] State Statistical Office (2004), *Statistical Yearbook of the Republic of Macedonia*.
- [12] State Statistical Office (2007), *Statistical Yearbook of the Republic of Macedonia*.
- [13] State Statistical Office (2011), *Statistical Yearbook of the Republic of Macedonia*.
- [14] State Statistical Office (2011), *Tourism in the Republic of Macedonia, 2006-2010, Statistical Review: Transport, tourism and other services 8.4.11.01 681*, Skopje.
- [15] State Statistical Office (2012), *Statistical Yearbook of the Republic of Macedonia*.
- [16] www.nbrm.mk/?ItemID=B9A274F7B2099341977F38557D6DDF83
[Accessed 22 May 2013]
- [17] www.stat.gov.mk [Accessed 18 May 2013]