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TOURISM DEVELOPMENT IN THE EAST REGION OF MACEDONIA: ECONOMIC PERSPECTIVE

Abstract

The paper clarifies tourism influence on the regional development of Macedonia in terms of basic economic parameters and tourism indicators. It gives an overview of tourism importance as a source of the economic development in the East region of Macedonia. A comparative analysis is given of the East region with other statistical regions from economic perspective. In this line, different types of statistical tests (Levene, Bonferroni and Tamhane tests) are applied. They are based on the available sources of secondary data addressing GDP and tourism flows (arrivals and overnight stays). The aim of the paper is to determine the influence of the East region by calculating the presence of significant differences between its average values of the variables compared to other regions. Finally, the paper gives recommendations for further development of the region in tourism manner, mainly by boosting the event tourism development.

Key words: Tourism development; Regional development; East Region; Event tourism.

INTRODUCTION

The variety of changes in the surrounding initiated a creation of a new ambient and challenges in front of all parties involved in tourism policy. This raised the issue of defining innovative presumptions and general directions for the tourism development. Regardless the nature, tourism has major economic and social affects at regional and local levels. So, some regions were highly positively influenced by tourism impacts. For example: mainly coastal (Emilia-Romagna in Italy), mountainous (Valais in Switzerland), urban and historic (Ile-de-France in France) or regions with exceptional natural resources (Quebec in Canada, Arizona in the United States). Additionally, regions with different profiles can also benefit from the tourism growth. Consequently, they can be rural, promoting green tourism, leisure and nature activities (Queensland in Australia); very remote (Greenland in Denmark) or regions undergoing industrial restructuring (Nord-Pas-de-Calais in France).

The study clarifies tourism contribution to the economic development of Macedonia by elaborating the case of the East region. The main objective is to make a comparative analysis of the planning regions with an emphasis on the East region. The intention is to determine the influence of this region over the regional and economic development by calculating and comparing the differences with other regions. For this purpose, the paper is structured in several sections. After the introductory part, Section two presents a brief review of the literature on tourism, economic and regional development. Section three poses some background materials in terms of legislation relevant for the regional development of Macedonia, as well as some stylized facts on the East region. Section four encompasses the methodological framework, while the main analyses, discussion and results are posted in Section five. Concluding remarks and some valuable recommendations are noted in the last section of the paper.

The paper gains additional value since it enriches the poorly developed academic work in Macedonia addressing regional tourism contribution, with certain exceptions (Petrevska, 2012; Petrevska and Manasieva Gerasimova, 2012; Petrevska and Nestoroska, 2015). Yet, some valuable contribution is noted in the work of Dimitrov and Petrevska (2012), Jeremic (1971), Marinovski (1998), Panov (1972), Petrevska and Dimitrov (2013) and Stojmilov (1993) whereas the issue of the rural tourism in Macedonia is explained by applying different approaches and attitudes that result in a territorial division of regions, counties, zones and local areas. However, only a few studies underline the necessity of introducing the planning process to the tourism flows in Macedonia (Petrevska, 2011) in the line of enhancing their modest development and creating preconditions for further advanced promotion (Petrevska and Koceski, 2013).

LITERATURE REVIEW

The issue of discussing the relationship between the tourism and economic development is present in many studies. Some argue the conventional thinking (Stabler et al., 2010; Sharpley and Telfer, 2002), while others focus on local, place-based factors that influence the tourism development (Raina and Agarwal, 2004). Likewise, a focus is put specifically on the less developed world. Subsequently many assumptions appear about the role of the tourism-in- development, which in particular highlights the dilemmas faced by destinations seeking to achieve development through tourism (Huybers, 2007; Telfer and Sharpley, 2008). Some authors even endeavour a critical approach within a multi-disciplinary framework to relook at the complex phenomenon of tourism development (Babu et al., 2008; Ramos and Jimenez, 2008). In the last twenty years, large regional differences in the quality of life have emerged within many transition economies (Bartlett et al., 2010). Hence, much attention has been directed to tourism's economic potential (Butler et al., 1998; Hall and Jenkins, 1998; Jenkins et al, 1998). Some authors underscore the significant opportunity for product development as a means to rural diversification (Bessière, 1998). Others examine the contemporary issues and reasons for tourism development as a strategy for urban revitalization (Pearce and Butler, 2002) as well as for providing the basis for a better-informed integration of tourism in the regional development strategies (Sharma, 2004). Moreover, some discussions are towards various policy innovations as activities by regions in terms of tourism development, considering a continuous growth within the sector (Giaoutzi and Nijkamp, 2006). Additionally, as the tourism and regional development are closely linked, the regions and local authorities play a key role in formulating the policy and organizing the tourism development (Constantin, 2000).

Over the past decades, the rural tourism became very popular and currently has some strong advantages on the international market. This is particularly important since the rural tourism has already played a key role in the development of some rural zones that were economically and socially depressed (Blaine and Golan, 1993; Chuang, 2010; Dernoï, 1991; Hall and Richards, 2002; Ploeg and Renting, 2000; Ploeg et al. 2000; Roberts and Hall, 2001; Simpson, 2008).

Furthermore, there is a relatively large body of studies that vary extensively in quality and accuracy, though they mostly address the economic impact analysis in the line of determining the tourism contribution (Babu et al, 2008; Crompton, 1993; Huyberg, 2007; Lundberg et al, 1995; Ramos and Jimenez, 2008; Stabler et al, 2010). In this respect, the economic impact analysis traces the flows of spending associated with the tourism activity in one region in order to identify the changes in the sales, tax revenues, income and jobs, due to the tourism activity. The principal

methods being applied are visitor-spending-surveys, analyses of secondary data, economic base models, input-output models and multipliers (Frechtling, 1994). Due to the fact that the economic development represents just one process of a complex system known as human development, it means that the economic development inevitably leads to human development and the quality of life (Osberg and Sharpe, 2003). So, the human development or the increase of the human quality of life is the main goal of the economic development (Hayami and Godo, 2005; Kanbur, 2003).

This suggests that the achieved economic and human development may be measured and presented by various indicators (Cypher and Dietz, 2009; Grabowski et al, 2007; Soubotina, 2004; Todaro and Smith, 2009):

- (i) Value aggregate indicators: dynamics and speed of growth of the total production; gross domestic product (GDP); degree of the growth of GDP; degree of saving and index of investments or economic welfare etc.;
- (ii) Natural indicators: degree of infrastructural construction; degree of residential construction assistance; degree of biological nutrition of population etc.;
- (iii) Social indicators: nutrition, health, degree of education, social security, working conditions, housing, employment etc.

BACKGROUND MATERIAL

In 2007, under the imperative to harmonize its laws with the EU, Macedonia adopted the Nomenclature of Territorial Units for Statistics (NUTS 3 level) and created eight statistical regions: Vardar, East, South-West, South-East, Pelagonia, Polog, North-East and Skopje (Figure 1). These regions serve as main units for the development planning. Moreover, they have been assigned the role of planning regions entitled for a planning process and implementation of a consistent regional development policy as well as for harmonization of the regional policy in Macedonia with the EU regional policy. Each of the planning regions has a Centre for development established for the purposes of carrying out professional tasks relevant for the development of that particular region.

Figure 1. *Statistical regions in Macedonia*

The East region is consisted of 217 settlements, out of which 11 are municipalities. According to the census of 2002, the total number of population was 181,858 inhabitants, while in 2014, 177,700 inhabitants were registered with a population density of 50.2. This region had an employment rate of 50.8% and unemployment rate of 20.1% (State Statistical Office, 2015: 34).

METHDOLOGY

The study attempts to document some different views and paradigms on the tourism regional development in an in-depth manner. The objective is to give an overview of the tourism importance as a source of the economic development in the East region of Macedonia. In order to fulfill its main aim, the paper makes different types of analysis, generally as argued in Ciotir and Scutariu (2009). Furthermore, it follows some of the main factors presented in Table 1 as a precondition for identification of the tourism regional economic impacts.

Table 1. *Tourism regional economic impacts*

Factors	Resources	Changes	Parameters and standards
Prices	Fiscal		Unemployment
Employment	Financial	Direct, indirect and induced changes in economic factors	Inflation
Investment	Infrastructure		Average weekly earnings
Imports	Marketing	Multiplier effects	Interest
Expenditure	Trade		Exchange rates
Foreign exchange	Incentives		Multiplier, etc.

Source: Atherton (1992: 294)

The calculations are performed in the SPSS package and generally are based on the statistical Levene test to study the homogeneity of the variance. In case the significance level is ≤ 0.05 , the variance is not homogeneous, so we reject the null hypothesis. Then we apply the Tamhane statistical test to determine the presence of the differences between the average values of variables in the East region compared to other regions in Macedonia. In case the significance level is ≥ 0.05 , the variance is homogeneous, so we apply the Bonferroni statistical test. In this line, the general hypothesis is:

H_0 : There are significant differences between the East region and other regions in Macedonia regarding the level of indicators addressing the economic and tourism development.

The calculations are based on the data obtained from the State Statistical Office of the Republic of Macedonia, spreading over the period 2008-2013. The data address the following indicators: gross domestic product (GDP) in denars; and the tourism flows in terms of total tourist arrivals and overnight stays.

ANALYSES, RESULTS AND DISCUSSION

Table 2 presents the summarized data (GDP, total tourist arrivals, nights spent, rooms and beds) for the East region for the sample period.

Table 2. Data for the East region, 2008-2013

Year	GDP (MKD den.)	Tourist arrivals	Tourist overnights	Rooms	Beds
2008	173,815	13,739	28,449	588	1,729
2009	170,486	12,680	27,509	598	1,718
2010	210,546	13,054	25,687	533	1,591
2011	224,455	13,615	28,852	544	1,606
2012	215,627	18,865	37,358	599	1,721
2013	223,425	20,747	42,222	620	1,826

Source: State Statistical Office (various years, various publications).

The calculations based on the GDP data are necessary to assess the differences between the East region and other regions in Macedonia in terms of the general development. Namely, the GDP expresses the level of social and economic development per capita per year for a region. In order to accept the suggested null hypothesis, we presume that the level of the economic development of the East region differs from other regions.

Table 3. Tamhane test (GDP)

(I) region	(J) region	Mean difference (I-J)	Std. Error	Sig.	95% confidence interval	
					Lower bound	Upper bound
E	V	-22213	24506.26	1.000	-8370.3707	5505.4364
	SW	23044	24506.26	1.000	-7874.8031	6001.0031
	SE	5604	24506.26	1.000	-9003.2207	6071.5864
	PE	-35175	24506.26	1.000	-10305.1531	3570.6531
	P	78538	24506.26	1.000	-9002.4707	4872.3364
	NE	51801	24506.26	1.000	-9810.8707	4075.0364
	SK	-140716	24506.26	.001	-19096.1207	-2800.1014

Note: East (E), Vardar (V), South-West (SW), South-East (SE), Pelagonia (PE), Polog (P), North-East (NE), Skopje (SK)

After calculating the Levene statistical test, we found out that the level of significance is 0.02 which is lower than the limit of 0.05 pointing out to non-homogeneity of variances of the sampled regions. Therefore, in order to compare the average value of the GDP from the East region to other regions in Macedonia, we apply the Tamhane test and reject the null hypothesis. Based on Table 3 it can be concluded that the average value of the GDP in the East region significantly

differs from the average values only of Skopje. Compared to the rest of the regions in Macedonia, no statistically significant differences are noted.

Furthermore, we test the homogeneity of dispersions for tourism flows i.e. tourist arrivals and overnights, by calculating the Levene test (Table 4). In both cases, the significance exceeds the limit of 0.05 thus pointing out to the homogeneity of variances and acceptance of the null hypothesis. Consequently, we apply the Bonferroni test. Table 5 presents the values of tourist arrivals and Table 6 the values of overnights.

Table 4. *Test of homogeneity of dispersions for tourism flows*

Tourism flows	Levene stat	df1	df2	Sig.
Arrivals	1.881	7	40	0.08
Overnights	3.329	7	40	0.07

Table 5. *Bonferroni test (Tourist arrivals)*

(I) region	(J) region	Mean difference (I-J)	Std. Error	Sig.	95% confidence interval	
					Lower bound	Upper bound
E	V	3289	3447.58	1.000	-147.2582	54.2582
	SW	-240358	3447.58	.001	-351.0250	-38.1862
	SE	-82117	3447.58	1.000	-138.7582	162.7582
	PE	-51652	3447.58	1.000	-162.1581	144.1502
	P	-13290	3447.58	1.000	-128.7581	81.7580
	NE	11469	3447.58	1.000	-118.6574	143.0007
	SK	-135966	3447.58	.001	-347.0144	-47.2973

Note: East (E), Vardar (V), South-West (SW), South-East (SE), Pelagonia (PE), Polog (P), North-East (NE), Skopje (SK)

Based on Tables 5 and 6 it can be easily concluded that the average values of tourism flows in the East region are significantly different from the average values of other regions in Macedonia. Particularly, the difference is extremely high when being compared to the South West region. This is logical since the South West planning region is the most developed region in Macedonia in tourism manner. The East region, along with the North East, Vardar and Polog region are one of the least developed regions in tourism manner. During the sample period 2008-2013,

the East region registered an average of 15,450 tourists which is only 2.4% of the average total number of tourists in Macedonia. Moreover, the East region has a negligible role in the national tourism development since it has 9.8 times fewer tourists compared to the average of the Skopje region; 16.6 times fewer tourists compared to the average of the South West region and even fantastical 40.9 times fewer arrivals when being compared to the average number of tourists who visited Macedonia. This fact indicates that the East region has extremely low level of tourism development and must introduce more aggressive strategy for enhancing its modest development.

The same conclusion can be brought out when analyzing the tourist overnight stays. Namely, only 1.3-2% of total tourist overnights were noted in the East region during 2008-2013, or 1.5% on average (31,680). This fact is not surprising at all since it is in a direct correlation with the previous outcome where tourist arrivals have been analyzed. Once again it can be concluded that the tourism in the East region has an insignificant role due to the very low tourist nights spent. The difference from other regions is even bigger when comparing the average overnights. To be precise, the East region has 9.8 times fewer overnights than the average of the Skopje region; 39.5 times less compared to the South West region and incredible 68 times fewer overnights when being compared to the average overnights registered in Macedonia.

Table 6. *Bonferroni test (Tourist overnights)*

(I) region	(J) region	Mean differ- ence (I-J)	Std. Error	Sig.	95% confidence interval	
					Lower bound	Upper bound
E	V	10147	6559.32	1.000	-128.2591	74.1592
	SW	-1219540	6559.32	.001	-393.2472	-48.1820
	SE	-259152	6559.32	1.000	-139.9845	122.7998
	PE	-139646	6559.32	1.000	-178.1009	128.1598
	P	-25061	6559.32	1.000	-134.6365	101.6523
	NE	25017	6559.32	1.000	-181.7001	113.2322
	SK	-278203	6559.32	.001	-380.8143	-97.7320

Note: East (E), Vardar (V), South-West (SW), South-East (SE), Pelagonia (PE), Polog (P), North-East (NE), Skopje (SK)

A lack of sustainability which is a precondition and a leading accelerator for tourism development is noted in the East region. Namely, this region is far below of being a well-established tourist center in Macedonia since it fulfills a very modest average length of stay. So, during 2008-2013, the average length of stay

is between 2-2.2 days, or an average of 2.1 days per year for the observed period. When compared to the average of Macedonia, which is between 3.1-3.7 days (an average for the sample period of 3.4 days), it is 1.7 times less. The gap is even bigger (2.4 times less) when compared to the South-West region which is the most developed in tourism manner with an average length of stay of 4.9 days. Apparently it may be concluded that although the tourism is often seen as a 'sun-rise industry' is not among the strategic priorities of the East region. Despite the numerous potentials for tourism development in regional frames, particularly by creating positive background for practicing the event tourism, this region urgently needs to define some adequate tourism policy.

Based on Table 2, one may find some interesting notes regarding the accommodation capacity of the East region. This issue is important in the line of drawing concluding remarks whether the key tourism actors should carry out measures and activities for enhancing the tourism competitiveness of this region. During 2008-2013, on average the East region has 580 rooms, which is higher than only in the North East region and very similar to the Vardar region. Yet, if the data are compared to other regions, it can be concluded that on average, the East region has multiple times less accommodation capacity in terms of hotel rooms (1.8 times less than Polog; 3.8 times less than South East; 4 times less than Skopje; 5.7 times less than Pelagonia and even 27.8 times less than the South West region). The situation is similar when analyzing the data presenting hotel beds. On average, the East region encompasses only 2.4% of the total number of hotel beds in Macedonia. So with an average of 1,699 hotel beds it has similar hotel bed supply to the Vardar region and 2.4 times bigger supply compared to the North East region which are the least developed regions in tourism manner.

CONCLUSION

The tourism has a strong influence on the regional development, so the developing countries as Macedonia are exploring it as a chance for economic growth. The tourism development affects the regional development and is inter-connected with a variety of other activities, like new jobs creation, traffic development and higher prices of land, from agricultural to building land, and alike. The study allows an increased understanding of the way the tourism operates in the East region of Macedonia. It identifies the potential challenges Macedonia may face in its attempt to employ the tourism as part of a comprehensive regional development strategy. At the same time, it defines some strengths that can be brought up to the tourism planning. However, numerous constraints and opportunities for regional prosperity

through tourism development arise in the case of the East region. It lacks a developed tourism product, so a way out is detected in introducing the event tourism.

The study also found that there are no substantial differences between the East region and other regions in Macedonia when addressing the GDP, with the exception of Skopje. As expected, only the Skopje region has a significantly higher value than the East region due to the intensive regional inequalities. Namely, per capita income in the capital city of Skopje is far above the rest of the country and is the main pole of development. While other regions have secondary towns that are poles for their development. None can compete with the capital. Consequently, this kind of mono centric pattern of development underpinned the huge differences in life quality among other regions.

Furthermore, the study found out that the East region differs extensively when addressing the tourism flows indicators. Specifically, the differences exist between the East region and other regions concerning tourist arrivals and overnights. The outcomes point that the region which is investigated registers significantly lower values than the majority of regions, with the exceptions of the Vardar and the North East region.

This increases the need for tourism businesses to collaborate within and across other seven regions, as it will require a number of destinations to build an experience that will justify any visitor making the trip. Beyond the tourism policy, the regional development policy generally can contribute to the innovation capacity of the region as a destination. The study in general recommends some potentials for developing the event tourism in the East region, which although being present are still insufficiently used. The reason for this lies mostly in the nonexistence of a tradition of the event tourism development, poor promotion of events that take place in the region, poor traffic network, lack of modern accommodation capacity and so forth.

There are only a few geographic areas in Macedonia, which are strongly affected by the location factors in the tourism development. This is a strong limiting element that inhibits the East region's development. With the governmental support in the past few years, generally in the line of capital investments in the infrastructure, the region notes an upward trend in the tourist arrivals, overnights and hotel accommodation supply.

Finally, the study concludes that the East region is not among the regions which outstands an intense tourism activity. It points out that the tourism must have a significant position in the regional programs and in the development strategy. It also needs to be defined as a key opportunity for the region development. However, further more substantial tourism development, particularly to the East region depends on:

- Public policies directed towards specific investments, which is tailored according to the needs of the region;
- Efforts to increase the accommodation capacity and occupancy rate by developing the event tourism; and
- Significant efforts to increase the tourism income through subsidies or tax deductions as a precondition for regions' tourism development.

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