

NAVIGATING CRISIS AND COOPERATION: NORTH MACEDONIAN TOURISM COMPANIES' VIEWS ON THE 'OPEN BALKAN' INITIATIVE AMIDST THE CHALLENGES OF COVID-19 AND THE UKRAINIAN CRISIS

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ABSTRAKT

This paper investigates the dual challenges posed by the Covid-19 crisis and the Ukrainian crisis and their profound impact on the tourism sector in North Macedonia. As these crises disrupted global travel patterns and tourism dynamics, North Macedonia's tourism industry faced challenges. Through an in-depth analysis of empirical data, this paper sheds light on the resilience and adaptability of tourism companies in North Macedonia during these crises. The research explores the measures adopted by North Macedonian government to mitigate the adverse effects of these crises. Moreover, it examines the role of regional economic cooperation among Western Balkan countries in enhancing the tourism sector's resilience and recovery. Findings reveal the pivotal role of regional cooperation in creating a supportive framework for tourism companies in North Macedonia and neighboring countries. Leveraging their shared cultural, historical, and geographical ties, these nations have demonstrated the potential to foster sustainable tourism growth and strengthen economic ties. This paper contributes to the understanding of crisis management in the tourism sector, offering valuable insights for policymakers, businesses, and academics interested in the Western Balkans region's economic development and tourism resilience strategies. The research underscores the importance of collaboration in overcoming crises and capitalizing on shared opportunities, ultimately paving the way for a more robust and resilient tourism industry in North Macedonia and the broader Western Balkans region.

Keywords: *tourism sector, Open Balkan, covid19, Ukrainian crisis,*

JEL classification: *C83, D20, L10*

1. INTRODUCTION

The subject of analysis of this paper is the analysis of the attitudes and perceptions of companies from the tourism sector in North Macedonia in relation to the Open Balkans initiative and analyze the impact of the Covid -19 crisis and the Ukrainian crisis on their operation.

1.1. Structure and dynamics of the tourism sector

Tourism in North Macedonia has realized continuous growth over the years. Thus, in 1995, 18.5 million EUR of income from tourism were achieved (0,4 percent of GDP) and only 126 EUR of income per tourist. After 2.5 decades, the contribution of tourism to the economic

development of North Macedonia increases significantly to 392 million EUR of income and 517 EUR of income per tourist.

The dynamics of tourism activity depends on the size of the country and the intensity of tourism development. As a small country, North Macedonia has a modest volume of tourist flows, but prosperous to contribute to the economic growth and development of the country. The tourism statistics of North Macedonia are expressed through the number of tourist arrivals (total tourists, domestic tourists and foreign tourists) and overnight stays (total overnight stays, overnight stays by domestic tourists and overnight stays by foreign tourists) (table 1).

Table 1: Tourism statistics for North Macedonia, between 2011 and 2022

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

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

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

The analysis period is from 2011 to 2019 due to several points. Namely, since 2011, the Government has successfully introduced measures to subsidize tour operators and agencies working with incoming tourism. At the same time, many low-budget airlines opened, so North Macedonia became an easily accessible tourist destination. Thus, within a decade, international tourism began to develop, so in 2019, the number of nights spent by foreign tourists almost equaled the number of nights spent by domestic tourists. In the best tourist year, 2019, 1,184,963 tourists were registered in North Macedonia, of which 63 percent are foreign tourists, and 36 percent are domestic tourists. In the same year, a total of 3,262,398 nights were spent, of which 48 percent were from foreign tourists, and 52 percent were from domestic tourists (table 1). The average length of stay of all total registered tourists in the period 2011-2019 is 2.7 days, while domestic tourists stayed on average 3.7 days, and foreign tourists 1.9 days. This indicates a space for creating a new tourism product that would keep tourists staying longer.

Table 2 shows the total revenues from tourism and the percentage share in GDP. With the exception of the pandemic year 2020, the average is 295 million EUR of income, i.e. the average annual rate of participation of total revenues from tourism in GDP is 2.7 percent. There are expectations for their increase to more than 450 million EUR.

The favorable positive trend of tourism development, which can be seen from the data in tables 1 and 2, was interrupted by the COVID-19 pandemic, which left great negative consequences at the world and European level, and in North Macedonia. And while in 2021 a

large drop of almost 70 percent in tourism was observed in Europe, in North Macedonia that drop is significantly smaller (-30 percent in the total number of overnight stays, and -40 percent in the total number of tourists). In 2021, a total of 2.3 million nights were registered (1.6 million from domestic tourists and 0.7 million foreign tourists, including tourists from the region from Serbia, Kosovo and Albania). At the same time, the number of foreign tourists increased by 139 percent, making North Macedonia one of the top five countries in the world in terms of the number of tourists. The positive trend can be felt because in the first eight months of 2022, an average of 60-70 percent of the total tourist flows were realized compared to 2019 (table 2). Thus, tourism is seen as an activity that can quickly stimulate economic growth in the post-pandemic period, if the surrounding conditions remain stable.

Table 2: Tourism incomes and participation in GDP

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

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

1.2. Tourism and the impact of the Covid-19 crisis

The Covid-19 pandemic has had a major impact on the tourism industry globally. This led to a significant drop in tourist arrivals, resulting in huge revenue losses for companies in the tourism sector. According to the World Tourism Organization (UNWTO, 2022), global international tourist arrivals decreased by 73% in 2020 compared to the previous year. The drop in tourist arrivals has also led to the loss of jobs in the tourism sector. Many hotels, resorts and other tourism-related businesses have had to close or reduce their operations, leading to layoffs and layoffs.

The countries of the Western Balkans were not spared from the negative effects of the Covid-19 crisis. Western Balkans, a region heavily reliant on tourism as a key economic sector. However, the negative effects of the pandemic have seriously affected the tourism industry, leading to huge revenue losses and job cuts. Western Balkan countries have implemented various measures to mitigate the impact of the pandemic on the tourism sector, such as financial support for affected businesses and promotion of domestic tourism.

1.3. Government measures in the tourism sector in North Macedonia

North Macedonia government has adopted economic measures to deal with the crisis from the Covid-19 pandemic, which focus on the citizens, their jobs, social security, solidarity, creating an environment for easier overcoming of the economic consequences of the corona virus. Most of the measures taken by the Government refer to the overall economy, but there are also those that are directly intended for the tourism sector:

- Formation of the Tourism Fund
- Postponing the validity of tourist vouchers
- Continuation of the validity of licenses for catering and tourism activities
- Continuation of the importance of the categorization of accommodation, food and beverage facilities
- Tourist vouchers for domestic tourism
- Subsidizing 50% of contributions for employees in companies from the tourism, transport and hospitality sectors
- Support with salaries for tour guides
- Return of tourist tax for 2019 to support the tourism sector, as one of the most affected by the crisis
- Grants for travel agencies from 3,000 to 7,000 EUR
- Loans with 0% interest for companies from the tourism, craft, catering, transport, event organization industry, private health facilities and the like, through the Development Bank of North Macedonia
- Financial support for categorized travel agencies from 2,000 to 5,000 EUR
- Financial support for tourist guides of MKD 30,750
- Free 50,000 PCR tests for foreign tourists who stayed in the country and
- Financial support for hotels operating outside tourist centers.

1.4. The "Open Balkan" initiative

The countries of the Western Balkan have recognized the importance of regional economic cooperation in the tourism sector, especially in light of the challenges brought by the Covid-19 pandemic. One initiative that has attracted considerable attention in recent years is the Open Balkan initiative, which aims to promote economic integration and cooperation among countries in the region. "Open Balkan" is a regional initiative created by North Macedonia, Serbia and Albania, which is dedicated to providing conditions for the exercise of the four European freedoms for as many citizens and companies as possible in the Balkans. "Open Balkan" is an amplifier of regional cooperation and connectivity when it is about the free movement of people, capital, goods and services. Currently, the three countries (North Macedonia, Albania and Serbia) lead and develop the initiative, which has an open door policy, especially for other countries from the Western Balkans, such as Montenegro, Bosnia and Herzegovina and Kosovo, but also for other countries in the region members of the EU. The main goal of the "Open Balkans" is to overcome the social, economic and trade barriers that hinder economic growth in the region by implementing the four freedoms on which European integration is based, freedom of movement of goods, workers, capital and services. One of the benefits of this initiative is the establishment of a regional market between the member countries of the initiative. Within the framework of the "Open Balkan", agreements have been signed establishing joint border crossings and enabling a shorter time for stay at the borders. In addition, progress has been made in improving the business climate in the entire region by signing agreements on the mutual recognition of Authorized Economic Operator (AEO) approvals. Green corridors have been established, which ensures that products and services reach the markets in the region faster.

The tourism sector is a key focus of the "Open Balkans" initiative.

2. LITERATURE REVIEW

2.1. Tourism and regional economic cooperation

Tourism is important for national economies and the personal income of citizens (Blazejczyk, 2007). Usually the papers of researchers and international institutions focus on realized income and expenditure from foreign tourism. However, external tourism is only one part of

the whole picture (Ljubotina and Raspor, 2022). Of course, domestic tourism is also important.

Regional economic cooperation among the countries of the Western Balkans is a sensitive and complex topic for both researchers and policy makers because of its potential to increase economic growth and stability in the region. One of the sectors that is significantly influenced by this cooperation is the tourism sector, which has the potential to become a significant contributor to the economic development of the region. In this literature review, the existing literature on the regional economic cooperation of the Western Balkan countries and the impact on the tourism sector is listed.

The Western Balkan region includes Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia. These countries have historically been divided by ethnic, linguistic and religious differences, which have contributed to political instability and economic underdevelopment. However, in recent years, these countries have been making efforts to strengthen their regional cooperation through various initiatives, such as the Regional Cooperation Council (RCC) and the Southeast European Cooperation Initiative (SECI) and the latest Open Balkans initiative.

One of the main reasons for the promotion of regional economic cooperation in the Western Balkans is to increase the attractiveness of the region for foreign investors and tourists. Tourism is one of the fastest growing global sectors, which is experiencing strong growth with the emergence of new destinations. Destinations from the Western Balkan are gaining popularity (UNWTO, 2018a; WTTC, 2019). The majority of destinations from the Western Balkan reported growth in arrivals of 10% or more, and some destinations doubled: Albania (+14.1%), Bosnia and Herzegovina (+18.7%), Kosovo* (+2%), Montenegro Gora (+12.9%), North Macedonia (+23.5%) and Serbia (+16.8%). This led to a total of over 12 million visits to the WB6 region in 2018 (Kennell et al RCC 2021).

Several studies have shown that regional cooperation can lead to improved trade, investment and tourism flows. For example, a study by Porfidoa, 2020 notes that the establishment of common tourism policies between neighboring countries is crucial. Joint tourism strategies and actions could support the momentum for regional cooperation (OECD, 2018). At the same time, more scholars and institutions agree that the creation of joint regional initiatives is of crucial importance and importance (Hammer and Siegrist, 2008; Denga, et al, 2019).

In addition, regional economic cooperation can help improve the competitiveness of the tourism sector in the Western Balkans. For example, joint marketing efforts and the development of regional tourism services can help create economies of scale and reduce transaction costs. According to a study by the Balkan Policy Research Group (2021), regional cooperation can lead to the creation of more attractive tourism products and services, which can help increase the overall competitiveness of the region.

However, there are also certain challenges related to regional economic cooperation in the tourism sector. One of the main challenges is the lack of institutional capacity and coordination among the countries of the Western Balkan. Several studies have highlighted the need for stronger institutional frameworks and coordination mechanisms to improve regional economic cooperation (OECD, 2021, WB6CIF, 2021). Furthermore, there are concerns about the potential negative impacts of tourism development on the environment and local communities. Several studies have highlighted the need for sustainable tourism development policies that take into account the social, economic and environmental impacts of tourism (Golja, 2021; Baloch et al., 2022, Ibănescu, 2018).

In conclusion, regional economic cooperation between the countries of the Western Balkan has the potential to bring significant benefits to the tourism sector. However, these benefits can only be realized if there is strong institutional capacity and coordination between countries and if policies for sustainable tourism development are implemented. Further

research is needed to explore the potential of regional economic cooperation in the Western Balkan and its impact on the tourism sector.

2.2. Tourism and the impact of the Covid-19 crisis

The coronavirus pandemic has not only caused a health crisis, but also a global economic crisis. The widespread impact forced the economy to change to a new normal. The 2021 Tourism Investment Report (UNWTO & fDi Intelligence, 2021) points out that the Covid-19 crisis has hit the global tourism industry hard. According to this report, the number of foreign tourists in 2020 decreased by 73% compared to the previous year, causing a loss of export earnings of 1.3 trillion dollars. This negative trend affected all countries. Namely, to clarify things in terms of the negative consequences for tourism, before the pandemic, travel and tourism (including their direct, indirect and induced impacts) created 1 in 4 of all new jobs created worldwide, 10.6% of all jobs (334 million) and 10.4% of world GDP (\$9.2 trillion). Meanwhile, international visitor spending was \$1.7 trillion in 2019 (6.8% of total exports, 27.4% of world services exports). Thus, in 2020 the losses amount to 62 million jobs, a decrease of 18.5%, leaving only 272 million jobs worldwide in the sector, compared to 334 million in 2019. Spending on domestic visitors has dropped by 45% and on international visitors by an unprecedented 69.4% (WTTC, 2020).

Therefore, the short-term impact of the pandemic is the loss of millions of jobs, the closure of enterprises and the reduction of entrepreneurial activity. In the medium and long term, the consequences are a deep economic recession, affecting tourism and hospitality (Porfido, 2020). Although rich countries can mitigate the negative economic impacts, many tourist destinations in less rich countries have suffered more. This is highlighted by the less likely that poorer countries pay attention to the domestic tourism market to compensate for the lower level of international tourism (Porfido, 2021; Chang et al., 2020; Fletcher et al., 2020). Contemporary scientific debates emphasize that focusing exclusively on the rapid recovery of the industry is contrary to efforts to reform the tourism sector in order to make it sustainable. The rethinking of tourism towards sustainability is related to natural conservation, the reassessment of the socio-cultural environment and the benefits of active participation in the economy and the local community (Tuan & Rajagopal, 2019). In addition, the participation of all relevant stakeholders and strong political leadership are key to the sustainable development of tourism (WTO, 2005).

3. METHODOLOGY

The purpose of this paper is to perceive the opinion and perceptions of tourism companies from North Macedonia in relation to the regional cooperation initiative "Open Balkan" and the impact of the Covid-19 crisis and the Ukrainian crisis on their operation. The survey was conducted with companies that are fully/mainly familiar with the "Open Balkan" regional cooperation initiative. The interviews were conducted by telephone. The survey of the companies was carried out in most cases with a company manager or company owner, which indicates that the profile of the respondents are people who make decisions and are well acquainted with the situation in the company itself. The results of the analysis are shown in percentage (%). On the graphs where "multiple answers are possible" is marked, the percentage is more than 100.

The data collection technique consisted of conducting a telephone survey (CATI) with the help of a computer, online through the SurveyMonkey platform, which is specialized for this type of research. With the help of software program SPSS (IBM SPSS Statistics Program) the data were processed with the method of descriptive statistics.

For the needs of the research, a questionnaire was created - a research instrument of 45 closed questions.

Size and design of the sample: The sample consists of 50 companies that are familiar with the "Open Balkan" initiative and relevant decision makers (manager, director, company owner, etc.) responded. For the purposes of this research, a stratified simple random sample was created according to the national classification of activities.

The average length of the interview is 17 minutes, and the data was collected in the month of October 2022.

4. INTERPRETATION OF RESULTS

The questionnaire consisted of three parts. The first part of the questionnaire, in addition to the characteristics of the company and activities, aims to examine the opinion and awareness of the "Open Balkan" initiative. Also, this first part covers questions about new opportunities and obstacles. Furthermore, thematic issues in the field of tourism follow, with which countries they cooperate as part of their business operations. The second part of the questionnaire consists of questions related to the regional economy and tourism, opportunities for a common tourist market, destinations, obstacles to cooperation and consequences of the Covid-19 crisis and the military conflict Russia-Ukraine and in which domains this initiative can improve the situation in tourism. The third part examines the issues related to the state of tourism in North Macedonia in the post-Covid-19 period and during the crisis of the Russia-Ukraine military conflict and how to attract more tourists and promote the tourism development of the country.

To the question *"To what extent do you think that this initiative Open Balkan would open up new opportunities for improving the operation of your company/the company you work for?"*, 70 percent of the companies answered this initiative would be of great importance, precisely because of the new opportunities for improving the operation and the opening of opportunities for even better growth of the company (70%). A small part of the companies (20%) answered that this initiative would not at all/mainly would not open up new opportunities. While 10% respondents cannot estimate.

For most of the companies (78%), their representatives declared that there are no obstacles for economic cooperation between the countries of the region, while only 16% declared that there are obstacles. A small percentage (6%) do not know if there are obstacles. In terms of the obstacles that the respondents pointed out are: the slow flow of vehicles, the long staying at the border and complicated customs barriers.

More than half of the companies (64%) consider that the opportunities for trade through the "Open Balkan" are identical/similar to those of the EU. A quarter (24%) of companies consider that the opportunities are mainly/completely different from those in the EU.

Tourism, as one of the fastest growing economic sectors, has great opportunities for attracting a larger number of tourists, providing new markets throughout the domestic market, but also outside it. It represents the main driver and basic pillar of the socio-economic progress of developed countries, but also of developing countries. This set of questions aims to measure the cooperation of North Macedonia with other markets, i.e., whether there is an increase or decrease in the revenues of the companies as a result of the Covid-19 pandemic and the impact of the military conflict between Russia and Ukraine.

Companies were asked which market their activity is aimed at. They stated out the domestic market in first place (94%), then on second place they singled out the regional market (72%) and on third place the European market (64%). This means that the companies are mostly

oriented towards the domestic market. However, cooperation with other economies (regional and European) is also at a high level.

According to the survey results: *"Do you have cooperation with any of the countries in the region (Serbia, Albania, Montenegro, etc.)?"*, more than half of the companies answered that they have cooperation with the countries of the region (62%). The emphasis of the domain of cooperation is on tourist arrangements and travel. From the total sample of surveyed companies, 38% answered that they do not have cooperation.

Great importance for companies' growth and development is the Income as the main source of financing for any company. The majority (78%) of the companies answered that only 50% of the total income was generated from foreign tourists. A small percentage (8%) of the surveyed companies answered that 80% of the total income is generated from foreign tourists, while a very small percentage (4%) answered that 60% of their income comes from foreign tourists.

As a result of the Covid-19 pandemic, the operation of the companies results in a significant loss of profit, i.e. more than half of the companies (60%) answered that they were operating at a loss, while 34% answered that their revenues decreased up to 50%. A very small percentage (4%) stated that revenues have decreased by up to 20%.

To the question: *Have you experienced a significant decrease in revenues as a result of the Russia-Ukraine conflict?*, the results show that the revenues of 42% of the companies decreased up to 10%, in 26% of the companies the revenues decreased up to 20%, and in only 18% the revenues remained unchanged. In the case of 12% of the surveyed representatives of the companies, the revenues decreased by up to 50%.

4.1. Regional economy and tourism within the Open Balkan initiative

On the question: *"To what extent do you agree that the initiative "Open Balkan" would open up new opportunities for North Macedonia for a common tourist market?"*, the majority of the companies that were surveyed completely/mainly agree that new opportunities would be opened up for NM for a common tourist market with the countries of the region (70%). Almost two out of ten respondents disagree with that (18%). The percentage of representatives who declared neutral and that have no opinion on this issue is small (6%).

To the question: *"To what extent do you agree that North Macedonia would be a more attractive tourist destination if offered as part of a regional tourist market within the framework of the "Open Balkan" initiative?"* more than half of the companies (66%) agree that it would be a more attractive tourist destination. For a quarter (24%) of the respondents, it would not be a more attractive destination.

When analyzing the results of the survey, it can be concluded that for most of the companies this initiative would contribute to the state in terms of competitiveness. More than half of the companies (60%) completely/mainly agree with this perception, while 26% of them mainly/completely disagree that the initiative would contribute to the competitiveness of the international tourism market, if offered as part of the "Open Balkan".

In addition, 72% of the respondents believe that "Open Balkan" initiative can improve the condition in tourism with **financial support and investment** (72%). 62% of the companies

believe that "Open Balkan" initiative can improve the condition in tourism through promotion of tourist destinations and joint performance on third markets or through cooperation with companies from the region.

4.2 Condition in tourism in the post-covid-19 period and during the crisis of the russia-ukraine military conflict

The Covid-19 pandemic has caused changes in every segment of people's lives, both socially and economically. According to a study that was conducted during the Covid-19 crisis by the Macedonian Chamber of Commerce, it shows that until August-September 2020 there was a massive drop in tourist arrangements, as well as their cancellation.

Also, the expected number of tourists dropped, which is a normal phenomenon, since it was the peak period of the corona virus. The key moment of the Covid-19 crisis, which has affected the whole world and which has brought serious consequences for the population and the economy, is precisely the global uncertainty. When it comes to the post-Covid-19 period, as a result, the tourism and hospitality have emerged as one of the most affected sectors. This is not the case only in our country, but also in a wider area. Consequences are inevitable when it comes to the state of companies in terms of demand and revenues. The crisis itself hit a large number of companies forcing them to lay off employees or put a lock on the door. The implemented measures against the crisis also contributed to the deterioration of the operation of certain companies that were most affected by it.¹

To the question *"To what extent were the consequences of the COVID-19 crisis experienced in your company in terms of demand?"*, 40% of the companies answered that the demand decreased up to 100%, while 32% of the surveyed companies answered that the demand decreased up to 75%. Then, 24% answered that demand has decreased by up to 50%.

When analyzing the survey results, it can be concluded that the majority of companies, as a result of the restrictive measures for the Covid-19 pandemic, faced problems such as a significant **decrease in revenues** (in 84% of cases), a **decrease in demand** (in 76 % of cases) and a **significant increase in operating costs** (in 72% of cases). Also, a high percentage (54%) answered that they faced **liquidity problems**. After, only 16% answered that they faced an outflow of labor force.

With the emergence of the Covid-19 crisis, many activities and measures were implemented to prevent it, so companies were forced to implement certain measures in favor of the company. The three most common measures implemented by the companies were the **partial closure of the company** (in 36% of cases), then **financial indebtedness** (in 34% of cases) and layoffs from work (in 32% of cases). While the three least implemented measures by the companies are remote working (12%), with the same percentage answered that they implemented the measure of canceling the payment of bonuses and premiums, and 10% answered that they did not implement any measures.

In order to mitigate the negative effects of the Covid-19 pandemic, the Government started activities to support tourism through economic measures. Thus, the majority of companies

¹ The impact of Covid-19 on the economy in the region: E-commerce on the rise, drop of tourism and hospitality shorturl.at/myDT6

answered that they used economic measures given by the state (74%), while only 26% answered that they did not use measures.

When asked *"As a result of the COVID-19 crisis, the number of tourists/guests/visitors/business partners from Albania, Serbia, Montenegro, Bosnia that you serve"*, the representatives of the companies declared that the number decreased (88%), while only 4% answered that it remained unchanged, and 8% answered that they do not know/cannot estimate.

4.3 The Russia-Ukraine military conflict

As for the crisis from the Russia-Ukraine military conflict, it left negative economic consequences, i.e., it caused obstacles in the trade exchange with Ukraine, which is actually a direct target of the military attacks. The beginning of the military conflict caused a serious disruption of a significant part of the economic relations between Russia and the rest of the world. All this caused a significant impact on the world economy.

The representatives of the companies expressed their opinion regarding the consequences of the war, what measures they implement, use of economic measures by the state, their usefulness. Also, as a result of the pandemic and the military conflict, we asked in general to what extent the number of tourists has changed. Furthermore, what can be changed with the "Open Balkan" initiative, will there be an improvement in tourism, how can a greater number of tourists be attracted, and what are their suggestions in the coming period for the promotion of tourism development in RN Macedonia. Also, part of this set of the questionnaire will give us an insight into the activities in particular, what has changed and what could be changed with this initiative.

To the question *"To what extent were the consequences of the Russia-Ukraine conflict experienced in your company in terms of demand?"* for most of the companies (78%), the demand decreased up to 25%. For 14% of the respondents, no negative consequences were experienced at all.

To the next question *"What problems did you face due to the restrictive measures taken as a result of the Russia-Ukraine conflict?"* half of the respondents (50%) faced a decrease in demand. Furthermore, 34% said they faced a significant increase in operating costs due to the restrictive measures taken as a result of the Russia-Ukraine conflict. On third place with 18% of the companies had a significant decrease in revenues.

To the question *"As a result of the Russia-Ukraine conflict, in general the number of tourists/guests/visitors/business partners that you serve:"* more than half of the companies said that the number of tourists/guests/visitors/business partners decreased in general due to the conflict. In contrast, the number of tourists remained unchanged for 36%.

Regarding the number of tourists from Albania, Serbia, Montenegro and Bosnia served by the companies, for more than half (62%) the number decreased as a result of the military conflict. For three out of ten of the companies, the number of tourists **remained unchanged**.

To the question *"Do you consider that the "Open Balkan" initiative will improve the tourism?"* more than half of the companies consider that tourism will improve with the initiative. For 20% of company representatives, the placement will remain unchanged. While 16% of them agree that there will be no improvement in the tourism.

In addition, 60% of the companies answered that the state aid (such as subsidies, promotions, etc.) can attract a larger number of tourists from Albania, Serbia and Montenegro. 18% of respondents, stated that tourists can be attracted with direct business contacts. For 10% of the companies, this can be done with signed formal agreements for regional cooperation.

To the question: "*Which activity do you consider should be continued in the next period for the promotion of tourism development in North Macedonia?*" almost half of the respondents (44%) believe that they need financial support for **incoming tourism** (travel agencies receiving support for promotion of the tourism). A **quarter of respondents** agree on an **intensive campaign to encourage domestic tourism**. For 18% of the companies, **increased promotion of tourism in the countries of the region** as an activity, would advance the tourism development.

On the last question of the survey, the majority (82%) of the respondents stated the **improvement of the tourist infrastructure** as the first priority. For more than half, the **second priority issue** is the **creation of a comparative and competitive advantage**. On third place with 48% is the **re-positioning of the tourist product**.

5. CONCLUSIONS

In the era of globalization, tourism has begun to play a vital role in the development of economies. Nowadays, tourism makes a significant contribution to a nation's economy. Tourism in itself is an economic process that in one way trades with the natural and cultural heritage of a certain area. The modern development of tourism shows specificities that are in the direction of expanding the tourist demand. The trends for the expansion of demand are moving towards increasing the quantity of activities and services in tourist offers, but also improving the quality of the services provided.

At the very end of the research, the respondents were asked questions related to ways to attract tourists from neighboring countries, promotion of tourism and what would be priority issues for its development. Mainly, the respondents consider that the state aid, such as **subsidies, promotions**, are the main drivers for attracting tourists from neighboring countries. The initiative itself showed, as never before, that all expectations were exceeded in terms of cooperation, mutual aid and support between the countries. Tourism is the first practical scale for strengthening cooperation as a particularly prospective economic branch that opens up job opportunities.

The promotion of tourism is of great importance for every country. In general, the respondents believe that the **funding of the incoming travel agencies**, which are successfully placed on the market and support the progress of tourism, should continue.

Improving the tourist infrastructure, creating a comparative and competitive advantage and repositioning the tourist product are part of the activities that need to be done for sustainable development in Macedonia. Only with their implementation, tourism development policy would be improved. To support domestic tourism, a package of measures were implemented by the Government, which contributed to positive results for the citizens. These were the **vouchers for tourism** and the "**Home is home**" campaign.²

Tourism can greatly enrich and promote friendship between different countries in the world. Thus, it develops not only the economic condition of a country by earning foreign exchange

² shorturl.at/lqzD1

for it, but also plays a vital role in its social, cultural and regional development and in promoting goodwill and friendship among the nations of the world.

By expanding the initiative, it would contribute to greater promotion of the beauties of the Balkans as a tourist destination, as well as economic stability and a more developed Balkans.

By increasing the tourism potential in the region, better protection and sustainable use of the natural and cultural heritage would be possible.³

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