CROATIAN TOURISM OFFER IN THE WAR AND AFTER WAR PERIOD

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ABSTRACT

Croatia is aspiring to becoming a member of the European Union. Membership in the EU and market economy will result in a competitive economy able to fit into the global market competition with a stable growth of the standard of living for everybody. Tourism is a significant source of revenue for the Croatian economy.

Work provides an overview of the Croatian tourism offer. The aim of this paper is to review the situation in the Croatian tourism before the war and after war period. The purpose is to point out that tourism has a great revitalization power in the toughest conditions. Croatian tourism has experienced a recovery. However, it is still facing problems.

The paper is divided into 4 parts. First section covers an overview of the status of Croatian tourism, while the second two sections cover pre war and after war period of Croatian tourism. Results are given in the last section with recommendations for Croatian tourism sector and activities in the future.

Key words: *Tourism, Demand, Trends, Recession, Croatia.*

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1. INTRODUCTION

The most important emitting countries for Croatia are: Germany, Italy, Slovenia, Czech Republic and Austria. Because of the war, Serbia, Montenegro and Bosnia and Herzegovina are not that significant in numbers but are nevertheless an important market.

In Croatia, compared to 2003, in 2007 the highest growth was registered by tourists coming from France, Poland and Austria. A drop compared to 2003 was most felt in the number of tourists from the Netherlands, Czech Republic and Germany.

Although Croatia remains a family destination, Tomas research shows that the share of family arrivals is diminishing. In the 90ies, half tourist arrivals to Croatia was families, while in 2004, according to research, the share of families decreased to 43%. At the same time there was an increase in arrivals of tourists coming with friends and those coming alone with a partner. The reason is to be looked for in the changed lifestyle of the Europeans who focus on their personal needs, so that there are predictions for the development of special interest tourism, i.e. forms of tourism allowing various hobbies to fit into the vacation programme. The key question is how to adapt to the European market in recession in the current circumstances.

2. HISTORY OF CROATIAN TOURISM SECTOR

2.1. Croatian tourism sector before Serbian war

The distribution of tourist offer shows that country's tourism is oriented to the coast. In that sense, the coastal regions have 95% of all accommodation capacities, which leads us to the conclusion that the remaining part of Croatia is not valorized enough and therefore, leaves enough room to create a diversified offer and strengthen the entrepreneurial activity in this area.

The total hotel capacities measured in numbers of beds are located mostly in Istria (25%), in the Kvarner and mountain regions (20%), in the area of Split (15%) and Dubrovnik (15%), while only a small part of the hotel capacities is located in inland Croatia (6%). The largest number of beds in high category hotels (4 and 5 stars) is in Istria (24%), in the City of Zagreb (20%) and in Dubrovnik area (19%).[1]

The period immediately before the war registered a constant growth in the number of arrivals. In 1989 there was a slight drop (approx. –7%). The most significant drop in the number of tourists, by almost 4 times, was registered in 1991 compared to 1990. In 1995, the last year of the war, there were 2.4 million arrivals registered in Croatia, which is 29% less than in 1994. The war years register a drop in arrivals until 1996, when the number of arrivals grows by 1.5 times compared to 1995. Another drop was registered in 1999 compared to 1998, due to the NATO forces attack on Serbia.

The war events strongly affected the total number of beds in tourist facilities in 1991 and 1992. Tourist facilities in Croatia had most beds in 1988, precisely 926 000, while that number was lowest in 1992, a total of 576 000. Since 1992 the number of beds has been increasing and in 2002 it reached 804 000. The decrease in the number of beds and overnights in comparison to the 80es only slightly negatively affected the occupancy of the capacities, by around 6%.

Most cause and effect relationships relevant for tourist arrivals are also relevant for overnights. Just like the number of tourist arrivals, the number of overnights also grows in the period from 1985 to 1987. While foreign overnights register growth in all observed years, the number of domestic overnights drop by –5% in 1987 compared to 1986. The most significant drop after 1998 was registered in 1991, more than 5 times. This was mostly the consequence of a sharp drop of foreign overnights which were 7 times less in 1991 compared to 1990.

The table 1. shows the number of arrivals and overnights from 1985 to 2007. After 1996 there is a steady growth in the number of total overnights, with an exception in 1999 when there was a drop of about 20%. Until 2005 foreign overnights were in constant growth but have still not reached the levels registered in the 80es (there was only 70% of the overnights from 1987). As shown by the table 1, there was a drop in total overnights in 1995 compared to 1994 by 64%.

In 1995, in the overnights structure, foreign tourists had a share of 66%, which is the smallest share of foreign overnights in the total overnights in the observed period (1996-2007). The share increased over the years, with the exception of 1999, and reached 88.41% in 2007. The total number of overnights in the period from 1996 to 2007 grew at an average rate of 5.23%.

The table shows that the number of domestic tourists diminished considerably compared to the pre-war years, by about 60%. The reason is to be found in the numerous travels of domestic tourists to the newly built youth and labour holiday resorts until the 90es. Due to the general economic situation in Croatia from the end of the war until 2004, the number and overnights of domestic tourists registered a steady drop until 2004, when a 2% growth was registered.

Table 1. Number of tourists and number of overnights in thousands in the period from 1985 to 2007.

YEAR	NO. OF TOURISTS	NO. OF OVERNIGHTS	average number of overnights
1	2	3	3/2
1985.	10.125	67.665	6,7
1986.	10.151	68.216	6,7
1987.	10.487	68.160	6,5
1988.	10.354	67.298	6,5
1989.	9.670	61.849	6,4
1990.	8.497	52.523	6,2
1991.	2.146	10.158	4,7
1992.	2.010	10.725	5,3
1993.	2.363	12.908	5,5
1994.	3.402	19.977	5,9
1995.	2.438	12.885	5,3
1996.	3.899	21.456	5,5
1997.	5.206	30.314	5,8
1998.	5.450	31.288	5,7
1999.	4.751	26.564	5,6
2000.	7.137	39.183	5,5
2001.	7.860	43.405	5,5
2002.	8.320	44.692	5,4
2003.	8.878	46.635	5,3
2004.	9.412	47.797	5,1
2005.	9.995	51.421	5,1
2006.	10.385	53.007	5,1
2007.	11.162	56.005	5,0

Source: Ministry of Tourism of the Republic of Croatia, http://www.mint.hr/UserDocsImages/Podaci%20za%202007.%20godinu.pdf (17.05.2008.)

2.2. Croatian tourism sector after Serbian war

The year 2007 was a record for Croatian tourism. In the same year there were 56 million overnights and 11 million tourists, of which most was realized in hotels (26.9%), followed by camping sites (23.13%), private accommodation (31%), tourist and apartment villages (7.45%) and other kinds of accommodation (11.49%). Compared to 2006 there was a growth of 5.66% in the number of overnights and 7.49% in the number of arrivals.

The years from 2000 on register a constant growth although not yet reaching the level country had in the 80es. In the first seven months of 2008 there were 30,889,156 million overnights, with 6,264,473 million arrivals.[2] The average length of hotel guests stay did not significantly change in the last years, remaining at 5 overnights in 2007. Stays of guests in 3-star-hotels are a little longer (4 overnights) while the shortest stays are registered in 5-star-hotels (2.8 overnights).

Table 2. Overnights in hotels according to the category from 2003 to 2006

Year	Hotels					Total
	5*	4*	3*	2*	1*	
2003.	445.579	1.025.837	7.571.602	3.607.247	437.660	13.087.925
2004.	538.322	1.039.405	8.015.127	3.470.822	503.979	13.567.655
2005.	737.123	1.496.164	8.766.834	3.348.583	441.801	14.790.505
2006.	777.574	2.267.323	9.004.647	2.433.701	129.336	14.612.581

Source: *Croatian hotel industry 2006, Business operation of hotel companies*, Institute for Tourism, November 2007, p. 6.

Demand for hotel capacities in the majority of Croatian tourist regions is markedly seasonal in character, so that in the period July-August 2006, there were 37% of overnights, while in the period June-July there were 66% of overnights. In tourist villages and apartments seasonality is even more conspicuous because almost 90% of the total demand is realized in the period from June to September.[3]

Table 3. Modality of arrivals in the Republic of Croatia from 2004 to 2007.

	2004.	2005.	2006.	2007.	INDEX 07/04
INDIVIDUAL ARRIVALS					
DOMESTIC	1.001.217	1.024.967	1.173.603	1.284.060	128,25
FOREIGN	6.150.510	5.338.724	5.515.518	6.043.150	98,25
ORGANIZED ARRIVALS					
DOMESTIC	499.185	503.217	552.442	571.655	114,52
FOREIGN	2.761.364	3.128.162	3.143.358	3.263.541	118,19

Source: Ministry of Tourism of the Republic of Croatia, http://www.mint.hr/UserDocsImages/ANALIZA%20TURISTIČKOG%20PROMETA%202007.%20GODINE.pdf (15.07.2008.)

According to the modality of arrivals, we already mentioned that individual arrivals are predominant (66%). In 2007 there were no significant changes in this respect, except for a slight drop, accounting for 85.9% of the total arrivals. Individual arrivals are still predominant among foreign tourists (82.47%) as well as among domestic tourists (70.87%).[4]

Foreign tourists keep choosing individual arrivals but the trend is decreasing (-1.75%). As for domestic tourists, there is a growth in the share of individual guests (28.25%) and organized arrivals (14.52%).

Motivation for arrival to Croatia is described in 2007 in the Tomas research through ten different motives of which the most important are:

- holiday and relaxation on the coast – 62% of tourists,
- pleasure and entertainment – 43% of tourists,
- natural resources – 26% of tourists,
- new experiences – 26% of tourists,
- closeness of the destination – 9.8% of tourists,
- gastronomy – 20% of tourists,
- acceptable prices – 11% of tourists,
- sport and recreation - 10% of tourists,
- cultural monuments/events – 10% of tourists,
- closeness of the place – 9% of tourists.

According to the Tomas research 2007, the majority of foreign visitors (33.1%) have already visited Croatia three to five times.[5]

Furthermore, every fifth customer is a "new" customer. Global world trends predict decline in destination loyalty. Authenticity of products is becoming increasingly important. Only destinations offering a complete experience and security of tourists will survive on the global market.

The sources of information used by the tourists are mostly the media (Italians, Poles, French and British), agencies (Poles, Slovaks and Czechs), and the Internet (French – 46%, British – 38%, Dutch – 31% and Poles – 29%). Nautical tourists use the media and Internet less and gather most information on fairs.[6]

Table 4. Tourist turnover of foreign tourists from 2003 to 2007

COUNTRIES	NUMBER OF TOURISTS					INDEX
	2003.	2004.	2005.	2006.	2007.	07./03.
Germany	1.551.844	1.580.244	1.572.090	1.544.801	1.544.794	99,55
Italy	1.205.532	1.231.901	1.252.684	1.235.413	1.249.343	103,63
Slovenia	918.462	884.273	878.882	913.072	1.015.379	110,55
Czech Rep.	699.473	663.794	615.535	593.276	669.132	95,66
Austria	708.506	740.960	742.498	790.083	839.717	**118,52**
Hungary	356.139	403.443	453.395	402.782	381.202	107,04
France	220.636	392.911	591.098	505.139	473.806	**214,75**
Holland	299.345	212.090	243.651	241.856	264.664	88,41
Poland	237.968	240.654	241.868	275.845	322.890	**135,69**
Other	1.058.166	1.353.245	1.619.685	1.938.623	2.255.178	213,12

Source: Ministry of Tourism of the Republic of Croatia, http://www.mint.hr/UserDocsImages/Podaci%20za%202007.%20godinu.pdf (17.08.2008.)

In 2006, hotel companies in Croatia realized a total income of 6.54 billion kunas, and 6.6 billion kunas of total expenditure, i.e. a net loss. Ten largest companies realized about 40% of the total income of the sector, while the hotel companies were most intensely active in Istria. 22 companies active in Istria (11% of the total number of companies) realized in total around 2 billion kunas, i.e. 31% of the total income of the sector. Following by importance are the regions of Zadar, Šibenik and Split.[7]

The hotel companies in coastal regions realize 85% of the total income of the sector, while the companies inland realize 14% of the total income, of which companies in the area of the City of Zagreb make up for 75% of the income, while only 25% is made in other continental areas.

Around two thirds of the total income of hotels in 2006 was realized in private, mostly domestic companies, while hotels in foreign ownership realized 18.4%. Hotels mostly owned by the state realized 12.5% while those with other forms of ownership realized 2.4%. The income structure did not significantly change except for a 0.9 % growth of the private foreign companies share.

3. AVAILABILITY OF ACCOMMODATION CAPACITIES

Due to considerable capital investments and the development of entrepreneurship, many hotels have been renovated, part of the hotels was included in international hotel chains and thanks to funding and crediting numerous smaller hotels were built. Croatia is lagging behind in comparison to other Mediterranean countries in the offer of brand hotels. Among the main reasons are unfavorable business circumstances like low prices conditioned by the dependence of many hotels on tour operators, furthermore there is low occupancy of hotel capacities caused by their seasonal character as well as high labour and supply costs that are much higher than in other developing countries.

Today there are around ten global and regional hotel chains in Croatia with hotels in Zagreb and some destinations on the coast. Among the foreign chains, most rooms belong to Sol Melia and Starwood, which manage hotels in Umag and Zagreb.

Renowned international hotel brands have already started coming to Croatia. We already have many brands like Starwoods, Sheraton and Bristol hotels mainly on the coast but also in the capital, Zagreb (Enclosure 3). There is still significant interest for Croatia among other international brands which, with their high standards, create strong competition with the domestic hotels, but which also refurbish old or ruined hotels.

The accommodation capacity measured in number of beds and accommodation units in 2006 and 2007 is shown in the following table 5.

In 2006 Croatia had 521 hotels with 111,740 beds, which accounts for 12.07% of the total number of beds in commercial accommodation capacities. Tourist and apartment villages had additional 57,185 beds or 6.17% of the total number of beds. The rest of the available beds was mostly in camping sites or in private accommodation.

The largest share in the hotel capacities were 3-star-hotels (57.56% of the number of beds and 54.80% of the number of accommodation facilities in 2007), followed by 2 and 4-star-hotels.

Compared to 2006, the total number of accommodation units increased by 1.12% in 2007, while the number of beds increased by 1.97%. This was mostly due to an increase in the number of beds in hotels, in particular 4 and 5-star-hotels.

A problem that arises spontaneously is that the basic capacities, besides being too few, structurally do not allow a harmonious development of tourist turnover, in accordance with the tourist demand. Accommodation capacities from 2004 to 2007 per stars are shown in Enclosure 4.

Among the hotels, according to the number of overnights, 3-star-hotels are dominating, registering 59.05% of the total hotel overnights in 2007. Also, 3-star-hotels prevail among hotel accommodation capacities in 2007 with a share of 57.6%, while 4 and 5-star-hotels together take up 22.4%. Such a small percentage of high quality hotels does not satisfy sophisticated demand. The situation is better compared to 2006 because 14% of hotel capacities are ranked with 4 or 5 stars, while in 2004 such accommodation took up only 10.5%. Camping sites, although second to hotels for the number of visitors, are in an even worse situation. Camps with two or one star had a share of 49.2% in 2007, while only 9.1% were those with 4 stars. The greatest step forward was made in categorization and investments in camps in 2006, which registered the highest growth of the number of beds in 4-star-camps and the sharpest drop of 1-star-camps. Other accommodation capacities such as motels and other facilities near roads had a share of 15.1% in the total accommodation capacities in 2007 but considering the geographical position of Croatia, their importance might increase in the future.

Table 5. Accommodation capacities in Croatia – 2006 and 2007

	No. of units		Total no. of beds	
	2006.	**2007.**	**2006.**	**2007.**
***** hotels	14	15	5.096	5.568
**** hotels	71	94	15.563	19.902
*** hotels	289	302	66.678	65.640
** hotels	141	137	23.158	22.458
* hotels	6	3	1.245	464
Hotels total	**521**	**551**	**111.740**	**114.032**
Aparthotels***	2	4	291	379
Aparthotels**	10	10	1.354	1.159
Aparthotels*	2	2	52	61
Aparthotels total	**14**	**16**	**1.697**	**1.599**
*** hotel village	1	1	360	360
** hotel village	2	2	981	820
* hotel village	4	4	2.579	3.234
hotel village total	**7**	**7**	**3.920**	**4.414**
*** Hotel-apart. village	1	0	784	0
** Hotel-apart. Village	2	1	1.453	548
Hotel-apart. Village total	**3**	**1**	**2.237**	**548**
*** Apartment village	2	2	3.030	3.315
** Apartment village	4	3	4.641	4.370
* Apartment village	2	2	7.716	7.832
Apartment village total	**8**	**7**	**15.387**	**15.517**
Tourist village	**48**	**50**	**33.944**	**31.981**
**** Camps	13	13	19.380	19.301
*** Camps	58	57	89.419	88.789
** Camps	73	71	57.366	55.302
* Camps	84	87	48.356	49.358
Camps total	**228**	**228**	**214.521**	**212.750**
Households			404.561	421.378
Other facilities	**814**	**977**	**137.875**	**141.857**
TOTAL CAPACITIES	**1.643**	**1.837**	**925.882**	**944.076**

Source: Ministry of Tourism of the Republic of Croatia, http://www.mint.hr/UserDocsImages/Kapaciteti%202007-hrv.pdf (17.08.2008.)

Considering the total of objects per number of stars in the period from 2004 to 2007, we notice a drop in the number of beds in hotel, aparthotel and apartment villages. The highest growth in 2007, compared to 2004, was registered in tourist villages, aparthotels, hotels and households.

Only about 1/3 of the total capacity (3, 4 or 5 stars) complies with the international standards, while all the rest needs urgent refurbishment. Hotel accommodation suffered enormous devastation during the war so that its rebuilding represents the biggest challenge for Croatian entrepreneurship in tourism.

Comparing 4 and 5-star-hotels in Croatia to those in Spain and Turkey, the market position of Croatian hotels is considerably lower – because of a lower occupancy percentage and lower average prices. Croatian tourism is markedly seasonal, hotels are currently being invested in and there is need for new, innovative contents – like autochthonous food, wellness, etc.

The average annual occupancy was 36% in 2007. In the period from 2004 to 2007 the average annual occupancy of hotels grew by 3 percentage points.

Table 6. Occupancy of capacities in days in 2004 and 2007

FACILITIES	No. of beds		No. of overnights		OCCUPANCY	
	2004.	2007.	2004.	2007.	2004	2007
Hotels, villas and aparthot	114.022	115.631	13.731.385	15.200.468	33,0	36,0
Tourist and other villages	61.862	52.460	4.689.157	4.173.288	20,8	21,8
Camps	217.652	212.750	13.285.614	13.017.215	16,7	16,8
Households	365.210	421.378	11.578.901	17.366.389	8,7	11,3
Nautical tourism ports	58.905	62.089	1.129.157	1.378.439	5,3	6,1
Other accomm. facilities	53.527	79.768	3.383.073	4.869.693	17,3	16,7
TOTAL FACILITIES	**871.178**	**944.076**	**47.797.287**	**56.005.492**	**15,0**	**16,3**

Source: Ministry of Tourism of the Republic of Croatia, http://www.mint.hr/UserDocsImages/Iskorištenost%20kapacitetea%202007.%20 godine.pdf (18.07.2008.)

The table shows that there was an increase in the occupancy of capacities in 2007 compared to 2004 in all types of facilities, except in the category of other accommodation facilities which registered a drop in occupancy by 2%. The total occupancy of capacities in 2004 was 15%. The highest occupancy of capacities, 36%, is registered by hotels, whose occupancy grew by 3% compared to 2004. Hotels are followed by tourist villages whose occupancy was 20.8%, while households only had an 11.3% occupancy. However, compared to 2004, there is a growth of 2.6%, mainly due to the introduction of lump sum taxation for the VAT. In 2007, the average occupancy of the capacities was 16.3%.

The highest level of occupancy in 2007 was registered in the area of Šibenik (42%), mostly in 3-star-hotels. It was followed by Istria (42%) where the highest occupancy is realized in 4-star-hotels.[8]

4. SOME RECOMMENDATIONS FOR CROATIAN TOURISM SECTOR

4.1. Activity programs in conditions of world economy recession

The most important activity for tourism in the National Classification is that of H-hotels and restaurants. The share of Hotels and restaurants in the structure of the gross domestic product was 3% in the period from 2003 to 2007. The extremely low share of H – hotels and restaurants was registered in the beginning of the nineties and especially in 1995 due to the war conflict on the territory of the Republic of Croatia. Data show that this activity has a faster average annual growth trend compared to the overall production in Croatia. While the average annual growth rate of the GDP was 8.17% in the period from 1993 to 2001, the growth rate of the sector Hotels and Restaurants was 10.60%.[9] Nevertheless, considering the comparative advantages of the development of entrepreneurship in tourism, Croatia should realize a considerably higher income in the sector of Hotels and Restaurants.

4.2. Development of entrepreneurship in tourism

Even it is previously mentioned about good results of Croatian entrepreneurship, the reached level of total entrepreneurship development in tourism and hotel industry is not satisfying. The following reasons are: insufficient sources of funding, insufficiently developed capital market, no developed forms of investment in entrepreneurial projects, small companies not doing business on financial markets, low level of information technology usage, insufficient connections between businesses and scientific institutions, low productivity, insufficient product quality and concentration of businesses in larger regional centers.

The programme of incentives for small and medium enterprises 2008-2012 wants to create conditions for the development of small and medium enterprises both in tourism and hotel industry as well as in the overall economy with the aim of strengthening competitiveness, raising the quality of entrepreneurial infrastructure, diminishing administrative barriers and strengthening the entrepreneurial atmosphere.

4.3. Capital investments

The investment value of hotel companies in 2006, measured in the obtained/constructed value of long-term assets, was 2.4 billion kunas or 85% more than in 2005. The most active from the point of view of investments were the hotel companies in Istria and Dalmacija.[10]

The development of entrepreneurship in hotel industry and tourism influences the activity of investments and the structure of capital investments because they stimulate business, development of construction, craftsmanship and many other industries supplying tourist facilities.

Large capital investments in the development and modernization of infrastructure are of most importance for the development of economy in general, and the development of small and medium enterprises in tourism and hotel industry in particular. We have to point out the importance of investments in the development of hotel and other tourist capacities. It automatically increases the total capital investment and, at the same time, influences an increase in economic activities such as construction and industry, employment and the overall economy of the country.

Investments in tourism and hotel industry contribute to the movement of business activity affecting the value of the gross domestic product with about 0.8% of its total value.[11]

At the end of the 20th century, foreign investors were not showing particular interest in Croatia, before all due to the war risk. By signing the Agreement with the European Union, Croatia opened to potential investors but there is still a lot to be done to attract them, like bureaucratic simplification, tax and credit benefits. However, many hotel companies are waiting for the Croatian market to develop and reach an attractive and competitive level which would justify foreign investment. Part of the problem are also strong barriers to foreign capital, like complex and unclear administrative procedures, a strong property interest of the existing subjects, the perception of hotel privatization which still seems non transparent to many due to numerous scandals in the past.

The following table shows the total foreign investment in Croatia per years. Investments in the Republic of Croatia are continuously growing. The highest growth was registered in 2006 compared to 2005, when the total investments grew by 18.9%, while investments into hotels and restaurants grew by 73.8%.

Table 7. Foreign investments in the Republic of Croatia (in 000 kn) in the period from 2000 to 2006.

YEAR	Investments in CRO	Index	Investments in CRO	Index	Share
		in hotels and restaurants			
1	2	3	4	5	4/2
2000.	59.079.556	-	1.343.357	-	2,27
2001.	63.528.075	107,5	1.627.033	121,1	2,56
2002.	77.404.401	121,8	3.576.339	219,8	4,62
2003.	103.904.537	134,2	4.410.665	123,3	4,24
2004.	106.348.060	102,4	4.789.824	108,6	4,50
2005.	111.942.940	105,3	4.634.972	96,8	4,14
2006.	133.152.513	118,9	8.053.881	173,8	6,05

Source: Statistical Yearbook of the Republic of Croatia 2007, State Bureau of Statistics, 2008, p. 167

Investors in Croatia have shown most interest for services, which take up 75% of all investments in 1993. Data show an increasing importance of Greenfield investments while the share of takeover of existing companies has significantly decreased.

Until 2005, foreign hotel companies invested into 13.682 rooms or 1.62% of the total accommodation offer. Investments were mostly directed to hotels on the coast (88%) and to the city of Zagreb.

The state plays an important role and directly influences the success in attracting foreign investors. The only indicator of success in attracting foreign investments are the data provided by the Croatian National Bank used to make out the payment balance. According to these data, direct property investments from 1993 to the second quarter 2004 were 6.4 bn USD. If we divide that sum by the number of population, we will get the value of direct investment per capita, i.e. 2.248 USD. Comparing the data with other European countries, Croatia takes fourth place after Czech Republic, Hungary and Estonia. We are followed by Slovenia (2,368 USD), Slovakia (2,303 USD), Lithuania (2,133 USD), Poland (1,766 USD), Bulgaria (1,416 USD) and Romania (918 USD). According to data given by the Croatian National Bank, Croatia and Hungary register the highest growth of direct foreign investments in the last three years.[12]

Investment activities would be much more significant if they did not depend so much on imports. It is estimated that the value of imported products and services in tourist investments takes up at least half their value, while the remaining 50% is covered with domestic products.

According to WTTC research, Croatia is ranked 89 out of 161 countries per total capital investments (Turkey takes up 136th place with a share of 7.4%). It is estimated that in the next decade Croatia will realize a growth rate of 5.2% annually, which positions it on 32nd place (Turkey is 2nd with an annual growth rate of 8.5%).

5. CONCLUSION

Croatia aims at improving and developing long-term capital funds directly used in tourism, reinvesting tourism income and attracting new investments. The state should direct at least 50% of tax income from tourism back in the tourist and hotel industry sector.

The key strategic goal is an increase of investments in businesses which are of great importance for Croatia because they open up new opportunities to domestic construction business as well as to the whole domestic production of goods and commodities, considering the fact that a hotel (with its ancillary facilities) is a very complex unit.

However, the generally accepted priority for Croatia is the reconstruction of hotel accommodation capacities mostly built between 1960 and 1980. The standard of current accommodation capacities does not suite modern and sophisticated demand requirements. The situation in Croatia is alarming because less than half hotel beds are 3 to 5-star, suitable to today’s demand.

Croatia aims at putting into function the unused accommodation capacities, continuing to implement the Crediting Program for Small and Medium Enterprises in Tourism, and adopting the Rules on service quality in accommodation facilities, as well as encouraging the development of Greenfield projects in Croatian tourism, continuing the privatisation process and restructuring of hotel companies owned by the state.

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