



## BOOK REVIEWS

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A WORD ON THE BOOK PROMOTION

### Branko Blazevic: TOURISM IN ECONOMIC SYSTEM

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As the motto for promotion of this remarkable book written by Branko Blazevic PhD, I am going to use the author's own words (p. 534) "It is without doubt that tourism in Croatia has an immense significance when compared with other sectors of economy regarding the impact it has, or may have, on the economy and citizens' quality of living. In the future, tourism will have even greater influence on the overall economic growth and stability, standard of living and other factors affecting living conditions".

Blazevic's far-reaching conclusion about the importance of tourism for Croatian economy is based on a detailed analysis of tourism industry and Croatian economy which has been conducted on over 600 pages of this book. It is not merely a textbook for students, as it has been noted in the book, moreover, it is a valuable reference book, a guidebook for Croatian economic policy in the future period. He presented facts about (pp. 330-332):

- 23,2% of GDP is generated by tourism revenues
- tourism revenues were almost equal to export revenues of all goods in 2003
- this proves that tourism is of much greater significance for Croatia than it is for any other country in Europe,

deserve not only to be acknowledge, but to be the guiding principle of economic policy as well. Allow me to single out five segments of the book contents that have been not only discussed in a highly qualified manner, but for which conclusions have been drawn, too.

The first and the most significant is his strongly held belief that Croatian tourism has to become a strategic orientation. After analysing the facts he has perceived that Croatian economy is unbalanced which "is reflected in balance of foreign-trade deficit and current account payment, sharp increase in debt, accumulated loses and a rise in insolvency, unemployment rate and high public consumption"(p. 211). In Branko's view, the escape from this instability should be searched in modified goals of macroeconomic policy which would "turn present particularly negative trends into positive course". This is also facilitated by Croatia's positive attitude toward

globalisation process and outward tendencies in economy, in which tourism as “open economy model” (p. 201) plays a significant role. This has also been proven by the notion presented by Blazevic regarding 90% of all overnights in tourism realised by foreign visitors. That is why Blazevic advocates that export growth along with tourism as our key product “has to become a long-term strategic aim”(p. 211). It would enable “Croatia and its economy to break out of the vicious circle of poverty into a world of prosperity” (p. 211).

That is Branko Blazevic’s credo which infuses the whole book. While presenting the indispensable notions of tourism economics to students and other users of the book, he connects inferences with:

- a need for larger investments into tourism (he notes - p. 232 - a fall in capital investments in tourist facilities)
- demands more significant investment of funds into educational system and scientific research projects (and indicates that they are now among the lowest in Europe, regardless of the way in which they are calculated (pp. 270-31). It is difficult to imagine income-oriented tourism of superior quality without qualified personnel.
- the real exchange rate of national currency (which would increase income for tourist-offer providers and make domestic tourism offer more competitive).

Let me account for the latest notion. Author’s claim that cost-effectiveness of hotel companies depend largely on exchange rate of national currency is well-founded, since 4/5 of their profit is derived from foreign tourists.

Thus, it is justifiable to state that “exchange rate policy and export incentives policy are crucial for realisation of export-oriented development strategy” (p. 186). As stated by Blazevic, the policy of national currency over-value caused a decline in Croatian export orientation, therefore he argues in favour of “a fluctuating, somewhat devaluating exchange rate, which will raise international competitiveness and improve position of economy on the market“ (Ibid.) Blazevic particularly elaborates exchange rate policy (pp. 194-198), emphasising that “switching from a fix to a more flexible exchange rate is complicated, particularly if inflation wants to be avoided” (p.197). He defines his theory more precisely by highlighting that “the policy of foreign-exchange rate in which the real foreign-exchange rate converges balance, while it avoids overvaluation but in the same time tolerates certain degree of devaluation, should be applied”. This could, says Blazevic, “reverse negative tendencies” (p. 197). I would also add: our neighbouring country, Slovenia, conducted devaluation of its currency five times during its transition period.

While in search of additional sources of income from tourism, Blazevic demands that society, which benefits from tourism substantially, intervenes into infrastructure more effectively, since favourable development of tourism cannot occur without road network, sewage and water supply system, quays and many other facilities.

In this regard some other negative evaluations have been presented; I will quote two of them:

(p. 534) “The uncontrolled development of mass tourism in the past, resulted in regression of multitude of tourist destinations which become no longer economically viable, due to the growing ecological sensibility of tourists and unattractiveness of the area.”

(p. 535) “Excessive building on the coastal zone/area/along the coast has impoverished and devastated natural and anthropogenic assets of the area, thus reducing the value of tourist resources in natural, ecological and economic sense”.

How can the sale of hundreds of thousands square metres of coast by local government be prevented? What can be done with the same tendency among individuals? Both inclinations threaten to disrupt not only the environment, but the unique heritage we possess as well (pp. 287-9). The slogan saying “here you can meet the Mediterranean as it used to be”, which reverberated powerfully among exclusive clientele, is at serious risk now.

The appeals made in that direction by Blazevic are more than a topical issue. A solution he proposes is to introduce “tourist annuity”. He highlights with good reason that “the annuity was entirely ignored during the previous period, although it existed even when it was not recognised

and economically valorised by a state". In the process of privatisation of the Adriatic region that kind of attitude has resulted in negative consequences, out of which the most unpleasant was the realisation that the process of permanent rejection of a part of national natural resources and effects it produces, including annuity, in on the course" (p. 532- underlined by V.S.).

Branko does not elaborate on the way in which the amount of tourist annuity would be defined – because that is not even the purpose of the textbook. However, he urges that the state, being the major-part owner of tourist facilities of special interest (he gives marinas as an example), should establish a holding company (which would gain long-term possibility of appropriating annuity) out of the remaining part of state's portfolio in tourism. Furthermore, Blazevic proposes that the sale of estates in local government's ownership should be banned, whilst the land in private ownership should be sold only with the concurrence of the government, including the possibility for the buyer to pay the annuity as well, in advance (p. 531). In author's opinion, all the suggestions proposed should be executed by the local government, acting in conformity with general regulations made by Croatian National Parliament. That would enable, says Blazevic, to accomplish "the obligation of investing into Croatian tourism offer". That is "Croatian specificity which cannot be compared with the relations in other countries" (p. 531)

The fourth set of questions that has been studied in detail by Blazevic, is the national income received from foreign visitors. According to his data, a foreign visitor that arrived in Croatia spent no less than 722 dollars in 5,4-day stay in 2004. The same amount of money was spent by tourists in Italy and Greece, only for a longer stay, while France, Portugal and Spain earned 612, 534 and 485 (one third less than Croatia) dollar income per stay respectively.

Do foreign tourists find our country so appealing to spend those amounts of money here? And in spite of the deficiency in four- and five-star hotel offer? Curiously enough, the results of Thomas's survey – presented by Blazevic - do not indicate that amount of spending. Perhaps the reason to it might be found in the new reckoning methodology applied in 2003. That year the income from "travels" in balance of payments increased by 66% compared to the previous year (although there was 7% more tourists, but the total of overnights increased by 4% only). However, this does not imply that the old methodology was better and more precise than the one being used at the present moment. The methodology employed at present is presented at full length by Blazevic (pp. 366-372), emphasising that as the main cause of tourism revenue inconsistency throughout time sequence.

In the end, there is a question of environmental protection, as "the fundamental tourism resource". It is evident that an effective solution to the threat of environmental damage has not been found yet. Are utility services able to sustain the heavy burden of investments in water supply during the summer months? How should considerable expenses of liquid waste management, pollution of the atmosphere, parking areas in tourist resorts and establishments (Z. Jelinovic would call it "traffic at rest") or belt highways around large tourist agglomerations (Rijeka's beltway is not the only place of traffic snarls) be dealt with?

Allow me to, at the very end of my review of this excellent book written by Blazevic, which pleads Croatian tourism as being the most favourable option for inclusion of our country in the globalisation process, present my own minute insertions regarding the improvements in balance of payments thanks to tourism revenues.

I hold that it is impossible to maintain the present situation in which income from travels in balance of payments present 80 and more percent of commodity export value. None of all Mediterranean countries has that high percentage. In 2005 country with the largest tourist influx on the Mediterranean- Spain- had tourism revenue which corresponded to 24% of commodity export value, while in France and Italy it equalled 10% and 9% respectively. Is our high percentage sustainable in the long run? Needless to say, it is only a rhetorical question!

Furthermore, it is a fact that the amount of tourism income spent by developed "tourism-oriented" countries on international travels of their citizens is increasing. In 1995 the Frenchmen spent 59% of tourism revenue on foreign travels, while in 2005 it rose to 74%. Spain experienced an increase in the same percentage during the same period from 17 to 32%, while in Italy the percentage rose from 50 to 63%. Slovenia reached 53% in 2005, whilst the registered outflow

regarding the same issue in 2005 arrived at 20% and is still showing a rapid increase. Even though France received 11,23 bn dollar net income from travels in 1995, it had only 11 bn dollars in 2005 although there was a 50% increase in the influx. Net income from travels in Italy reached 13,90 bn dollars in 1995, and 12,95 bn dollars in 2005. I would not take the matter further: I believe we will also show the same tendencies, as the level of prosperity among our citizens increases. If we draw general inferences from those global tendencies we could say: the higher is level of prosperity in a country, the greater is the percentage of tourism income spent by citizens on international travels.

I feel relief after passing my remark directed at all our economists dealing with tourism economics. "Dixi et salvavi animam meam" as the Latin proverb goes.

I would like to conclude this speech deeply convinced that the book by Branko Blazevic – with its systematically presented viewpoints- will become a breviary which will be read during the whole year not only among students but among macroeconomists who discuss the prospects of our Croatian county, as well. After Alfier, Cicvaric, Neda Andric and Antunac, Branko Blazevic has reached the peak of our tourism economics with this book also. I congratulate and wish him, on behalf of economic studies, to stay on Mount Olympus for a long time.

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