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Paper title: Rise and Fall of Croatian tourism and the effects of the war of the 90es
(Experience/Application Paper)

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Abstract

This document provides an overview on the effects of the war of the 90's on Croatian tourism, pointing out the problems encountered and after war recovering. At the first place show the evolution of the tourist arrivals and nights spent, tourist accommodation, capacity and detailed analyses during the 20 year period.

Furthermore, Tourism as an activity, in the whole Croatian economy has a very important role. In general it is still highly concentrated in summer time, especially in the months of June, July, and August. Tourism in our country has a seasonal character. Furthermore, more than half of tourist nights are in collective tourist accommodation. From 1994 until 2002 Croatian tourism was under the strong influence of the Croatian war of Independence and suffered lots of different obstacles and difficulties. So it was of utmost importance to bring back the confidence and ensure tourists that Croatia is safe tourist destination again. At the same time country had to adjust to the new trends and changes in the world tourism demand.

Tourism has greatly brought socio-economic development to the whole country, has broadened foreign economic relations, produced higher rate of employment, and brought the "fresh" capital and investments in. Numerous towns and islands in the Adriatic were the most undeveloped places of the country, before the tourism appeared at the scene and totally changed the picture of the coastal part of the country. In this paper we will cover five main periods of tourism in Croatia. The periods are as follows:

- from 1985 to 1989
- from 1990 to 1995
- from 1996 to 2000
- from 2001 to 2007
- data for nine months 2008 (data for August will be available on the end of September).

Introduction

This document provides an overview on the effects of the war of the 90's on Croatian tourism, pointing out the problems encountered and after war recovering. At the first place show the evolution of the tourist arrivals and nights spent, tourist capacity and analyses during the 20 year period.

Organized types of tourism, activities of tourist organizations, exist in our country more than one century. Long time ago, precisely in the year of 1968 the first hundred year celebration was held at the island of Hvar, on the occasion of first recorded tourist organization. From that first recorded moment, tourism has developed in parallel with the development of socio-economic relations.

It is less known how Croatian tourism was developed from its early beginnings, from second part of 19th century precisely. At first, tourist turnover was developed in continental parts, in the areas with warm mineral springs, which gradually became Spas, then in bathing facilities. By the end of the century winter vacation appeared on the scene at the Adriatic coast. Tourism was left for the local authorities to develop by their own knowledge, ambitions and possibilities. At the same time the State had no economic or social interest in more intense tourism development, it is obvious that organized tourism had slower growing rate.

Furthermore, places where tourism existed were called "healing" spots, instead of tourist ones. The oldest data on tourism turnover were recorded in health statistics. Two main factors in the second half of 19th century affected at the development of tourism: a progress in railway traffic and construction of the railways, and the most important thing development of medical researches, popularization of therapeutic attribute of the fresh sea air and popularization of swimming in the salted sea water. Development in northern parts of Croatian Adriatic was based on above mentioned facts.

We have found that in the 70s of 19th century, Austrian and domestic medical experts have written articles and pamphlets about our Adriatic resorts, recommending those parts as great spots for recovery, bathing and as summer resorts.

As at the end of 19th century statistical services were not organized to cover economic changes (nor the tourism was taken seriously), we had only individual data on tourism turnover. Those data were recorded only on visitors, without any data on nights spent.

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In this paper we will cover five main periods of tourism in Croatia. The periods are as follows:

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1985 to 1989 period

Period from 1985 and 1986 was considered as a golden period for tourism in Croatia. No matter that realized tourist turnover in absolute numbers of nights spent was growing fast (until 1987) tourist economy has been sinking deeper and deeper, without figuring out the right answer how to meet the demand and how to compete with rules at the domestic market. The result was:

- bad structure of our supply, poverty on the one hand and bad market approach on the other hand
- bad guidance
- lack of suitable promotional concept of the country at the foreign market

Table 1. Arrivals and night spent in Croatia, 1985-1990

Year	In thousands					
	total	Arrivals		Nights spent		
		domestic	foreign	total	domestic	foreign
1985	10 125	1 790	8 335	67 665	8 790	58 875
1986	10 151	1 767	8 384	68 216	8 836	59 380
1987	10 487	1 731	8 756	68 160	8 397	59 763
1988	10 354	1 661	8 693	67 298	7 946	59 352
1989	9 670	1 580	8 090	61 849	7 383	54 466
1990	8.497	1.448	7.049	52.523	6.747	45.776

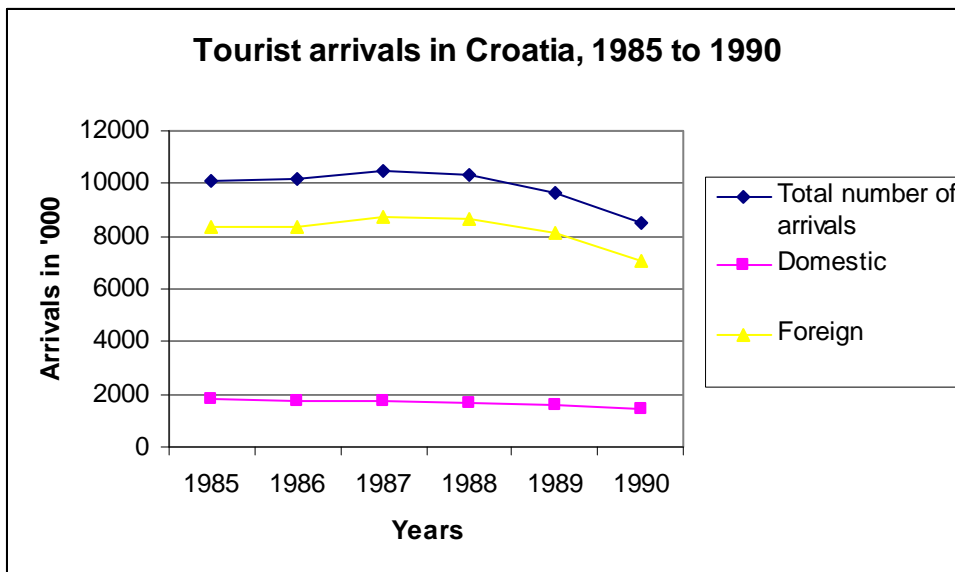


Chart 1. Tourist arrivals in Croatia, 1985 to 1990

From Table and Chart 1. we can see that there was a constant growth as in arrivals as well in nights spent, with a decreasing tendency at the end of 80s. Also we can see that percentage of domestic tourist arrivals in total number in 1985 was 17.7%, and this percentage was more or less the same until 1990s. More than 80% arrivals belonged to the foreign tourists. The same situation was for the nights spent (87% were foreign tourists).

1990 to 1995 period

The year 1990, was a breakthrough for Croatian tourism with 8.5 mil arrivals and 52.5 millions nights spent, then in 1991 a big decrease happened, around 70% arrivals and 80% nights spent. The main reason was war. A great deal of accommodation facilities were destroyed or seriously damaged and tourist activity was totally stopped. It was a period of overall depression and stagnation in all fields of economy and market. But still there were parts of Croatia that were totally intact and kept the minimum tourism activity, like County of Istria, and County of Primorje Gorski-Kotar (as seen from Pictures 1. and 2.).



Picture 1. Counties in Croatia since 1993



Picture 2. Areas affected by the war, state 1991

In this picture we can see where Croatian military forces were, along to the border with Serbia, and one part with Bosnia and Herzegovina where Serbs lived.

Table 2. Arrivals and nights spent in Croatia, 1990-1995

In thousands

Year	Arrivals			Nights spent		
	total	domestic	foreign	total	domestic	foreign
1990	8.497	1.448	7.049	52.523	6.747	45.776
1991	2.297	809	1.488	10.471	3.409	7.062
1992	2.135	746	1.389	11.005	3.190	7.815
1993	2.514	851	1.663	13.208	3.168	10.040
1994	3.655	1.127	2.528	20.377	4.450	15.927
1995	2.610	1.125	1.485	13.151	4.388	8.763

Since 1992 domestic tourists include only tourists from Croatia and tourists from other countries of former Yugoslavia are noted as foreign tourists. This division is valid for all previous years given in tables

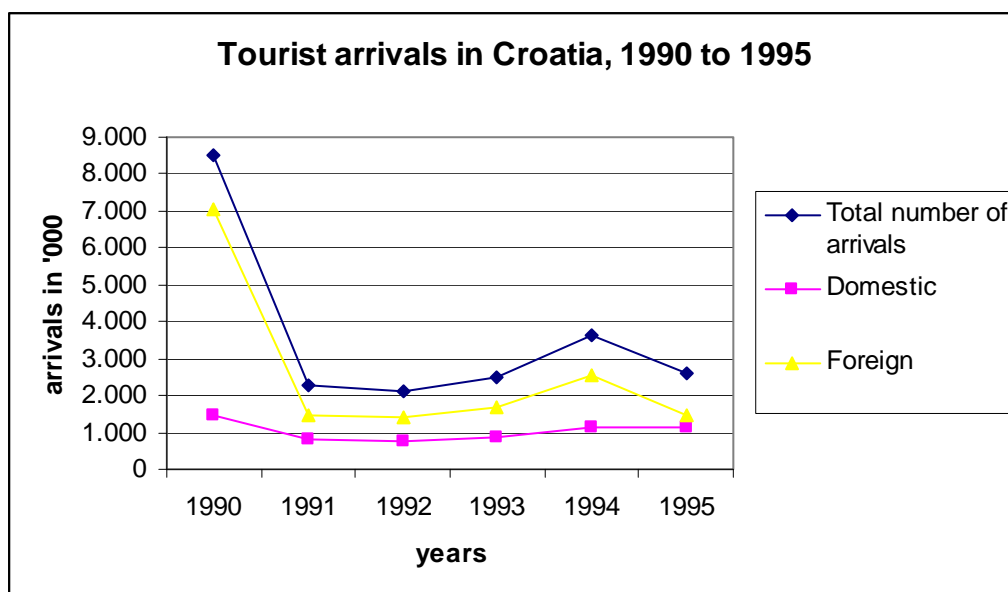


Chart 2. Tourist arrivals in Croatia, 1990 to 1995

From this chart we can see that decreasing tendency was continuous until 1993, then we recorded a small increase and again in 1995 a decrease because of military actions "Storm and Blizzard". Percentage of foreign tourist arrivals was going down.



Chart 3. Tourist nights spent in Croatia, 1990 to 1995

In the year 1995, considered as the last war year, Croatia had 2,6 mil of arrivals making 28,5% less than in 1994. The main characteristic for the year 1995 was the fact that it was the last year in which the structure of tourist arrivals was relatively small; the share of foreign tourists was only 56%.

The following years showed an increase of foreign arrivals (excluding the year of 1999). For both years 1995 and 1999 the main reason for decrease of foreign arrivals was war, where in domestic arrivals a stagnation caused by low living standard was recorded.

After military action „Blizzard and Storm” conditions were re-established for the new beginning and renewed development of tourism flows in the country.

1996 to 2000 Period

This period was a recovery period for Croatia. It took time to heal all parts of economy, namely tourism sector. The principal task for Croatian economy was very fast revitalisation of tourism on the principles of sustainable growth with a special emphasis on environmental protection.

The most important thing was creation of a recognisable tourist product and establishing positive picture about country as a safe tourist destination. Furthermore to adjust to new situation on world tourism demand.

It is significant to point out that from the year 1996 the conditions were made for the normal tourist life in Croatia.

Table 3. Arrivals and nights spent in Croatia, 1996-2000

In thousands

Year	Arrivals			Nights spent		
	total	domestic	foreign	total	domestic	foreign
1996	4.186	1.271	2.915	21.860	4.941	16.919
1997	5.585	1.407	4.178	30.775	5.661	25.114
1998	5.852	1.353	4.499	31.852	5.307	26.545
1999	5.127	1.322	3.805	27.126	5.241	21.885
2000	7.137	1.305	5.832	39.183	5.138	34.045

According to the structure of the foreign tourists on the first place were tourists from Germany, Slovenia, Italy, Austria and Czech Republic.

During 1996, 1997 and 1998 the data on number of tourists and overnight stays have a growing tendency. From 1996 until 1998 the number has increased from 21.8 millions to 31.8 millions, or 45.7%. The reason for such increase were the nights spent of foreign tourists with an increase of 56.7% and domestic ones of 7.7%, and related to that fact is an increase of share of foreign tourists from 77% in 1996, to 83% in 1998.

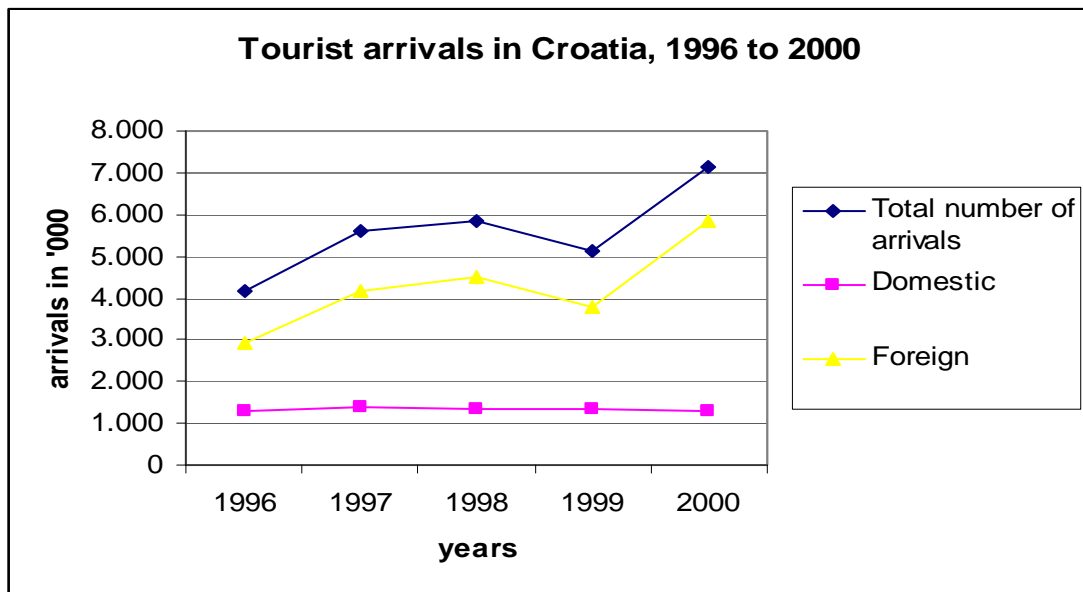


Chart 4. Tourist arrivals in Croatia, 1996 to 2000

Period 2001 to 2007

Croatian tourist market from 2001 record continuous turnover, as arrivals concerned as well as nights spent. In the period from 2001 to 2005, average increase rate of the number of tourist arrivals was 7%, where the fastest rate of foreign tourists (7.7%) was recorded comparing with 3.2% of domestic tourists.

Tourism turnover (nights spent) is realized more and more by tourist own arrangements, meaning that tourists tend to choose a destination, accommodation and transport on their own, using new technologies-browsing the Internet; they abandon using travel agents and organized trips. Only in 2001 an increase of nights spent using package arrangements is recorded, all caused by introducing of zero rate of VAT. But, next year a decrease of the same type of trips was recorded, caused by terrorist attacks in USA. All above mentioned shows how sensitive tourist market is, and influenced by different impacts of environment.

In spite of changes in the world (terrorist attacks in USA), Croatia records a constant growth of tourist product, so in 2003 the number of arrivals exceeded the level of 1990, still the number of nights spent only in 2005 almost reached the same level as it was 15 years ago.

Introduction of zero rate of VAT made a positive change in minds of Croatians that tourism has an important role in Croatia.

Table 4. Arrivals and nights spent in Croatia, 2001-2007

Year	Arrivals			Nights spent		
	total	domestic	foreign	total	domestic	foreign
2001	7.860	1.316	6.544	43.404	5.020	38.384
2002	8.320	1.376	6.944	44.692	4.981	39.711
2003	8.878	1.469	7.409	46.635	5.312	41.323
2004	9.412	1.500	7.912	47.797	5.281	42.516
2005	9.995	1.528	8.467	51.421	5.434	45.987
2006	10.385	1.726	8.659	53.007	5.985	47.022
2007	11.162	1.856	9.306	56.005	6.431	49.574

Number of tourist arrivals grows quicker than the number of realized nights spent which means that the tendency of lower number of stays (in number of days) is recorded. So in 2004 there was 10.8% more arrivals than in 1990, still the number of nights spent was still lower for 10%. Only in June and December a decrease of nights spent was recorded, still in July, August, September, October and November a trend of an increase of nights spent was recorded.

The greatest number of nights spent of foreign tourists during last years are those from Germany, Italy and Slovenia, although in 2004 the stagnation of tourist from Germany and Slovenia was obvious, the number of tourists from United Kingdom and USA was increasing

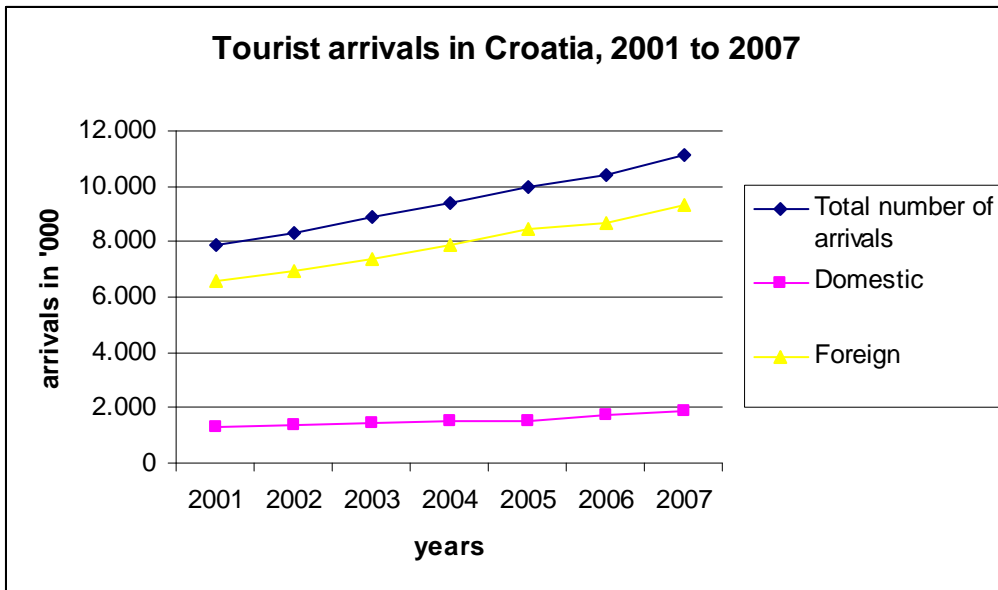


Chart 5. Tourist arrivals in Croatia, 1996 to 2000

Rate of foreign tourist arrivals in the total number was the same as in the year 1985 and was over 80%.

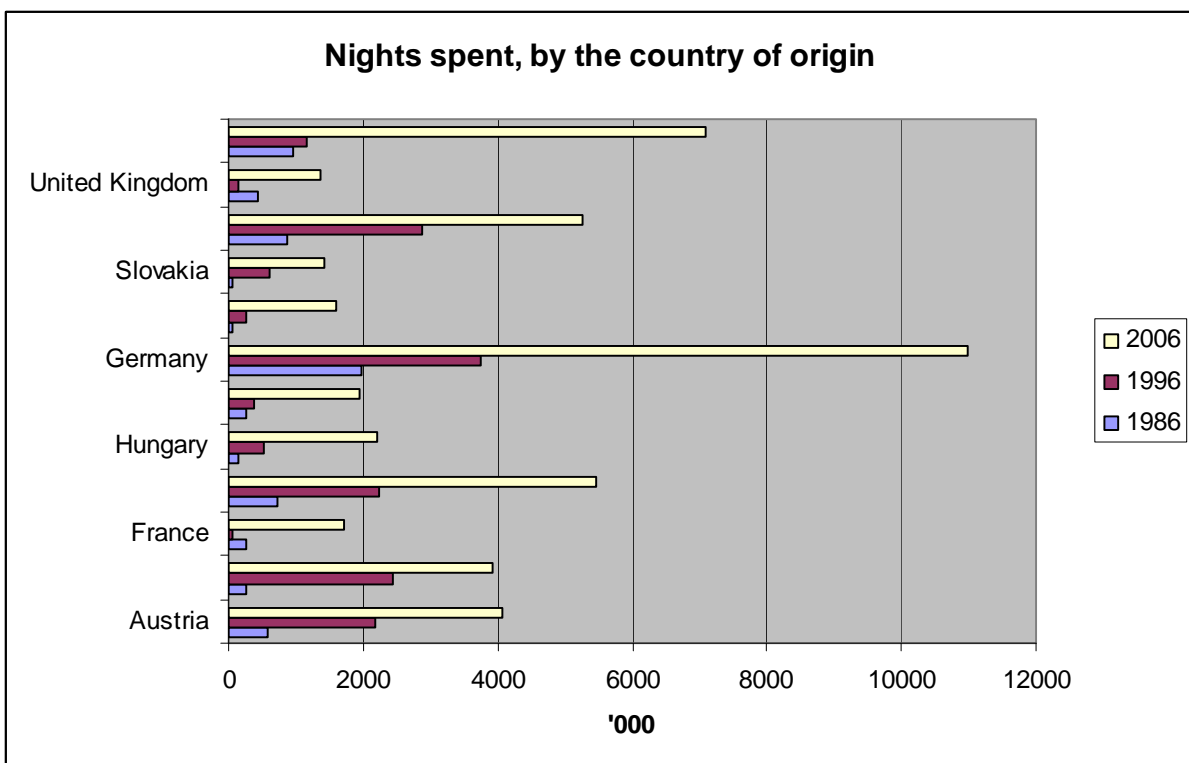


Chart 6. Nights spent in Croatia, by the country of origin, years 1986; 1996 and 2006

Period after 2007

In the period from January to June 2008, as compared to the same period of 2007, both the number of tourist arrivals and tourist nights in all accommodation facilities in the Republic of Croatia increased by 2%.

Tourists realised 13 326 990 tourist nights: 16.1% by domestic and 83.9% by foreign tourists.

In the period from January to June 2008, the number of domestic tourist nights increased by 1%, while foreign tourist nights decreased by 2%, as compared to the same period of 2007.

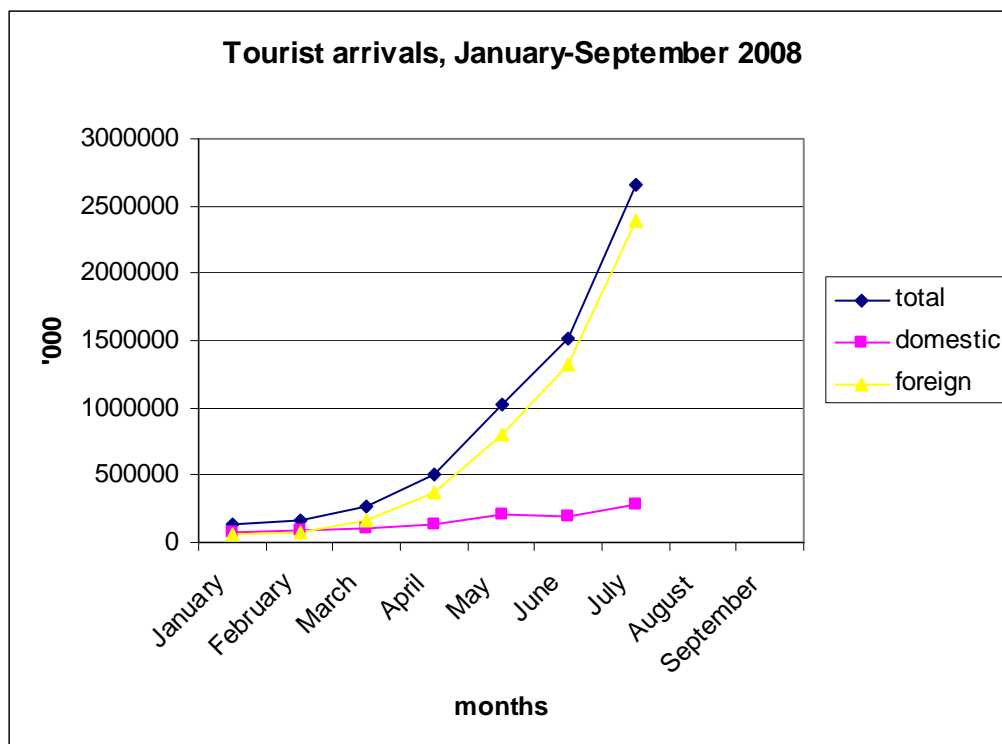


Chart 7. Tourist arrivals in Croatia, for the period January-September 2008

Concerning the structure of foreign tourist nights, the most of them 72.4% were realised by tourists from Germany (24.0%), Austria (10.6%), Slovenia (10.5%), Italy (8.0%), the Czech Republic (7.7%), France (4.5%), Poland (3.6%) and the United Kingdom (3.5%). Tourists from other countries realised 27.6% of tourist nights.

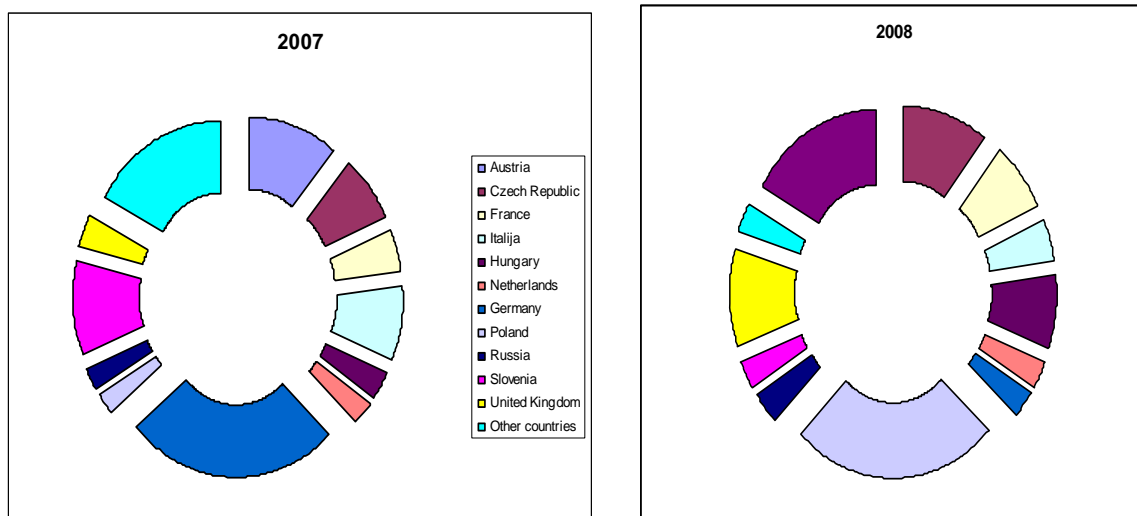


Chart 8. and 9. Share of nights spent of foreign tourists, in Croatia, January-September

Accommodation capacities

From the year of 1985 there was stagnation in investments policies oriented to the development of tourism. That period of high inflation rate and bad conditions of business was interrupted by war.

The war was the main reason of decrease in the number of bed places in tourist facilities in 1991 and 1992.

A summer of 1991, a massive exodus has begun from the war inflected parts of Croatia. At the end of 1991 there were 550 000 refugees and 150 000 Croatian refugees which have found a temporary accommodation outside the country, mostly in the western parts of the Europe.

For the accommodation of the refugees among other types like hospitals, schools, kindergartens, the existing tourism accommodation was used, such as hotels, holiday resorts, camp villages, train compositions, etc.

During war years, 250 000 bed places or camping places were totally destroyed, closed, redesigned or put out of order. All sorts of tourist facilities were going downhill. The main reason was a five year period from 1990 to 1995, where a high rate of decrease of total accommodation facilities was recorded (-6.76%)

The greatest number of bed places in tourist facilities was in 1988, the number was 926 349; the lowest number of bed places was in 1992, 576 220 bed places. From 1992 total number of bed places increased to 688 310 bed places in 1996.

Table 5. Review of accommodation capacities, stated on 31st of August

year	Bed places ¹⁾		
	total	in collective accommodation facilities	in private accommodation facilities
1986	849 334	569 867	279 467
1988	926 349	604 197	322 152
1990	862 680	589 333	273 347
1992	576 220	521 032	55 188
1994	661 902	527 096	134 806
1996	688 310	510 058	178 252
1998	773 149	510 833	262 316
2000	759 057	479 232	279 825
2002	804 436	470 138	334 298
2004	871 178	496 532	374 646
2006	925 882	510 734	415 148

¹⁾ Permanent and temporary beds

In the last 12 years, in from 1991 to 2002 exactly, the number of bed places in all commercial accommodation facilities increased for 27%.

Around 60% of all capacities in Croatia belong to collective accommodation facilities. The rest of facilities belong to private accommodation facilities around 40% and around 20% of tourism turnover is recorded there.

Conclusion

Tourism as an activity, in the whole Croatian economy has a very important role. In general it is still highly concentrated in summer time, especially in the months of June, July, and August. Tourism in our country has a seasonal character. Furthermore, more than half of tourist nights are in collective tourist accommodation.

Tourism has to be moved from the point of „massive” to the point of quality. The quality of services and the tourism offer as a whole is a basic foundation of tourism prosperity. The main problem which Croatia faced in the pre-war years was the length of the season. The season has to be prolonged from basic three months in summer to at least eight months by providing different offer than famous 4 S (sea, sun, sand and sex). It is necessary to increase a level of usage of accommodation facilities during the year, and not in summer months only.

Tourism has greatly brought socio-economic development to the whole country, has broadened foreign economic relations, produced higher rate of employment, and brought the “fresh” capital and investments in. Numerous towns and islands in the Adriatic were the most undeveloped places of the country, before the tourism appeared at the scene and totally changed the picture of the coastal part of the country.

There were some changes already done like country tourism, eco-tourism, spas etc. The current situation is that a lot of coastline is still preserved and intact, in spite of massive construction in past 10 years, when lots of accommodation capacities were built, but without any plan or organization. Croatia needs to create new and better advertising campaign, and better laws concerning construction of the new accommodation facilities. Also, we propose for Croatia to turn to Robinson tourism, which is still poorly presented and have all conditions to rise.

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