

Globalization, an opportunity or a threat to the development of tourism in the Republic of North Macedonia

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Abstract

The globalization as a phenomenon is based on the continuous growth of the mutual relations of different nations of the world at an economic, political, social and technological level. Globalization and the uptrend of travel rises every year the number of people traveling from one to another country. Tourism's contribution to the global GDP for the year 2018 increased by 3.9%, while an overall GDP increment by 3.7%.

Globalization and its impact on tourism in Republic of North Macedonia (RNM) is not a well-treated theme and not only because the globalization itself is a new debate in Europe and in the world, but also because it should be treated as a debate with a long-term consequence.

This paper aims to provide a more real overview in many perspectives of the globalization-tourism inter-connection or inter-dependence, with a special emphasis on RNM. In order to perceive and to analyze the contribution of the globalization to tourism, i.e., to the economic activity of North Macedonia, it is necessary to approach in many different fields with an adequate data, firstly for the whole tourism sector of North Macedonia, and then for the cost-benefit from the globalization as a process and its impact to RNM.

In this context, it is much necessary to draw conclusions and give direction to all the stakeholders of the tourism activity in RNM, to measure, undertake, and to respond by proactively positioning themselves to the challenges of the globalization. All of this should comply to the positive parameters of a sustainable development of tourism in the country mentioned, as the only way to a strategic development.

Keywords

globalization,
opportunity,
threat, tourism,
development,
North Macedonia.

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Definitions of globalization

Globalism is an ideology, a philosophy that justifies the economic theory of globalization, the phenomenon that we are all talking about for the last few decades. The world is developing into the so-called "global village" under the influence of the technical/technological progress, especially in the field of transportation, telecommunications and tourism. Globalization can also be described as a movement of goods, ideas, values and people around the world. The term was firstly used in the early 1950s to represent or to recognize the interdependence growing on the economies and societies around the world.

There are authors who consider the phenomenon of globalization is as old as the world we know is, while others state that the globalization introduced itself after the fall of the Berlin Wall, along with the changes followed in the beginning of the 1990s. According to Steger, who analyzes the economic, political, cultural, ideological and ecological aspects of the globalization, it began thousands of years ago and today all of these represent the most dynamic and comprehensive processes.

Globalization has made the markets to get internationalized, which means that a producer competes with all the producers in the world, and thus the competition is getting much stronger. The market of goods and services moves freely in every country of the world, because of the great openness in the sector of trade and investments.

Recently, the process of globalization seems to be declining for many reasons, firstly because of the outbreak of the coronavirus (Covid-19). Globally, the impact of Covid-19 on international tourism in 2020 and 2021 alone has resulted in a tremendous loss in the world GDP of more than US\$ 4 trillion, according to the latest report, submitted by the UN World Tourism Organization (UNWTO). Developments in the global politics, more recently the effects of the Russian occupation of a part of Ukraine, have also damaged the energy markets and the food chains.

All of this brought great impacts to the world economy, conveyed by negative implications in the tourism industry as well. These and other developments showed that the world economy can easily become vulnerable to shocks, at a time when climate change and geopolitical tensions are increasing in frequency and intensity. On the other hand, there are speculations that increased economic integrations did not bring more global harmony some had hoped for.

Tourism as an economic activity and a social phenomenon

It has been written and discussed very much about tourism and every effort has always been made and are still being made to reach out for the essence of tourism and to understand its entire nature. In a very short period of time, tourism has turned into a world phenomenon and an industry that, despite the undeniable negative consequences, every country in the world tends to develop it. In most cases, the main reason is that tourism as an economic activity creates quite important revenues for the budget of every country, and not only.

Tourism is a very comprehensive, multiple and diverse concept, and therefore, there are many definitions about tourism. The most relevant definition is the one formulated by theorists W.Hunziker and K.Krapf. According to these authors, tourism represents "a group of relations and phenomena that derive from the travel and stay of a visitor to a country, only if the permanent residence is based on that country's residence and if none of their economic activity is connected with such a residing"³.

The behavior of tourists during their travel and stay is significantly different from their daily life and living while being in that permanent residence. Except having a different rhythm of

³Walter Hunziker, Kurt Krapf , (1942) Grundriss der Allgemeinen Fremdenverkehrslehre, Polygraphischer Verlag

life and way of living and feeding, the tourists also have different ways of resting and organizing free time. All of this is transferred to a very important change in the behavior, when we see it from an economic point of view, which is also reflected in the fact that the tourists are temporarily excluded from the work process and in the same time becomes an exclusive consumer. The income they spend on tourism are being completed in different place and in a different time.

Globalization in tourism

Nowadays, tourism has become the most massive phenomenon in the world. The global importance of tourism derives not only from the fact that tourism is a modern concept, often identified as a leader of the world industry, but its importance is emphasized by the ever-increasing exchanges and mutual economic, political, social and environmental influences that occur between tourists and local residents. The impact of globalization on tourism is viewed from five basic aspects, which are related to: economy, technology, culture, ecology and politics.

Some authors and researchers are being skeptical about the impact that globalization⁴ has on the economic growth, while others see it as a useful tool for the developing countries⁵. Many scholars have discussed the impact of globalization on tourism and there is a consensus on the benefits that globalization brings to the host community. Globalization increases the chances of people who like to travel, which in itself is a boost for the tourism industry.

The economic benefits of globalization can be summarized as follows: economic growth, job creation, stimulation of the recovery effect in terms of economic development, economic

equality between different countries, etc. On the one hand, globalization stimulates tourism, which is beneficial for the impact on a country's GDP, but it can also generate losses in the form of imports of goods and services that will be consumed by tourists⁶.

According to the estimates of the World Travel and Tourism Council (WTTC), the direct contribution of the travel and tourism sector to the global gross domestic product (GDP) in the year 2021 was 5,812 billion US dollars, which was about 6.1% of the global GDP, generating around 289 million jobs respectively (1 in 11 jobs are in tourism). The impact of tourism on GDP, however, does not end there and in addition to these direct contributions, there are also indirect contributions.

Globalization can be a catalyst for job creation. The tourism industry constitutes one of the most prominent industries generating the largest number of jobs, far more employment opportunities than manufacturing industries, i.e., it is a valuable resource for employment. According to the WTTC, one in eleven jobs (1/11) are provided by the tourism industry. Jobs created by tourism can motivate a category of individuals and reduce emigration from rural areas. The community can improve their earnings prospects through professional training related to tourism.

Globalization has created new opportunities for the development of the tourism industry through the evolution of technology, communication and transportation means⁷. Globalization has affected tourism service providers worldwide. Computerized information and reservation systems have become more flexible and cost-effective, making it easier to reach destinations at

⁴Joseph E. Stiglitz (2002) Globalization and Its Discontents,

<https://www.researchgate.net/publication/4755241>

⁵ J. Friedmann: Globalization and the emerging culture of planning,

<https://www.researchgate.net/publication/248512630>

⁶Dwyer, L., Forsyth, P., & Spurr, R. (2003). Inter-industry effects of tourism growth: Some implications for destination managers. *Tourism Economics*, 9, 117–132.

⁷ Y.Yeoman, (2008), *Tomorrow's Tourist Scenarios & Trends* Volume 16 in *Advances in Tourism*, Butterworth-Heinemann

a lower cost. The rapid dissemination of information has improved efficiency in industry-specific operations and the quality of services provided to consumers⁸.

The increase in the use of the Internet has influenced the way destinations are marketed, the way products are booked and sold, leading to the creation of electronic tourism markets. The technology and the internet have significantly impacted the tourism industry and reduced the need for intermediaries⁹. Advances in technology and tourism have led to significant changes primarily in modern reservation, purchasing and information distribution systems. This turned the world into a "global village".

The possibility of buying and selling without a physical contact brings radical changes in the entire economy, especially on tourism, an activity distinguished by the stiffness of the offer and the elasticity of the touristic demand. The role of the internet in tourism is undoubtedly multiple as it facilitates the flow of information and agreements for all key elements of cooperation between tourism market entities (price, destination promotion, reservations and sales).

The global tourism industry uses social media platforms such as Facebook, Twitter, Instagram, YouTube and travel blogs such as Trip Advisor, Expedia, online booking agencies, etc.; much more intensively, both on the demand and on the supply side. These new technologies help facilitate greater information flow between travelers. Global and macroeconomic competition increasingly affects new destinations, helping them to create and communicate their product and service through advertising and distribution.

The cultural features of globalization in tourism are reflected in the standardization of the behavior of the tourists. The modern ones, are aware of the culture of the country they are traveling to and of the norms of behavior that must be respected in any tourist trip. Covering every part of the society, the globalization in tourism brought rules and standards as well as global legal aspects to the tourism activity.

Globalization in tourism influenced also the increase in awareness of environmental protection. Thus, environmental projects such as collecting garbage on beaches and releasing animals from cages, cleaning rivers etc., are now being talked about and implemented. Many NGOs or funds in different tourist regions deal with the education of tourists to preserve the environment. In this context, there is a new approach in the development of the tourism, known as "sustainable tourism", the purpose of which is to preserve tourist resources for future generations.

The globalization of the tourism industry has many important strategic implications. The globalization in tourism is described as a "mega-trend", associated with different dimensions and consequences, both positive and negative¹⁰. In general, globalization in tourism can be viewed from two perspectives: first, the geographical elements, whereas tourism covers distance by traveling of the tourists, and second, globalization can be seen in the unification of the world's preferences (product preferences and lifestyle), leading to an increased standardization and homogenization of the tourist and the whole market¹¹.

⁸ G. Hociung, Globalization – tourism – communication, competitiveness triangle on the market affected by the economic crisis, <https://www.researchgate.net/publication/254383504>
⁹Reisinger, Y. (2009) International Tourism: Culture and Behaviors. Betterworth, Oxford.

¹⁰Mrak, M., Globalization: trends, challenges and opportunities for countries in transition, https://www.unido.org/sites/default/files/2006-10/mrak_0.pdf

¹¹ N. Vanhove Globalization of tourism demand, global distribution systems and marketing, book, chapter 6 Tourism in the Age of Globalization, Routledge, 2001

Negative effects of globalization in tourism

Unfortunately, it is practically impossible to write down about today's and future trends of the known globalization/tourism relations without mentioning a concrete reference to the negative consequences related to the society. In this context, we wish to mention the: diseases (viruses), terrorist attacks, price increases in the global market, national tourism policy etc.

The negative connotations of globalization were more harshly in the tourism industry during the global economic crisis caused by the failure of financial institutions at the beginning of the year 2008. The effects of the aforementioned crisis have had a very negative impact on the most developed tourist countries in the world. The effect of the Russian invasion of Ukraine caused further and deeper shocks.

The tourism industry is a modern trend and is an important part in every sphere of the world society. On the other hand, taking into account the development of global relations, there are changes that have a growing impact on the future of tourism. As Smeral quotes¹², "the most obvious impact of globalization on tourism derives from the growing demand for tourism, which conditions all countries to be potential destinations; through competition between destinations; through the struggle for survival in the market; increasing quality and introducing innovations; as well as through the growing struggling problems of the developed destinations (arising from a partnership relations where quality standards are not harmonized, which is conditioned again by ever shorter preparation time and ever faster delivery that modern business in tourism requires)".

The impact of globalization on the development of tourism in North Macedonia

Globalization in tourism is an important research topic, therefore, it is more than necessary to cover some of the effects that derive from this kind of reciprocal relationship. Overall, these effects include the economic development, the employment opportunities, the spread of know-how, the development of new markets and products, new consumer values, environmental and sociocultural changes etc.

By using a modified methodology of Brida, Pereyra and Deves (2008) in order to calculate the real rate of GDP growth and the contribution of tourism to overall economic growth, it was found out that tourism, despite the continuous increase in the number of foreign tourists, has a modest direct contribution to the overall economic growth of the countries of the Western Balkans. The level of tourism's contribution to the economic growth of these countries, that have been the subject of the research, varies from country to country and it is about the diversity and quality of the tourism offer (tourism has the greatest contribution to economic growth in Montenegro, Serbia and the smallest in North Macedonia)¹³.

From the analysis of the number of nights spent in North Macedonia, it can be concluded that tourism got decreased in the period 2008-2010. A slight increase was seen in 2013 compared to 2012 (about 1.5% more), followed by a new decrease in 2014 (about 7.5% less) compared to a previous year. When analyzing the structure and growth rate of nights spent, we can conclude that there is a stagnation in the total number of domestic nights spent.

¹² E. Smeral, 1996 Economic policy measures for reducing the environmental impact of tourism, Sage Journals, pp. 173–184

¹³Slobodan erovi et all, The Contribution of Tourism Industry on the GDP growth of Western Balkan Countries, <https://www.researchgate.net/publication/286453940>

On the other hand, till 2013 there was a continuous increase in the number of overnight stays of foreign tourists (a 65% increase compared to 2005), followed by a decrease in 2014 (due to a decrease in the number of tourist arrivals). It is necessary to emphasize that the negative growth rates in those years are partly a consequence of the military conflicts in North Macedonia and the region.

The tourism in North Macedonia has recorded an average annual growth of 4.64%, which is higher than the average annual growth of the total economic activity (+3.1%). As a result, in the analyzing period, there is an increase in the participation of tourism in the GDP from 1.5% in 1997 to 1.8% in 2008. But there were some fluctuations in the importance of tourism to economy, for example, in 2003 it reached the maximum of 2% of the total GDP, and at the same time, on average, tourism generated 1.7% of GDP.

Compared to the world average (3.2% in 2009), it can be concluded that the contribution of tourism in North Macedonia is modest, but if compared to the average of 1.6% of the Central and Eastern Europe countries, this conclusion changes¹⁴. The number of tourists traveling to North Macedonia has a disproportionate increase. Political developments and the conflict of the year 2001 had a direct impact on the decline in the number of tourists. After this, in the next two decades we witness a significantly slower and sensitive rise in the number of tourists and overnights.

Moreover, in 2016, the direct participation of tourism in the GDP of North Macedonia was 10.4 billion denars (170 million euros), i.e., 1.8% of GDP, while the total participation (direct and indirect) of tourism in GDP reached 38.5 billion denars (626 million euros), or 6.7% of GDP. Also, tourism directly contributed to the creation of 12,000 jobs (1.6% of total employment), and

with the indirect jobs, the participation was 6.1%, i.e., 44,000 employees. Exports from tourism were estimated at 282.8 million denars (4.6 million euro), or 5.4% of total exports, and 4.5 billion denars (73 million euros) were invested in tourism (2.4% of total investments).

According to economic accounts for tourism, the gross added value created by tourism in 2019 participates with 2.45% in the gross added value of the economy of the Republic of North Macedonia. In 2020 there was a 74% drop in total tourist arrivals compared to 2019, and the beginning of 2021 was even worse for most destinations with an average drop of 88% compared to the pre-pandemic period.

After the outbreak of the coronavirus (Covid-19), also in North Macedonia there was a drastic decline in the tourism activities, as a chained consequence of global events, from which we understand that globalization is influencing very hard on the development of tourism in North Macedonia.

Conclusions

The forecasts of the World Tourism Organization (UNWTO) are very positive, according to which the international tourist in the world will reach 1.8 billion travelers by the year 2030. These data are certainly encouraging, but at the same time they are an obligation to solve the current immediate problems deriving from the tourists as a mass, which are reflected in the social, ecological and other aspects of everyday living.

The tourism industry in North Macedonia is unprepared to take the advantages and the opportunities deriving from the globalization as a process. The key problem that hindered or prevented the positive impact of globalization in North Macedonia was the slowly and completely unsuitable transition for existing businesses in tourism. Many enterprises that were successful,

¹⁴Biljana Petrevska,

due to the reverse privatization model, went bankrupt, just to be bought by the former leadership or management structures of those enterprises. A number of those enterprises failed to join the trends and lost to the fierce competitive struggle in the region and beyond.

Another hindering reason of globalization was and still is the lack of educated staff, coming from outdated vocational, secondary and higher education systems. The lack of a development strategy in the creation of profiles in tourism and hospitality is another problem, as well as profiles for creating and realization of tourist products and services. Human resources in the tourism industry are behind in many aspects (no investment in know-how and modern technology), as crucial elements/factors for development in a time of globalization.

In addition, and contrary to the benefits that globalization brings to the tourism industry, there are also few negative effects and problems. For example, the tourism managers in North Macedonia must seek a global perspective to respond to the all types of risks that tourism produces, such as: overcrowding of tourist sites, excessive use and destruction of resources, conflicts with local residents, loss and damage of cultural heritage, the rise of crime and prostitution, inflation and rising costs of land, and socio-cultural and similar problems.

These and other issues are the main challenges that a tourist destination as North Macedonia must face. The impact of the technological changes at the global level gives impetus to new trends in the tourist market and the emergence of new needs that follow the new behavior of tourists and their preferences when choosing a destination/offer. This should be marked as on the main intention of tourism development policy makers in North Macedonia, when applying for innovative tools to combat the negative aspects that globalization brought to the tourism activity in North Macedonia.

Recently, there are some moments of market penetration of multinational companies in the hotel sector (Holiday Inn, Marriott, Hilton etc.), which offer contemporary management, technological, educational and similar systems.

When it comes to tourism in global terms, it is increasingly a certain fact to expect a political uncertainty that will reduce the volume of travel, especially in countries where this crisis will be most visible. Then, the increase in terrorism, will lead to the strengthening of security measures, the visa regime and entry controls, which will act as a disincentive for travelers. It is also predicted that PR China will open up and that its many unknown regions may develop into popular tourist destinations in the next 10 to 15 years.

On the other hand, the decline of trust in politics is increasingly evident, which will aim to reduce the volume of investments in the tourism economy due to unstable political goals and regimes and the dissolution of common values. Meanwhile, the cultural gap which is deepening everyday can make the travel journeys very unsecure and unpredictable. All of these factors are a threat to tourism in North Macedonia, because they are a sort of consequence of globalization.

Every country, relying on its tourism potentials has a chance to ensure the benefits from the opportunities of the globalization, and to respond to the threats, but through the implementation of solid and realistic policies at the national, regional and local level. In the end, this raises a significant number of questions related to the measures and strategies that must be undertaken by policy makers in tourism. At the same time, all the stakeholders must take care of the long-term recovery and transformation of the country as a tourist destination to meet the needs and demands of the tourists.

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Access this Article in Online	
	Website: www.ijarm.com
	Subject: Tourism Management
Quick Response Code	
DOI: 10.22192/ijamr.2023.10.02.010	

How to cite this article:

Mislim Zendeli, Fluturim Saliu. (2023). Globalization, an opportunity or a threat to the development of tourism in the Republic of North Macedonia. Int. J. Adv. Multidiscip. Res. 10(2): 89-97.

DOI: <http://dx.doi.org/10.22192/ijamr.2023.10.02.010>