

# Effects of the Yugoslavian Wars on Tourism in the Republic of Montenegro

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**Abstract :** This paper examines the effects of the Yugoslavian conflicts of the 1990s and 2001 on tourism in the Republic of Montenegro. Based on extensive field work in Montenegro, several themes were identified as being most notable in the context of tourism, namely tainted image, weak economy, uneven administration, privatization of services, transformation of markets and demand, and shifting populations with resulting ethnic conflict.

**Keywords:** Montenegro, war, recovery, ethnicity, image

## Introduction

Tourism is volatile. It responds quickly and profoundly to even the slightest hints of insecurity. Among the most significant factors to have been examined within tourism studies as modifiers of tourist demand are war, terrorism, health risks, crime, and other forms of political instability. The last two decades of the twentieth century saw an increase in political instability across the globe, which significantly affected tourism in many popular tourist destinations such as Fiji, Egypt, Nepal, Israel, South Africa, and the former Yugoslavia. Sönmez (1998) and Hall et al. (2003) argue that war and terrorism, because of their swift and drastic effects, get more media attention and are therefore the most negatively political conflicts for tourism.

Successful tourism depends on positive place images; few travelers are interested in places that have negative images stemming from internal unrest. Media reports and government policies magnify image problems. In some cases, usually depending on the nature of the unrest and its location, tainted images can last years or even decades after the disturbances have ended.

Given the enormity of political changes in the world since the late 1980s and the pronounced emphasis on security since the US terror attacks of 2001, a vast and growing body of literature has developed during the past 15 years to theorize, categorize, and explain the effects of conflict on tourism (e.g. Hall et al., 2003; Hitchcock and Putra, 2005; Mansfeld, 1999; McGahey, 2006; Ospina, 2006; Vukonic, 1992). The literature focuses on the effects of war in general terms, but few empirical case studies (e.g. Bhattarai et al., 2005; Gosar, 1999; 2005; Green et al., 2003; Issa and Altinay, 2006; Lee, 2006; Thapa, 2003) have been conducted to elucidate how wars affect different destinations differently. Therefore, this paper aims to provide a descriptive narrative of a case study of the after-effects (2001-2005) of the dissolution of Yugoslavia and the consequent wars on Montenegro's tourism industry. Following a brief examination of tourism, war and image, the paper turns to the case of Montenegro and provides empirical findings from fieldwork that took place there between 2001 and 2005. Several socio-economic areas were identified by stakeholders and community members that have a significant bearing on how the Yugoslav wars affected tourism. Finally, the current situation of tourism in Montenegro is updated briefly and compared to the situation following the conflict.

## **War and Tourism**

Developing a strong tourism industry in a country stricken by political disturbance is nearly impossible (McGahey, 2006; Sönmez, 1998). Incidents that receive global media coverage, such as the 1989 Tiananmen Square protests in China, translate into drastic drops in hotel occupancy rates and losses in tourism receipts. Even following a major event, tourism can take a long time to recover, as was the case in Slovenia following its short conflict in 1991 (Mihalic, 1996). Sönmez (1998) and Brezovec et al (2004) believe that the graphic portrayals of wars and other political unrest by the media are the most significant causes of a sustained negative image, even when the battles have ended. Sönmez noted that a domino effect takes place in contentious situations, where when a destination image is tarnished, tourist visitation drops immediately, profits are then lost, and future plans for tourism development are suspended. For some destinations, it takes many years to recover from the initial effects of conflict, although in the end images might eventually change, and historical remnants of the conflict can become part of the appeal of the destination (Agrusa et al., 2006; Carter, 2004; Grodach, 2002; Henderson, 2007; Smith, 2001). In other cases, however, vestiges of conflict last a very long time.

For countries dealing with a political crisis, winning back tourists is extremely difficult. Images of destruction, chaos and insecurity are often too fresh in the public mind. Sönmez (1998) identified several dimensions of the relationship between war and tourism. First is 'tourism under war', which alludes to the negative impact war has on tourism demand and how tourist flows are redirected to safer destinations. 'Tourism of war' is the second dimension. This entails the formation of a new type of tourist who is fascinated by conflict and destruction, such as Husarska's (1996) 'war voyeurs' in Sarajevo, who visited destroyed city landmarks, undertook trench trekking, and had an opportunity to taste dandelion soup and airlifted rations. Sönmez's third relationship is 'war as tourism', wherein post-war attractions are often formed from relics of the war, including dugouts, artillery areas, and handicrafts made from armaments. The dimension of most importance here is 'tourism under war' and the immediate effects of war following its termination.

As already noted, this paper describes the tourism situation in the Republic of Montenegro immediately following the Yugoslav wars of the 1990s. Between the 1940s and 1990, the Socialist Federal Republic of Yugoslavia functioned as a nation comprised of several ethno-religious groups. Yugoslavian communism (i.e. socialism) discouraged people from discussing individual ethnicity and religious affiliation, instead encouraging them to see themselves as citizens of the same nation. Tito's socialism held the country together for many decades, but after the fall of communism in Central and Eastern Europe (1989-1991), including Yugoslavia, underlying ethnic tensions were released, resulting in the individual republics declaring their independence from the federation. These actions were not well received by the Yugoslavian military, and troops were sent to the various republics to quell the successions by force. Amid the chaos, neighbors turned against neighbors, and lines were drawn between ethnic and religious groups. These tensions resulted in a series of brutal conflicts that took place between 1991 and 2001 in all of Yugoslavia's republics, with the exception of Montenegro.

## **Methods**

To understand the effects of the Yugoslavian conflicts shortly after they ended on tourism in the Republic (and fledgling nation) of Montenegro, a field work-based study was undertaken between 2001 and 2003 in Serbia and Montenegro, while the two entities were still part of a loosely federated nation. Subsequent field visits during the following three years were used to update information and to assess how the situation has changed. Two primary data sources were used in the field: observations and key informant interviews.

Detailed and methodical participant observation was conducted to augment the first author's many years of cultural immersion in Yugoslavia and Serbia. This involved observing tourists at various attractions and services, informal conversations with some 40 residents and tourists, taking photographs of relevant places, and systematically taking copious field notes. The most illuminating observations of the effects of war and political change on tourism were made at tourist sites, travel agencies, restaurants, hotels, and at a few religious shrines.

Using a snowball sampling approach, twenty semi-structured and unstructured key-informant interviews were conducted with government officials, industry representatives, academics, community members, and church officials (because churches are an important part of the tourism product) to understand their views of the tourism situation immediately following the wars. The unstructured interviews were used to probe deeply into people's experiences and perceptions, and allowed them to tell their versions of events. Informants were asked about their opinions of the political direction of government planning, the tourism potential of a destination affected by war, and the current state of tourism in the post-war period. In Montenegro, the majority of field work was carried out in Tivat and Herceg Novi, two of the country's most important coastal tourism destinations.

Finally, updates for today were provided through online sources and via meetings between the second author and officials in the Montenegro National Tourism Organization.

## **The Effects of War on Montenegrin Tourism**

Unlike its neighbor and former associate, Serbia, Montenegro was betting on tourism to form the foundation of its economy immediately following the wars. Montenegro has few other options with limited natural resources and less than 14 percent of its total territory being suitable for agriculture. Thus, service industries, including tourism, comprise 68 percent of the nation's employment basis (Central Intelligence Agency 2007). In February 2003, Yugoslavia came to a formal end with the establishment of a loose federation between the last two remaining component republics: Serbia and Montenegro. Under this federal arrangement both Serbia and Montenegro functioned rather autonomously with separate parliaments and economic policies, but on June 3, 2006, Montenegro formally declared its independence from the federation of Serbia and Montenegro, making it the world's youngest independent country at the time of writing. The world at large immediately recognized the country's

independence, and political support and financial aid poured in.

With limited natural resources and a small population (approximately 680,000), tourism has been targeted as the primary focus of the country's current development efforts. Prior to the 1990s dissolution of Yugoslavia and the subsequent wars, the coast of Montenegro was a popular destination for European and Yugoslavian tourists. The coast is still the primary focus of tourism, although the inland mountains are beginning to become a focus of secondary tourism promotional efforts. Although tourism is now an important part of the economy and has seen substantial development success since 2002, the conflicts that lasted from 1991 to 2001 had long-lasting effects on the functioning of tourism in the small country, which it is only now beginning to overcome. Based on field observations and interviews, the following sections highlight several tourism issues and conditions that were affected by the fall of communism and the subsequent disintegration of Yugoslavia.

## **Tainted Image**

While Montenegro was among the least affected republics in the Yugoslavian wars, the nation's image was nonetheless significantly tainted in three different ways: through its association with Serbia, by its proximity to military conflict and direct artillery hits, and a neglected tourism industry—all contributing to a rapid decline in tourist arrivals and a tarnished image among its traditional markets.

During the years between the Bosnia War and the Kosovo War, Bakic (1996) conducted a SWOT analysis of Montenegrin tourism, identifying pristine nature, mountain scenery, lakes, pleasant beaches, picturesque rivers, the possible linking of mountains with coastal tourism, rich cultural heritage, historic monuments, temperate climate, friendly people, adequate accommodations facilities, and a well-educated young population as the country's primary strengths. As weaknesses, Bakic recognized outdated transportation infrastructures, substandard public transport vehicles, a disorganized network of tourism service providers, an underdeveloped tourist image, insufficient promotional strategies, and inconsistent pricing policies. Perhaps more importantly, however, he identified as the country's most significant threat the years of economic sanctions imposed on Montenegro through its political association with Serbia. The global sanctions against Serbia for its role in the Yugoslavian wars became by default a boycott against Montenegro, which the Montenegrins detested, and which hindered foreign investments and tourism growth.

Bakic (1996) also identified Montenegro's proximity to the 1990s war zones in Croatia and Bosnia and Herzegovina as critical threats that led to thousands of tourists avoiding an otherwise desirable coastal destination. Likewise, although the 1997-99 Kosovo War did not take place directly on Montenegrin soil, Montenegro did suffer some casualties as several 1999 NATO bombs also fell within its boundaries. In addition, the South Serbian Conflict of 2000-2001 at the borders of Montenegro and Kosovo contributed to the Republic's 'unsafe' image even into the 21st century.

Part of the conflict involved the presence of the Yugoslav military in the tourist zones. One travel industry representative remarked that the presence of the Yugoslav navy in the Bay of Kotor during the 1990s conflicts made the coast a less attractive destination for Europeans, including Croatians and Slovenians. Also, near the Bay of Kotor is a small peninsula (Prevlaka), which was disputed between Croatia and Yugoslavia in the early and mid 1990s (and actually for centuries) (Obad, 2000), and remains a source of contention between Montenegrins and Croats.

Finally, because the war touched the republic, tourism was neglected. By necessity all efforts were directed to national defense rather than tourism and other forms of economic development. This led to a lack of care for the tourism infrastructure, building quality, environmental quality, promotional efforts, and human resource development. Observations revealed that litter is a major problem, and several interviewees noted that domestic tourists have little regard for keeping the environment tidy for outsiders. According to two studies (Anketa Turista, 1997; Tourist Center Tivat, 2000), a lack of organized cultural events and unclean beaches are among tourists' biggest complaints. This, together with frequent power outages and water shortages in Montenegro, contributed to the country's decreased attractiveness.

### **Weak Economy**

The federal (Serbia and Montenegro) budget was depleted by years of economic sanctions, defense spending, and disproportionate fund allocations. This meant that Montenegro had to find its own way to survive financially at the same time the republic was suffering from the effects of corruption and economic disorder.

Following the end of the battles in the region in 2001, Montenegro's inflation rate was still very high (e.g. 18% in 2002). In addition, the adoption of the Euro as the country's currency contributed to a rise in commodity prices. Typically, tourism and tourists were unable to deal with these sorts of price instabilities.

A lack of government funding also had an adverse effect on the development of tourism. One tourism official stressed that most of the hotels were built in the 1970s and desperately needed renovations. Most establishments lacked air-conditioning, and the quality of staff had fallen to unacceptable levels. Because of government funding shortages, privatization was considered to be the best solution for the revival of tourism, according to several informants. Since tourism was susceptible to political trends, people believed that in private hands tourism could be free of most political intricacies. There was some resentment toward government, which, as one owner of a travel agency stated, did not provide any assistance to small business owners. Several of the entrepreneurs interviewed were barely surviving and had thoughts of closing their businesses.

## **The National Tourism Organization and the Administration of Tourism**

In the first few years of the twenty-first century, there was an obvious disorganization among government offices in charge of tourism, especially where statistics were concerned. Online data were nearly non-existent until quite recently. In 1999, Montenegro's Institute for Strategic Studies and Prognoses (ISSP), in cooperation with an independent Belgian organization (CEPS) created an organization that provides relevant statistics, events, and articles on recent and current activities in Montenegrin tourism.

Unlike Serbia, in the early 2000s, Montenegro had a Ministry of Tourism, which was actively restructuring and promoting the industry. However, data collected and published by the ministry were suspicious. The biggest anomaly, according to one interviewee, was the number of beds. The current statistical data in 2003 reported only about 75,000 beds, while in 1988, there were about 148,000. The informant believed that due to high taxes, private lodging owners were reluctant to report true numbers to the government. The owners of vacation homes did not like the idea of paying business property taxes, so many of them became residences so that their owners could skirt the law.

Montenegro's National Tourist Organization (NTO) was set up in 1995 as a partnership between all tourism stakeholders (private and public) and the industry (WTTC Montenegro Report, 2004). The NTO of Montenegro is also in charge of marketing and promotion, but in 2004 its budget was only about \$700,000, making it difficult to carry out these important activities (WTTC Montenegro Report, 2004). Unlike Serbia, which did not regard tourism as one of its focus industries, Montenegro largely depends on revenue from tourism.

The poor organization of tourism, lack of administrative control over the industry, and too narrow a focus on the beaches, at the expense of inland cultural and religious sites, were seen by many stakeholders as primary reasons for the troubles plaguing tourism after the conflicts.

## **Privatization of the Tourism Sector**

Early in the 2000s, federal government intervention in Montenegro's tourism industry was unbalanced; it was either not enough or too much. As a relic of the socialist system, the state owned the majority of hotels and other accommodations in the 1990s and into the new millennium. In February 2003, the government of Montenegro was considering offers for the privatization of eleven hotels by the hotel conglomerate, Budvanska Rivijera (MONET, 2003), which currently owns several coastal properties and is negotiating with European developers to purchase and build more.

Some mistakes were made in prior privatization ventures. The government did not require foreign or domestic buyers to provide for further development and upgrade of hotels. This created an unfavorable situation where these accommodations were simply bought, but there was no investment in their improvement and elevation to a higher standard. Unnecessary bureaucratic procedures and high taxes also impeded business growth. Government officials at the end of 1990s also turned a blind eye to illegal construction along the Adriatic Coast. Serbia faced similar problems in its mountain towns and large administrative centers. As of 2007, the privatization of hotels and other tourism services in Montenegro is still taking place, but it has a long way to go, as some significant negotiations between Budvanska Rivijera and other European developers have fallen through.

Beach towns along the Montenegrin Adriatic Coast in the 1990s underwent changes like all other tourist destinations in the former Yugoslavia. Private ownership was the only solution to keeping the hotels along the coast ready to receive tourists. Former hotel-tourist corporations, once owned by the state, decided to rely on private companies or individuals to lease their facilities so that they could make a profit and to help prevent structural deterioration. The transition to allow private parties to lease these hotels did not go smoothly, and it did not significantly improve conditions. This did not, however, deter the new leaseholders from earning a profit—the original reason for this action.

Most of the former state-owned tourism enterprises began to be sold to private individuals or companies during the late 1990s to make these establishments more efficient. By 1998, 24 hotels in Montenegro had been privatized, and the process continued into the new millennium (Mihailovic,

1999). The problem with many facilities was their average age of 25 years; most foreign and domestic investors had little desire to take the risk of being involved with such outdated edifices. There were also legal issues, namely property rights, under the laws of Yugoslavia, and there were few guarantees about the longevity of that federation to protect their ownership rights. One positive aspect of privatization was the government's hope that private owners would have more interest in improving the quality of the accommodation facilities and therefore improve the image of tourism in Montenegro.

Large hotel-tourist corporations ventured into the new practice of leasing their hotels to private parties in the mid-1990s. They hoped to make a complete turnaround within one year from the start of the lease. One of the most publicly disputed leasing contracts happened with Budvanska Rivijera, the biggest hotel corporation in Montenegro with the largest number of exclusive hotels. In 1994, seven hotels and several restaurants were leased for ten years to different private entrepreneurs (Lazarevic, 2000). Those who opposed this action did not like the fact that there was no public auction or any other degree of transparency in the process. The hotel corporation claimed that hotels were leased to those who offered the most money.

How certain individuals profited was a mystery, but many of them hoped to gain ownership rights after ten years of leasing as the privatization process unfolded further. The underlying cause for the opposition to leasing was that the group of individuals who occupied once important state, city or county positions lost decision-making power once the new investors came on the scene (Lazarevic, 2000). It is widely known that during any transfer of power, there were always commotions and disagreements. New people came with new ideas and disturbed the old establishment.

## **Transformed Tourist Demand**

The coast of Montenegro was long an important tourist destination in Yugoslavia among western and eastern Europeans. However, the collapse of state socialism in Central and Eastern Europe, and the wars of Yugoslavia, brought about notable changes in patterns of demand for the Montenegrin tourism product.

As would be expected, tourism in Montenegro declined quickly and sharply because of the wars. The peak year for Montenegrin tourism was 1989 with overnight stays in the range of 11 million. During the 1990s, tourist arrivals and overnight stays dropped drastically, although these figures were not well recorded, since survival in the face of war was the country's primary concern. By 2003, overnight stays had started to recover (approximately four million),

but not nearly to pre-war levels. Direct tourism revenues that same year totaled only \$180 million, far from the anticipated \$300 million (WTTC Montenegro Report, 2004). However, compared to 2002, when tourism revenue amounted to only \$102.7 million, it was a considerable increase (MONET, 2003).

In Montenegro, foreign tourists are considered the most important source of revenue growth, but in the 1990s their numbers were negligible. During that decade of hostilities the small trickle of tourists who did visit Montenegro came from Serbia, Bosnia and Herzegovina, and Macedonia (Lazarevic, 2000). However, with the end of hostilities in 2001, the number of foreign tourists between 2001 and 2002 grew by 25 percent. Whereas the country recorded only 75,559 international arrivals in 2000, the number had reached 136,160 in 2002 (MONET, 2003). By the turn of the millennium, citizens of Bosnia and Herzegovina were considered 'foreign tourists' and they accounted for one-fifth of all overnight stays and arrivals in Montenegro (WTTC Montenegro Report, 2004).

Several government and industry representatives noted that this 'new category' of foreign tourist (from Bosnia and Herzegovina and other Eastern European countries) including primarily Russians, Czechs, Ukrainians, and Hungarians, did not bring in levels of desirable spending, because most of them brought their own food from home or prepared food in their hotel rooms. This was seen overwhelmingly as people maintaining their home-like subsistence levels while on holiday but trying to appear to 'live large' on the coast. Many observers also believed that the rush to Montenegro by citizens of former Socialist Bloc countries (called 'poor tourists' by one informant) and their 'cheap' behavior also contributed to a somewhat negative image of the country as a low-quality, second-rate destination.

To make matters worse, the terrorist attacks of September 11, 2001, had a detrimental effect in Montenegro as well, just as the industry was showing nascent signs of recovery. Bar and Ulcinj on the southern coast are populated mostly by an Albanian Muslim minority. In common with the experiences of other Islamic regions of the world, this area was immediately avoided by European and American tourists, who believed that a predominantly Muslim population automatically translated into a security risk.

## **Shifting Populations and Ethnic Conflict**

The late 1990s conflict in Kosovo resulted in a large influx of refugees from that region (approximately 100,000), creating an additional strain on an already fragile economy (WTTC Montenegro Report, 2004). Likewise, the earlier Bosnian conflict resulted in waves of refugees from Sarajevo into the

popular coastal town of Herceg Novi. Many of these immigrants opened up cafes and other tourism services, and many Montenegrins expressed surprise at how 'destitute' immigrants could afford to establish these types of businesses. Some Montenegrins resented this new trend, especially in the instances where refugees received government assistance. Others hoped that this trend would stimulate more economic activity in town.

Before 1991, in the old Yugoslavia, the population of Tivat (primarily populated by Croatian ethnics) and many other towns was more ethnically diverse than it is today, and the people were known for their warm hospitality. As a result of the Bosnian War, many Croats, who used to live alongside Montenegrins and Serbs, left the area and moved to Croatia, owing to the psychological pressures of ethnicity-based wars. In their place, refugees from Krajina and Bosnia and Herzegovina, primarily of Serbian ethnicity, settled in the area of Tivat. The mentality of Montenegrins, Serbs and Croats differed significantly, and with the arrival of refugees, local inhabitants had to learn how to adjust to yet another group that was different in their worldviews.

According to informants, after the wars broke out, Tivat became a more serious city, where the inhabitants tried to hide their true feelings. One couple, who owned a rental home, mentioned they were victims of police harassment because they were against Montenegro's independence from Serbia and had thoughts of moving to Serbia if Montenegro were to become independent. The man used to be a middle-ranked government employee but was forced to take early retirement because of his political orientation and was labeled a 'Serbophile'-a local term for Montenegrins who favor strong ties and unity with Serbia. With Montenegro's increasing autonomy, people became more wary about expressing their opinions, according to some informants. It was also interesting to note that in Tivat, because of the political sensitivity of ethnicity, the division of the population began to be based on religious affiliation rather than ethnicity; they referred to each other as Catholic or Orthodox. Thus, the collapse of communism and the war had only changed the degree of freedom of expression. In Tito's Yugoslavia and prior to the 1990s wars, people were discouraged from discussing their ethnic origin and especially their religious affiliation. Between 1992 and 1996 people felt the ethnic division, claimed one informant, whereas before, the population was one Yugoslav nation. Many of the Croats whose roots were in Croatia moved, but others stayed behind and continued to live in Tivat. Ethnic tensions, neighborly bitterness and mistrust dominated local politics and conversation throughout the 1990s.

Many interviewees noted that such a climate was not conducive to tourism

and genuine hospitality. Croat-Montenegrin restaurateurs played loud Croatian music, and Serb business owners responded with Serbian music being played even louder. Apparently these 'music wars' were upsetting to the few tourists who still came to experience the quiet and friendly environment that had previously characterized Tivat. This environment of contention created unpleasant and potentially unsafe conditions for tourists, even though most residents depended on tourism for their livelihoods. In the end, everyone suffered, as tourism all but collapsed during the most intense fighting during the Bosnian conflicts.

By 2000, however, the situation had improved considerably. There were several organized excursions from Dubrovnik (Croatia) to Kotor (Montenegro) by Croatian tour companies, and one sales director commented that "business was business; there was no room for politics". Other businesses began to spring up in 2001 and 2003, and ethnic tensions had calmed considerably.

## **The Situation Today**

Today, Montenegro struggles to find its place among the world's microstates, but it is proud of its newfound independence. Since this study was originally conducted, the Montenegrin economic situation has improved considerably; inflation, for instance, has stabilized to approximately 3.5% per annum and employment rates are rising (Central Intelligence Agency, 2007). The country still lacks the reserves of natural resources that many of its European counterparts possess, but it is increasingly looking to tourism to achieve many of its economic development objectives.

Tourism in Montenegro has experienced a rapid recovery from the wars and ethnic conflicts that plagued the region in the 1990s and 2001, although it has a distance to go before it will reach pre-war levels. During the first eleven months of 2006, some 2,173,157 bed nights were spent in the country by some 369,434 foreign tourists, making 2006 the most productive tourism year since 1991. Although more than one third (37%) of Montenegro's international visitors today originate in former Yugoslavian republics, Russia and other former Eastern Bloc countries, 63 percent now come from Western Europe, the Middle East, North America, Japan, Australia and New Zealand (Ministry of Tourism and Environmental Protection, 2006). The pre-war patterns of demand appear to be recuperating, and the tainted image that plagued the country from 1991 to 2003 is beginning to pale.

These new patterns of demand have led to higher levels of cooperation between government agencies and a more solid tourism administration. Beach

cleanup efforts and infrastructure development have been a high priority since 2005. A new airport was built in the capital Podgorica, and Tivat's airport was recently renovated. In addition, several coastal and interior highways have been widened and repaved, information booths have been erected at the main border crossing points, new tourism products (e.g. mountain biking, skiing and snowboarding, mountaineering, white-water rafting, health and wellness resorts, religious tourism, and big game fishing) are being organized and promoted, and by the end of 2006, 17 local tourism organizations had been formed to work closely with communities in developing their own individual tourism experiences and products.

Some of the old socialist frame of mind still exists, and privatization is an ongoing effort, although it is happening at a slower pace than investors would prefer. New hotels are being built, and many older ones are being refurbished by outside investors and re-classified by the National Tourism Organization.

Many wartime refugees have returned to Kosovo and Bosnia and Herzegovina, with only about 25,000 remaining in Montenegro (Republic of Montenegro, 2007). Ethnic tensions have calmed considerably, and the country's population appears to be working together in a combined effort to improve their standards of living primarily through tourism and secondarily through other industries such as agriculture, steel manufacturing, and processing consumer goods.

## **Summary and Conclusion**

This case study examined a small country that had a weak political and economic system, as well as a social structure that had been shaken by more than a decade of uncertainty and political instability. The dissolution of Yugoslavia and the ensuing wars, while not affecting Montenegro directly per se, resulted in problems associated with a tainted image and tourist avoidance, a weak economy, a feeble tourism administration with consequential neglect of tourism, sluggish rates of privatization, changes in demand, and a shifting population structure underpinned by ethnic discord in Montenegro. The picture today has changed somewhat, although there is still much evidence of the remains of scars of war in policies, attitudes, and management approaches.

Montenegro has come a long way in its development efforts, aided by complete independence from Serbia in 2006. There is still a long way to go, however, for Montenegro to become a competitive destination in Europe, when similar destinations, such as Croatia and Slovenia, which have similar products, have had several more years to develop, enact laws, and fashion policies to smooth the way for tourism growth and development.

It would behoove the Montenegrin government to do all it can to continue reversing the image created in the 1990s and early 2000s from the war and the country's political association with Serbia. It has begun active marketing campaigns in Serbia and other nearby countries, but it should attempt to reach a wider geographical audience in its promotional efforts if it wants to continue to grow demand from Western Europe and overseas. Pizam (1999) recommended that 'recovering' countries often have to take extreme measures, more so than non-recovering countries, to re-establish an acceptable tourism image through price reductions, sales promotions, new packaging, and product repositioning. To its credit, the government of Montenegro today appears to be following Pizam's advice. While re-engineering an image is vital for Montenegro, caution is in order; depending too heavily on tourism—a highly volatile industry—can set a dangerous precedent for the future, as even whispers of socio-political disorder will send a tourism over-dependent economy plummeting.

Much of the Montenegrin population desires to join the European Union, and there is talk in government circles about this as a future strategy. This would have some significant implications for tourism and economic development in general (Hall, 2004). Montenegro already has close ties with the EU, especially as it utilizes the Euro as its official currency. The EU has already spent considerable sums of money in assistance aide for Montenegro, much of which has been used to improve the country's image in the region and boost its tourism-based economy.

While the findings in this study cannot be generalized to all political conflicts everywhere, it is clear that in the case of Montenegro, marginal involvement in wars and the notion of 'guilt by association' played a salient role in the decline of tourism. The immediate after effects of the war were clear. The future is less clear. However, Montenegro should attempt to learn lessons from its neighbors (i.e. Slovenia and Croatia) regarding how best to overcome the stigma associated with war. They have overcome similar struggles, but for Montenegro, the struggle should not be as difficult, because it was the least directly affected by the conflict and it has their example to learn from.

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