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CROATIAN TOURISM AND EU ACCESSION

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Abstract: The aim of the article is to examine the implications of the EU integration process on Croatian tourism. Analysing the experience of the countries which took part in the two last EU accession rounds, and focusing especially on Malta, Cyprus and Slovenia as most interesting cases for Croatia, integration process impact areas relevant for tourism sector have been pointed out. On the basis of this analysis, numerous areas of potential benefits and costs have also been defined and classified. The emphasis in the selected countries' case study analyses has been directed primarily to identify: (i) characteristic features of the tourism sector before the commencement of the EU negotiation process, (ii) modifications and/or possible turnarounds in the tourism development strategy as a result of the EU negotiation process and/or adaptations of the legal framework, as well as (iii) increases/decreases in the pre-negotiation levels of tourism demand, supply and receipts during the EU accession period. The analyses for all three countries strongly indicate that new tourism strategies that have been adopted, as well as dynamic growth of tourism receipts, coincide with the EU accession process. The new tourism development strategies lean strongly towards environment friendly development, as well as towards more efficient usage and preservation of space.

Key words: European union, Croatia, EU membership, tourism sector, expected benefits and costs.

APPROACH

As a result of the signed Stabilisation and Accession Agreement in year 2004, Croatia has become the official candidate for EU membership. However, Croatia is aiming to fully join the EU during the year 2009 and is, hence, conducting an intensive international campaign. Regardless of whether Croatia is going to join the EU within the planned time frame, or somewhat later, especially in context of recent problems with the EU constitution and some member states' attitudes concerning the future EU enlargement speed, there is no doubt that EU membership implies significant changes in all spheres of Croatian economy², including the tourism sector³.

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² Hall, Michael C. (2006.) Tourism and the New Europe: Views from Beyond Europe. In: Hall, D., Smith, M. and Marciszweska B. (editors) *Tourism in the new Europe – The Challenges and Opportunities of EU Enlargement*, CAB International, pp. 44-51.

Since the tourism sector represents a vital sector of the Croatian economy, especially due to its positive effects on the balance of payment and foreign trade balance (during the year 2006, international tourist receipts amounted to 6.0 billion EUR⁴), it is only logical to question how the EU accession process is going to affect the overall tourism sector performance and business environment. In particular, there is the need to understand and objectively analyse various, tourism sector related, direct and indirect benefits and costs associated with the EU accession process. Although it is, at this stage, almost impossible to accurately quantify various benefits and costs associated to this process, the recent experiences of the „last accession round“ countries should provide a multitude of useful insights.

Apart from many significant differences between and among the „last accession round“ countries during their EU candidacy stage (area and population size, geographical position, resource base, level of economic development, structure of GDP, history and relatedness to the former „iron curtain“ countries), all these countries have been characterised by economic, political and/or social transition processes. In other words, in comparison to other EU member states, these were the countries with insufficiently competitive economies, not yet fully stabilised political systems, and insufficiently transparent legislative systems. Due to these reasons, in order to fulfil the complex EU membership requirements, and in order to prepare themselves best for the new, much more competitive, economic environment, all the countries of the last accession round had been simultaneously working on two levels: (i) the demanding process of EU legislation harmonization, and (ii) structural adjustments of their economies⁵. All this holds for the tourism sector as well.

Having all this in mind, and in order to contribute to a smooth and effective adjustment of Croatian tourism sector to the new market environment, characterized by more pronounced competitive terms, and EU related “rules of the game”, this article aims to:

- point out key trends that have marked the tourism sector development in selected countries of the last accession round during their EU candidate status,
- point out relevant areas of benefits and costs in the tourism sector, associated with the EU accession process,
- analyse key implications that the EU membership is likely to have on the tourism sector in Croatia.

Based on the above goals, the article will rely on the following methodological setup:

- as a result of comprehensive desk research, insight will be gained and key areas detected where EU accession process affects the tourism sector most;

³ Attard, M. and Hall, D. (2004) Transition for EU accession: the case of Malta's restructuring tourism and transport sectors. In: Hall, D. (editor) *Tourism and Transition: Governance, Transformation and Development*. Wallingford, UK, CAB International, pp. 119-132.

⁴ Croatian National Bank (2006), Statistical review.

⁵ Pace, R. (2002) A small state and the European Union: Malta's EU accession experience. *South European Society and Politics* 7(1), 24-42.

- as a result of „benchmark“ analyses of the selected „last accession round“ countries (those that represent a natural competitive set for Croatian tourism), an objective analysis of the EU accession process on the tourism sector is going to be performed;
- based on the experiences of the selected „last EU accession round“ countries, key areas of potential benefits / cost on the tourism sector will be determined (associated with EU integration process), and their expected impact on Croatian tourism will be elaborated;
- based on all previous analyses, most relevant conclusions for the future tourism development in Croatia, in view of EU accession, will be elaborated.

EU ACCESSION AND THE TOURISM SECTOR - DESK RESEARCH

With regard to tourism, there is no particular sectoral policy within the EU legislative framework that addresses this sector of the economy. Namely, the EU legislation that the new member states have to harmonize with (*Acquis Communautaire*), consists of 31 chapters. These, with the exception of the agriculture and fisheries, horizontally define the relevant framework for conducting business within the EU, regardless of the specific economic sector. Hence, the development policy, operational management and organizational structure of the tourism sector is under the sole competence and responsibility of each member state. Nevertheless, there is no doubt that the EU membership affects the tourism industry in various aspects, among which one should especially point out the following:

- EU membership represents a specific, free of charge, promotion of the new member states. In other words, by means of constant representation in all sorts of media throughout the world, the general image of the new member states improves considerably. This has positive direct effects on tourism demand, visitation interest, and international tourism receipts;
- EU membership implies opening of the national air corridors to various low cost airline companies, as well as the greater representation of „regular“ airlines. This translates into easier overall accessibility, and more pleasurable, more flexible and cheaper arrival to such countries⁶;
- EU membership opens up an increased level of competition for the legal entities in new member states. This, in itself, has numerous positive effects on the quality of service, with considerable implications on the formation of the prices as well;
- EU membership also implies new investment into public infrastructure (roads, ports, airports, environment protection related projects – solid

⁶ Puczko, L. and Ratz, T. (2006) Product Development and Diversification in Hungary. In: Hall, D., Smith, M. and Marciszweska B. (editors) *Tourism in the new Europe – The Challenges and Opportunities of EU Enlargement*, CAB International, pp. 116-126.;

Kiralova, A. (2006) Tourism in the Czech Republic. In: Hall, D., Smith, M. and Marciszweska B. (editors) *Tourism in the new Europe – The Challenges and Opportunities of EU Enlargement*, CAB International, pp. 104-115;

Konecnik, M. (2006) Slovenia: New Challenges in Enhancing the Value of the Tourism Destination Brand. In: Hall, D., Smith, M. and Marciszweska B. (editors) *Tourism in the new Europe – The Challenges and Opportunities of EU Enlargement*, CAB International, pp. 81-91.

waste and wastewater treatment etc.), which translates itself positively on private sector investment (especially FDI) in the tourism superstructure (hotel development, golf courses, marinas etc);

- EU membership, finally, implies the application of new, much stringent operational standards, especially in the area of consumer protection, waste management and quality of foodstuffs and construction materials. This has direct negative implications on the cost structure of the local legal entities already active in the tourism sector.

Therefore, although the EU legislation does not treat the tourism sector in specific, the process of harmonization with the EU legislative framework in the tourism sector in most of the “last EU accession round” countries has been characterized by various adjustments in their respective (tourism) legislature. These adjustments were basically directed by the provisions of the following Acquis chapters⁷:

- Freedom to provide services – necessary adjustments should enable the residents of other EU member states to obtain various permits for offering / performing tourism related services on equal terms with candidate countries' residents;
- Free movement of persons – necessary adjustments reflect the need to enable the residents of other EU member states to obtain employment on equal terms with the residents of the candidate countries;
- Free movement of goods – adjustments refer predominantly to the removal of all (trade) barriers (import duties, quotas etc.) that might affect the free movement of goods from other EU member states;
- Transport policy – refers to adjustments in the area of land, sea and air transport;
- Consumers and health protection – as regards to tourism, adjustments refer mostly to (i) consumers' rights for compensation in case of not consuming the service, as well as for consuming the service of improper quality, and (ii) quality controls of the foodstuffs being used in specialised food and beverage outlets;
- Social policy and employment – necessary adjustments in the tourism sector refer predominantly to working conditions and provision of working equipment;
- Small and medium-sized enterprises – adjustments are related predominantly to the various means of SME encouragement and promotion,
- Competition policy – necessary adjustments are related mostly to the provision of equal market conditions for all legal entities doing business on the territory of an EU candidate country.

In order to increase the level of their competitiveness, prepare themselves most effectively for a more even market battle in new competitive environment, and

⁷ Malta Tourism Authority (2006). *Preparation for EU membership*. Available at [http://www.mta.com.mt\(index.pl/tourism_and_eu..](http://www.mta.com.mt(index.pl/tourism_and_eu..)

lower the EU accession transaction cost⁸, all countries of the last EU accession round have tried to ensure the accessibility and utilization of various EU preaccession funds⁹. With regards to the tourism sector, key areas in which the candidate countries most frequently applied for EU money, can be summarised as follows¹⁰:

- Increase in the competitive ability (stimulation and promotion of the SME businesses development, projects related to protection of and revitalization of cultural heritage, application of new technologies, regional cooperation, destination management, etc.);
- Improvement in the existing public utilities' standards (by means of modernization and/or removing of existing bottlenecks in existing capital infrastructure such as sewage systems improvement, installation of modern wastewater treatment plants), and transport infrastructure roads, airports, border crossings etc.);
- Environment protection and preservation of space so as to ensure long-term development based on natural resources' sustainability (including the more even regional development);
- Increase in the effectiveness and transparency levels of the public sector institutions / organizations,
- Various "capacity building" programs related predominantly with education enhancement, vocational training and requalification on one side, and to the establishment of the new generation of managerial staff of international competitiveness.

EU ACCESSION EXPERIENCE OF THE COUNTRIES MOST RELEVANT FOR CROATIA

Croatia is one of the Mediterranean countries with high seasonality of tourism, whereas the traditional "sun and sea" product still represents a dominant product for the international markets. With this in mind, and due to the similarity in the resource base and tourism development history, it is only natural to consider Malta and Cyprus in their pre-accession phase, as countries whose experience is most relevant for Croatia. The third country whose EU pre-accession experience should be of utmost interest to Croatia is Slovenia, a country with an exit to the Adriatic, and a country which, together with Croatia, for a relatively long time used to be a part of former Yugoslavia. Additionally, Slovenia's experience is of particular interest as well since this country, according to a large number of analysts¹¹, has been most effective in the EU

⁸Theuma, N. (2006) Malta: Re-imagining the Mediterranean Destination. In: Hall, D., Smith, M. and Marciszweska B. (editors) *Tourism in the new Europe – The Challenges and Opportunities of EU Enlargement*, CAB International, pp. 213-223.;

Puczko, L. and Ratz, T. (2006) Product Development and Diversification in Hungary. In: Hall, D., Smith, M. and Marciszweska B. (editors) *Tourism in the new Europe – The Challenges and Opportunities of EU Enlargement*, CAB International, pp. 116-126.

⁹ See more in: Republic of Slovenia, Public Relations and Media Office (2004). *Slovenia entering the EU*. Dostupno na <http://www.uvi.gov.si/eng/slovenia/publications/facts/european-union>.

¹⁰ See more in: Malta Tourism Authority (2006). *Preparation for EU membership*. Available at http://www.mta.com.mt/index.pl/tourism_and_eu.

¹¹ See more in: Republic of Slovenia, Public Relations and Media Office (2004). *Slovenia entering the EU*. Available at <http://www.uvi.gov.si/eng/slovenia/publications/facts/european-union>.

preparatory phase, which resulted in minimization of the EU accession transaction cost. Finally, according to the European Travel Commission, in year 2004 Slovenia represented one of the countries with the most dynamic growth of the tourism sector¹².

Due to the above stated reasons, further analysis will focus on these three countries, with the intention to investigate in more depth the following three areas:

- What were the most relevant features of the tourism sector before obtaining the EU candidate status;
- Were there any changes / shifts in the tourism development strategy that took place during the pre-accession period, and as a result of the changes that the EU membership imply; and
- Providing there were shifts in the tourism development strategy, have these shifts affected (and how) the tourism sector.

MALTA

Tourism development on Malta¹³ is characterised by a „classical” development cycle. Namely, following modest results in the initiation phase and gradual growth in the 1960-ties, during which tourism had not been treated as a particularly important sector for the national economy, the 1970-ties and 1980-ties have been marked by dynamic growth in tourist arrivals and overnights. This growth has been associated mostly with mass attendance, high seasonality, orientation on one product – „sun and sea”, and competing through low prices¹⁴. Finally, the phase of dynamic growth rates, with all attributes of low quality “mass tourism” switched places with stagnation (1990-ties) and decreasing interest for Malta as a tourist destination. As a conclusion, it can be stated that the tourism sector development in Malta, prior to obtaining the EU candidate status, had been characterized by the following features:

- Dependence on only the “sun and sea” tourism product,
- Pronounced dominance of big international (British) touroperators on the demand side (share of allotments in total tourist overnights around 85%),
- Low prices as means of a competing strategy,
- Dynamic growth of accommodation capacity,
- Undeveloped value chain at the destination level,
- Low service quality.

¹² Konecnik, M. (2006) Slovenia: New Challenges in Enhancing the Value of the Tourism Destination Brand. In: Hall, D., Smith, M. and Marciszewska B. (editors) *Tourism in the new Europe – The Challenges and Opportunities of EU Enlargement*, CAB International, pp. 81-91.

¹³ Theuma, N. (2006) Malta: Re-imagining the Mediterranean Destination. In: Hall, D., Smith, M. and Marciszewska B. (editors) *Tourism in the new Europe – The Challenges and Opportunities of EU Enlargement*, CAB International, pp. 213-223.

¹⁴ Brigulio, L. and Vella, L. (1995) The competitiveness of the Maltese islands in Mediterranean international tourism. In: Conlin, M. V. and Baum, T (editors) *Island Tourism; Management, Principles and Practices*. Chichester, UK: John Wiley & Sons, pp. 133-147.

The beginning of the EU accession process represented a kind of a catalyst of positive changes in the sector¹⁵. Namely, almost simultaneously with the beginning of the negotiation process (1999), the Malta Tourism Authority, a special state institution, has been established. Its aim was: (i) to reposition the Maltese tourism on the international market, and (ii) to make it more internationally competitive.

Further, in view of the ever increasing attacks on the scarce primary space, in which the newly built holiday homes had “swallowed” more space than hotels and other commercial properties¹⁶, ecological aspects and sustainable tourism development¹⁷ have become key building blocks of the new development strategy. The new strategy of the tourism sector relied heavily on active participation of all the key stakeholders (local population, private persons and legal entities directly involved in the tourism industry, touroperators, travel agents, as well as the end consumers of tourism related services).

Finally, with the intent to permanently depart from the image of a cheap summer destination for mass tourism, strategic emphasis has been thrust particularly on:

- Protection of the primary tourist space from uncontrolled construction,
- Quality (as opposed to quantity) – fewer number of visitors, higher propensity to consume,
- New product development (provision of diversified tourist experiences),
- New vision of the tourism sector, new positioning and new image of Malta as a tourist destination,
- New approach to destination marketing.

The adoption of the new tourism sector development strategy, which coincided with the EU accession process, showed very encouraging results. Namely, despite of the gradual decline in the overall number of international tourist arrivals / overnights growth rate, and on some occasions even in their decline in absolute terms, tourism receipts have been growing steadily. As opposed to the 1995 – 1999 period, during which the number of international visitors grew at a rate of 4.1% per annum, with 1.4 million international arrivals in year 1999, the 2000 – 2004 period was characterized by a growth rate of only 1.1% per annum, with 1.5 million international arrivals in year 2004. Also, the number of international overnights in year 2004 did not differ by much in comparison to year 1999 (12.0 million as opposed to 11.7). (Table 1)

Further, total number of beds in hotels and similar establishments in year 2004 declined in comparison to year 1999, the same being the case in achieved occupancy (53% in 2004, as opposed to 55% in 1999). However, the most striking shift is reflected in tourism receipts department. Namely, in comparison to the 1995 – 1999 period, in which total tourism receipts stagnated at a yearly level of around 650 million

¹⁵ Alipour, H. and Hall, D. (2006) The Mediterranean Enlargement: an Overview. In: Hall, D., Smith, M. and Marciszweska B. (editors) *Tourism in the new Europe – The Challenges and Opportunities of EU Enlargement*, CAB International, pp. 199-212.

¹⁶ Alipour, H. and Hall, D. (2006) The Mediterranean Enlargement: an Overview. In: Hall, D., Smith, M. and Marciszweska B. (editors) *Tourism in the new Europe – The Challenges and Opportunities of EU Enlargement*, CAB International, pp. 199-212.

¹⁷ Markwick, M. C. (1999) Malta's tourism industry since 1985: diversification, cultural tourism and issues of sustainability. *Scottisc Geographical Journal* 115 (1), 53 -72.

USD (average growth rate of 0.6% per annum), in year 2004 Maltese tourism receipts exceeded 960 million USD. In other words, during the 2000 – 2004 period, despite the stagnation in international tourism arrivals and overnights, and regardless of the decline in available commercial accommodation capacity, tourism receipts grew, on average, at a rate of 6.3% per annum.

Table 1.

<i>Malta - Key tourism indicators, 1995-1999.</i>					
<i>Malta</i>	1995	1996	1997	1998	1999
1. International visitors					
Arrivals (in '000)	1.193	1.123	1.238	1.326	1.402
Overnights in all types of accommodation facilities (in '000)	10.919	10.665	11.187	11.326	11.658
Overnights in hotels and similar establishments (in '000)	7.632	7.311	7.730	8.046	8.150
Overnights in complementary accommodation facilities (in '000)	3.287	3.354	3.457	3.280	3.508
Tourist receipts (mil. US\$)	660	635	648	661	675
2. Domestic visitors					
Overnights in all types of accommodation facilities (in '000)	N/A	N/A	N/A	N/A	N/A
Overnights in hotels and similar establishments (in '000)	N/A	N/A	N/A	N/A	N/A
Overnights in complementary accommodation facilities (in '000)	N/A	N/A	N/A	N/A	N/A
3. Accommodation capacity					
Hotels & similar establishments					
Room count	N/A	N/A	N/A	N/A	N/A
# of beds	37.308	38.152	39.183	38.932	40.890
Occupancy (in %)	56,04	54,72	54,05	56,62	55,00
Average length of stay (# of overnights)	N/A	N/A	N/A	N/A	N/A

Source: UNWTO, 2001, *Compendium of Tourism Statistics Data 1995-1999, Madrid.*

<i>Malta - Key tourism indicators, 1995-1999.</i>					
<i>Malta</i>	2000	2001	2002	2003	2004
1. International visitors					
Arrivals (in '000)	1.387	1.439	1.483	1.516	1.450
Overnights in all types of accommodation facilities (in '000)	10.266	11.067	10.599	11.115	10.973
Overnights in hotels and similar establishments (in '000)	6.978	7.475	7.021	7.712	7.763
Overnights in complementary accommodation facilities (in '000)	3.288	3.592	3.578	3.403	3.210
Tourist receipts (mil. US\$)	754	721	714	856	963
2. Domestic visitors					
Overnights in all types of accommodation facilities (in '000)	N/A	N/A	N/A	N/A	N/A
Overnights in hotels and similar establishments (in '000)	N/A	N/A	N/A	N/A	N/A
Overnights in complementary accommodation facilities (in '000)	N/A	N/A	N/A	N/A	N/A
3. Accommodation capacity					
Hotels & similar establishments					
Room count	N/A	N/A	N/A	N/A	N/A
# of beds	40.578	40.691	39.790	41.365	39.770
Occupancy (in %)	46,99	52,73	48,30	53,73	52,82
Average length of stay (# of overnights)	8,30	9,00	8,80	9,00	9,50

Source: UNWTO, 2006, *Compendium of Tourism Statistics Data 2000-2004, Madrid.*

CYPRUS¹⁸

Following the division of Cyprus into two entities in year 1974, as opposed to the Turkish (northern) part of the island which became relatively isolated for international tourism, the demand for the Greek (southern) part of the island intensified dramatically, mostly due to global changes in international demand trends. As a result of such movements, tourism receipts amounted to 1.6 billion USD in year 1995. Moreover, more than 10% of local population had been directly employed in the hotel industry¹⁹.

However, such uncontrolled tourism development, dictated predominantly by international demand, resulted in a situation very much similar to the Maltesian one in

¹⁸ Since Cyprus is still divided between Greece and Turkey, with only the Greek part of the island becoming the EU member, the analysis reflects only the situation within the Greek entity.

¹⁹ Ioannides, D. and Apostolopoulos, Y. (1999) Political instability, war, and tourism in Cyprus: effects, management, and prospects for recovery. *Journal of Travel Research* 38 (1), 51-56.

the late 1990-ties. Namely, more than 20% of the tourism in the Greek part of the island had been controlled by a single touroperator (Thompson-Preussag)²⁰, whereas the traditional “sun and sea” product became increasingly burdened by the problem of accommodation capacity overconstruction, which translated into declining average daily spending²¹.

Growing dissatisfaction with such unfavourable trends, nevertheless, initiated awareness in the local community about the social cost of uncontrolled tourism expansion. Among the most pronounced problems, one should mention in particular the following:

- Irreversible “consumption” of the most valuable coastal strip as a result of uncontrolled construction of commercial and residential property,
- Shortages of potable water in the peak summer season,
- Traffic congestion (collapse), and
- Noise.

Due to the above stated problems and related loss of image in the eyes of the international market, the number of international tourist arrivals to Cyprus from year 2000 onwards started to decline year after year. Namely, in year 2001, registered tourist arrivals were 2.5% lower than in year 2000; 12.2 % lower in year 2002 as compared to year 2001, whereas in year 2003, 3.2% lower than in year 2002. This negative trend has been finally stopped in year 2004.

Simultaneously with the process of legal harmonization in the EU pre-accession phase, and with intention to put an end to negative trends in international tourist arrivals and receipts, the Cyprus Tourism Organization (CTO), in line with the EU legislative framework, started to implement much stricter ecological standards and spatial planning guidelines. Also, in year 2003, the CTO formulated a new Tourism Development Strategy (up to year 2010)²². Based on:

- Maximum adherence to and implementation of the sustainable development principles,
- Market repositioning, product diversification and product development, as well as
- A switch in the tourism image of Cyprus (into a destination which offers a preserved environment, numerous cultural attractions, and the highest quality service, predominantly to market segments of higher purchasing power),

the new strategic document targeted an increase in tourist arrivals at an average rate of 3.5% per annum, with the intention to double tourist receipts by year 2010²³. Such ambitious development goals should be accomplished by means of

²⁰ Bianchi, R. (2001) Beyond the periphery: exploring the „new“ regional dynamics of tourism in Southern Europe. In: Toivonen, T. and Honkanen, A. (editors) *North-South: Contrasts and Connections in Global Tourism*. Tilburg: ATLAS, pp. 249-265.

²¹ Scott, J. and Topcan L. (2006) Building Bridges in Borderlands of the New Europe. In: Hall, D., Smith, M. and Marciszweska B. (editors) *Tourism in the new Europe – The Challenges and Opportunities of EU Enlargement*, CAB International, pp. 224-236;

²² Scott, J. and Topcan L. (2006) Building Bridges in Borderlands of the New Europe. In: Hall, D., Smith, M. and Marciszweska B. (editors) *Tourism in the new Europe – The Challenges and Opportunities of EU Enlargement*, CAB International, pp. 224-236;

²³ CTO (2005) *Strategic Plan for Tourism 2000 – 2010*, Nicosia: Cyprus Tourism Organisation.

development of a new generation of accommodation units in which small, cosy and individualized accommodation would prevail (boutique hotels; small, family owned hotels; villas and traditionally designed holiday homes).

Although the growth rates of accommodation capacity in hotels and similar establishments in the 1995 – 1999 period (2.1% per annum, on the average), in comparison to the 2000 – 2004 period (2.2% per annum, on the average) does not differ by much, it should be stressed that the growth had been rapidly deteriorating in the last years of the 2000 – 2004 period. This largely coincides with the adoption of the new Tourism Development Strategy. The same holds for the number of international overnights, since in the 2002 – 2004 period, these have been significantly reduced, as opposed to year 2001. Namely, in year 2001, in all means of accommodation facilities there were 18.1 million of international overnights recorded, whereas in year 2002 this figure dropped to 15.3 million. Finally, in year 2004 there were only 13.6 million international overnights.

Table 2.

Cyprus - Key tourism indicators, 1995-1999.

Cyprus	1995	1996	1997	1998	1999
1. International visitors					
Arrivals (in '000)	2.253	2.089	2.194	2.357	2.578
Overnights in all types of accommodation facilities (in '000)	14.222	12.718	13.206	14.456	N/A
Overnights in hotels and similar establishments (in '000)	14.202	12.702	13.193	14.442	N/A
Overnights in complementary accommodation facilities (in '000)	20	16	13	14	N/A
Tourist receipts (mil. US\$)	1.788	1.669	1.639	1.696	1.878
2. Domestic visitors					
Overnights in all types of accommodation facilities (in '000)	374	511	554	594	N/A
Overnights in hotels and similar establishments (in '000)	354	486	529	575	N/A
Overnights in complementary accommodation facilities (in '000)	20	25	25	19	N/A
3. Accommodation capacity					
Hotels & similar establishments					
Room count	35.075	35.932	35.742	36.383	34.122
# of beds	77.259	83.537	83.288	85.161	84.173
Occupancy (in %)	58,60	52,74	52,23	55,65	N/A
Average length of stay (# of overnights)	11,02	10,41	10,87	10,62	11,00

Source: UNWTO, 2001, *Compendium of Tourism Statistics Data 1995-1999*, Madrid.

Cyprus - Key tourism indicators, 2000-2004.

Cyprus	2000	2001	2002	2003	2004
1. International visitors					
Arrivals (in '000)	2.912	2.841	2.495	2.416	2.478
Overnights in all types of accommodation facilities (in '000)	16.816	18.093	15.289	13.490	13.637
Overnights in hotels and similar establishments (in '000)	16.790	18.070	15.235	13.424	13.554
Overnights in complementary accommodation facilities (in '000)	26	23	54	66	83
Tourist receipts (mil. US\$)	2.137	2.203	2.146	2.244	2.550
2. Domestic visitors					
Overnights in all types of accommodation facilities (in '000)	603	739	870	968	1.081
Overnights in hotels and similar establishments (in '000)	597	729	868	957	1.069
Overnights in complementary accommodation facilities (in '000)	6	10	2	11	12
3. Accommodation capacity					
Hotels & similar establishments					
Room count	43.363	43.338	44.523	44.892	45.535
# of beds	84.479	87.834	90.112	91.139	92.239
Occupancy (in %)	65,10	73,92	63,04	57,48	57,61
Average length of stay (# of overnights)	6,70	6,90	6,70	6,48	6,73

Source: UNWTO, 2006, *Compendium of Tourism Statistics Data 2000-2004*, Madrid.

However, what needs to be specially emphasized in the case of Cyprus as well, is the fact that the growth rate of tourism receipts, as compared to the 1995 - 1999 period (1.2 per annum, on the average), enlarged severalfold during the 2000 – 2004 period (4,5% per annum, on the average). As a coincidence, the most dynamic increase in tourism receipts was recorded in years 2003 and 2004. Namely, as opposed to 1.9 billion USD in year 1999, the tourism receipts in year 2004 amounted to 2.6 billion USD. Although such a dynamic increase in tourism receipts cannot, with 100% certainty, be

attributed only to the EU accession process and its consequences, it would, nevertheless, appear to be myopic not to mutually connect these two processes.

SLOVENIA

Unlike Malta and Cyprus, partly as a reflection of strictly defined roles of the Republics in former SFRY, Slovenia did not pay much attention to tourism sector development until its independence in 1990. That is why Slovenia never really faced the threat of mass tourism, uncontrolled building of (low quality) accommodation facilities, as well as of over construction in most valuable areas/zones/locations for tourism development.

On the other hand, however, and still as a part of former SFRY, Slovenia clearly identified several market niches of potential interest and, based on sustainable development principles, prudent utilization of its resource potential and favourable geography of the country, started to develop tourism focusing on the following, internationally marketable, products: (i) „sun and sea” summer holidays on the narrow coastal strip, (ii) „skiing holidays in winter, (iii) spa & wellness scattered around several thermal and health resorts. In the period after the gaining of independence, the country intensified its efforts not only to further develop the existing market niches, but to differentiate them successfully from international competitors. The pivotal role in this process can be attributed to (i) a well designed development strategy, and (ii) an effective system of national tourism promotion before, during and after the accession into the EU²⁴.

In this regard, strong promotion of the country as a brand in itself has always been the key strategic building block of the tourism sector development in Slovenia from its independence until the very day. On the other hand, key attributes of the country's positioning have, more or less, remained unchanged throughout this period. Namely, the focal points in the long-term positioning of the Slovenian tourism have always been:

- Preservation of the environment, cleanliness, well kept landscape
- Sustainable development,
- Small is beautiful,
- International service quality wrapped up in the Slovenian national expression,
- Diverse tourist experiences available on a small territory.

Since the number of international tourism arrivals to Slovenia in the 1995 – 1999 period varies considerably, with the same trend valid for the preaccession 2000 – 2004 period (although the magnitude is much more moderate), positive effects related with the beginning of the EU accession process can best be illustrated by the number of international overnights, tourism receipts and accommodation occupancy figures.

²⁴ Brezovec, A. (2001) Imidz drzave kot turisticne destinacije. *Teorija i Praksa* 38(4), 739-754.; Konecnik, M. (2002) The image as a possible source of competitive advantage of the destination – the case of Slovenia. *Tourism Review* 57(1/2), 6-12.; STB (Slovenian Tourist Board) (2004) *Slovenia Invigorates – project*. Ljubljana: STB. Available at <http://www.slovenia-tourism.si>

Namely, during the whole 1995 – 1999 period, international overnights have been increasing gradually at an average rate of 3.1% per annum, reaching 2.6 million in year 1999. On the other hand, during the 2000 – 2004 period, international overnights have been increasing at an average rate of 6.4% per annum, with 4.2 million overnights recorded in year 2004.

Table 3.

Slovenia - Key tourism indicators, 1995-1999.

Slovenia	1995	1996	1997	1998	1999
1. International visitors					
Arrivals (in '000)	63.674	71.876	76.568	65.587	60.009
Overnights in all types of accommodation facilities (in '000)	2.322	2.437	2.945	2.934	2.627
Overnights in hotels and similar establishments (in '000)	2.059	2.167	2.500	2.478	2.267
Overnights in complementary accommodation facilities (in '000)	263	270	445	456	360
Tourist receipts (mil. US\$)	1.084	1.240	1.187	1.088	1.011
2. Domestic visitors					
Overnights in all types of accommodation facilities (in '000)	3.360	3.214	3.236	3.161	3.243
Overnights in hotels and similar establishments (in '000)	2.066	2.004	1.787	1.728	1.852
Overnights in complementary accommodation facilities (in '000)	1.294	1.210	1.449	1.433	1.391
3. Accommodation capacity					
Hotels & similar establishments					
Room count	16.213	16.847	16.350	16.195	15.753
# of beds	33.878	36.028	33.714	33.771	32.272
Occupancy (in %)	33,36	34,92	34,71	38,26	38,95
Average length of stay (# of overnights)	3,32	3,07	3,16	3,14	3,10

Source: UNWTO, 2001, *Compendium of Tourism Statistics Data 1995-1999, Madrid.*

Slovenia - Key tourism indicators, 1995-1999.

Slovenija	2000	2001	2002	2003	2004
1. International visitors					
Arrivals (in '000)	63.580	61.878	60.031	59.388	63.013
Overnights in all types of accommodation facilities (in '000)	3.277	3.653	3.847	4.009	4.198
Overnights in hotels and similar establishments (in '000)	2.758	2.879	3.049	3.166	3.258
Overnights in complementary accommodation facilities (in '000)	519	774	798	843	940
Tourist receipts (mil. US\$)	1.016	1.059	1.152	1.427	1.726
2. Domestic visitors					
Overnights in all types of accommodation facilities (in '000)	3.232	3.237	3.210	3.219	3.122
Overnights in hotels and similar establishments (in '000)	1.860	1.715	1.714	1.725	1.707
Overnights in complementary accommodation facilities (in '000)	1.372	1.522	1.496	1.494	1.415
3. Accommodation capacity					
Hotels & similar establishments					
Room count	16.265	14.970	15.056	15.534	15.785
# of beds	33.502	30.490	30.715	31.997	32.652
Occupancy (in %)	39,40	46,39	47,39	47,60	47,98
Average length of stay (# of overnights)	3,31	3,28	3,24	3,23	3,12

Source: UNWTO, 2006, *Compendium of Tourism Statistics Data 2000-2004, Madrid.*

Further, due to the fact that the total accommodation capacity (measured either by means of total number of available beds, or by means of existing accommodation units), did not change significantly at all during the whole 1995 – 2004 period, the recorded increase in the number of international overnights contributed directly to a much better utilization of accommodation capacity (from 39% in year 1999, to 48% in year 2004).

Finally, and, most importantly, as opposed to the stagnating tourism receipts throughout the 1995 – 1999 period at the level of 1.0 billion USD (with negative growth at an average rate of 1.7% per annum), tourism receipts in the 2000 – 2004 period grew at an average rate of 14.2% per annum, reaching 1.7 billion USD in year 2004. As has been the case in the previous examples of Malta and Cyprus, it would be very difficult to argue that these trends are not strongly and positively correlated with the EU accession process.

AREAS OF EXPECTED BENEFITS AND COSTS

Drawing on the experiences of the „last EU accession round” countries, especially in the access to and utilization of various EU preaccession and/or structural funds, and taking into account a general improvement of image of these countries after having gained the status of EU candidates as well, several areas of expected benefits and costs relevant for Croatian tourism industry can be defined. These can be grouped in the following way:

Expected benefits

- As a result of the general improvement of Croatian image worldwide
 - An increase in tourist arrivals and overnights
 - An improvement in the present demand structure
 - Increased interest of FDI in Croatian tourism
 - A more pronounced interest of local population for SME start-ups
 - Growth in employment
 - An improvement in the accommodation supply structure
 - Improved transparency in the tourism sector (operational, financial, legal)
- As a result of increased business effectiveness of the tourism industry operators
 - An increase in tourism receipts
 - Growing REVPAR (revenue per available accommodation unit)
 - Declining seasonality
 - Lower cost of capital
 - An increase in profitability
 - Better quality of service
 - More revenue for the state budget
- As a result of harmonization with EU legislation
 - Improved environmental protection (in adherence with EU standards)
 - Efficient planning and protection of the most valuable space from overconstruction and/or development projects of poor quality (as a combined result of improved spatial planning, more transparent process of construction permits issuance and effective supervision).

Expected costs

- As a result of harmonization with EU legislation
 - Higher operational costs for local business entities (branding, promotion, usage of global distributional systems, communal taxes, education and training, costs of material etc.)
 - Increased tax pressure (in order to provide financing for various projects related to higher communal infrastructure quality)
 - Increased selection in the area of human resources (older, less adaptive age groups being most vulnerable)

- Increased interest for construction of residential properties in prime areas not yet populated by the tourism industry operators (due to equal terms of acquiring property for locals and foreign physical persons)
- As a result of increased interest of foreign capital
 - More demanding business environment (intensified competition)
 - Insufficient capacity of existing capital infrastructure and additional costs related with its expansion
 - Possible overconstruction of tourism related facilities and/or residential properties in most attractive tourism zones
 - Increase of real estate prices, especially in the prime tourist areas/zones (related mostly to international demand for residential property)
 - Accelerating social differentiation (young, educated and successful vs. old, unskilled and demotivated)
 - Slow death of the old city centres in most attractive coastal cities such as Dubrovnik, Trogir, Primosten, Rovinj etc. (as a result of “indecent proposals” - selling houses to foreign owners of holiday residences)
 - Partial loss of national identity.

Although there is no doubt that some of the previously defined areas of expected benefits and costs could be measured (such as the expected increase in tourist arrivals/overnights, additional employment, improvement in the accommodation supply structure, decreasing seasonality, increase in the state revenues etc), it is not the intention of this article to provide rigorous quantifications of the magnitude in which the EU accession process will affect Croatian tourism.

On the other hand, however, the article will, in more detail, focus on those expected benefits and costs of the EU integration process that are not so easy to quantify, but which will, most likely, determine whether the tourism industry in Croatia will develop in a sustainable way over the long term. One could, hence, argue that these effects will be crucial for the long-term image of Croatia as a tourist destination. With this in mind, regardless of the long list of expected potential benefits associated with EU accession, it is of utmost interest to point out especially the indirect costs of the process in order not only to passively take notice of them, but to be able to control them and minimize their potentially negative impact.

EXPECTED BENEFITS ASSOCIATED WITH EU ACCESSION

There is no doubt that the expected improvement in the tourism demand structure should not be exclusively conditional upon Croatia's accession into the EU. However, there is strong evidence that the demand structure within a tourist destination is strongly positively correlated with its image in the international community²⁵. In this

²⁵ Konecnik, M. (2006) Slovenia: New Challenges in Enhancing the Value of the Tourism Destination Brand. In: Hall, D., Smith, M. and Marciszewska B. (editors) *Tourism in the new Europe – The Challenges and Opportunities of EU Enlargement*, CAB International, pp. 81-91.

regard, the following rule of thumb holds: the better a certain country is integrated into international economy and politics, the more it is attractive not only to an increased number of tourists, but to market segments of a higher propensity to spend as well. This is a direct consequence of a better accessibility and perception of safety, which makes such a country more interesting for individual visitors, regardless of their primary visitation motives (business or pleasure). Having in mind a not so positive image of Croatia in the last fifteen years, despite the fact that it has improved considerably since year 2000, the mere status of a EU candidate, and especially the act of EU accession itself should multifold improve the international ranking of Croatia as a tourist destination. Apart from this „one time“ effect, the EU membership will, by means of various activities, initiatives, policies and EU presence worldwide (media), contribute actively to Croatian image over the long run. This, in turn, should translate into increased visitation, especially of the more wealthy market niches. As a result of the improvement of overall country image, hence, it is to expect that the market share of individual travellers (willing to pay more) will gradually grow, whereas the allotments' and groups' market shares should simultaneously decline.

Further, the EU accession implies harmonization in educational and skills enhancement programs, an increased interest of global hotel chains/brands, as well as the access to job openings and working experience in other EU member countries. As a combined result of the above, the total quality of service in all means of tourism establishments should gradually level with EU standards, which should, in turn, have additional positive impact on the tourist visitation and tourism receipts in Croatia²⁶. Finally, a higher quality of service will additionally contribute to an increase of confidence in Croatia as a tourist destination that deserves to be repeatedly visited, which implicitly translates into increasing confidence and willingness to buy various Croatian tourist products / tourist experiences.

Since an increase in demand for visiting Croatia, as well as the improvement in the demand structure both ask for a pronounced diversification in the country's tourism offer, not only in the terms of new product development²⁷, but in terms of value chain creation on the level of each microdestination, the relatively short tourist season should gradually extend. Hence, it is to be expected that the tourism demand will, in future, be much more evenly spread throughout the year.

Due to the legal harmonization with the EU, as well as to improved efficiency of the whole administrative framework on the national and local levels, one can expect considerable improvements in the sphere of spatial planning, space utilization and space management over the long run (all according to sustainable development principles²⁸). In view of the existing decentralized decision-making and high degree of local autonomy in the investment activity, coupled with expected improvements in the

²⁶ Smith, M. and Hall, D. (2006) Enlargement Implications for European Tourism. In: Hall, D., Smith, M. and Marciszweska B. (editors) *Tourism in the new Europe – The Challenges and Opportunities of EU Enlargement*, CAB International, pp. 32-43

²⁷ van Woudenberg, G. (1999) *Outbound Travel and Tourism Patterns Among Europeans: Trends and Forecasts until 2005*. The Hague: Royal Dutch Touring Club ANWB.

²⁸ See more in: Australian Government – Department of Environment and Heritage (2004) *Steps to sustainable tourism*. Canberra.

spatial planning process, and a higher level of transparency in the project development and investment sphere, more adequate means for effective land preservation controls will be established. The same should hold for project evaluation yardsticks for various private sector's (aggressive) initiatives. All these improvements should, hence, guarantee the avoidance of further devastation („apartmentization“) of the most valuable tourism zones.

Simultaneously with the gradual materialization of the above stated processes, country risks related to doing business in Croatia will be diminishing through time as well. As a result of lower country risk, Croatia's overall credit rating should increase over time, with direct implications on the local cost of capital, which should drop to a level comparable with the EU average. Since a lower cost of capital implies an increased investment demand, such situation should translate into a multitude of local entrepreneurial initiatives. Assuming an effective system of project development (starting from detailed masterplanning of zones designated for tourism development, followed by international tendering and project evaluation process, and ending with awarding the project to the owner of the best project conceptual design), new entrepreneurial initiatives should in their own right contribute to the overall attractiveness of the Croatian tourism offer and the country's image on the world tourism market.

EXPECTED COSTS ASSOCIATED WITH EU ACCESSION

Despite the fact that most people, especially over the medium and long term, relate Croatia's process of EU accession mostly with numerous benefits, one should, nevertheless, be aware of a several direct and indirect costs which will not be possible to avoid. Having said that, and despite the fact that it is sometimes cumbersome to clearly delineate ones from the other, this article, as previously stated, differentiates between costs which can be attributed to the legal harmonization with the EU standards, from costs which will arise predominantly from increased interest of foreign private persons and legal entities to either acquire property or conduct business on Croatian territory.

With regard to the costs arising from the harmonization with the EU legislature, it can be said that their impact is directly associated with the EU accession. In this regard, one can treat them as direct costs of EU accession. However, it is somewhat doubtful whether their individual and/or combined impact represents a cost to Croatia at all. Namely, although these costs will negatively affect the performance of the Croatian tourism industry, and have an unfavourable impact on the standard of living in the short to medium term, these costs should, nevertheless, be regarded as investment into the future i.e. as investment into the long term related quality of life.

On the other hand, although costs related to increased foreign interest to invest in Croatia represent, to a certain extent, indirect costs associated with the EU accession, their potential negative impact could, by far, be more harmful for the country.

Costs associated with harmonization to EU legislature

In terms of costs associated with the harmonization to the EU legislature, the first association that comes to mind is related to increased operational costs due to new, much stricter regulations in the area of consumer protection, workplace safety and environmental protection. Higher expected operational costs are only a logical consequence of inauguration of a series of additional controls of food hygiene and quality, as well as of food origin and traceability (with direct negative impacts on material cost of tourist operators). Additionally, due to stricter consumer protection, workplace safety and security regulations, new mandatory investment, related neither to increases in revenue, nor to profitability improvements, will be required in order to remove various safety deficiencies and bottlenecks (with direct negative impacts on financial exposure). It is, therefore, to expect that a number of smaller tourism sector operators, especially those running family businesses will be negatively affected with these regulations, especially in the short and medium term.

On the other hand, increased operational costs of the tourism sector operators should be expected due to the need to invest increasingly in the communal infrastructure at the local level, especially in order to solve the still acute problem of solid waste, waste water and sewage systems. Regardless of the fact that all these investments in communal infrastructure modernization represent typical public sector investments, there should be no doubt that the local communities will find a way to transfer this costs to end consumers i.e. legal entities and population by means of increased and/or additional communal taxes.

Following the EU accession, with the abolition of all trade barriers, Croatian economy will be 100% exposed to the EU competition. This situation will reflect itself also in the sphere of human capital. Namely, with the entry of international legal entities into Croatia (production plants, trade representative offices, the service sector), the demand for young, qualified / skilled, mobile employees, with no objections to long working hours, will increase. As a consequence, the demand for elderly, less skilled, and less flexible (in terms of long working hours) members of the labour force, unable to meet the requirements of the international employers, will unavoidably decrease. This will create an additional differentiation within the labour force and cause an additional source of instability on the labour market, drawing it away from its short term equilibrium.

Despite the fact that equal terms regulating the acquisition of property for Croats and residents of other EU member countries should not, in itself, represent a significant social cost in the medium and long term, potential implications of this change in legislation must be viewed upon in the context of uneven economic power of Croats and residents of other EU countries. This fact, coupled with low population density, especially in areas most attractive not only for tourism development, but most suitable for construction of holiday homes as well, implies a possibility of enormously increased demand for buying property in Croatia. This situation is going to be even more pronounced after the EU accession, with the major improvement of the country's image, its accessibility and communal infrastructure modernization. A similar trend

has already been registered in all Mediterranean countries, with Malta and Cyprus representing the most recent examples²⁹. In case of uneven economic development levels between Croatia and other EU member states, especially in the early years following Croatia's EU accession, such an increase in demand, giving rise to a series of „indecent proposals“ to the local owners of land, might result in an insufficiently controlled consumption of high quality space and construction of uncommercial real estate beyond the level which could be justified in the context of long term sustainable development.

Costs associated with increased interest of foreign capital to invest in Croatia

An improvement in the overall image of Croatia after the EU accession in completed will intensify the interest of global hotel chains and other hotel operators of regional significance to invest in Croatia. Despite a lot of positive aspects associated with this process, the increased competition, higher operational standards, brand recognition as well as the quality of (imported) management will, to a large extent, make life more difficult for the local operators. This will reflect itself not only in the additional investment needed for strategic market repositioning and product development, service quality enhancement and/or continuous upgrades of skills of employees and the management, but in the sphere of operational, day to day marketing, promotional activities and effective product commercialisation. In this regard, one should not exclude the need of local operators to enter into expensive franchise agreements and usage of global distribution systems.

Increasing interest of global hotel chains for establishing their presence on Croatian territory, especially in view of positive implications of this process on the overall desirability of Croatia as a tourist destination, should additionally spur the local investment demand (SME business). The declining cost of capital, together with a rapidly increasing variety of alternative sources of funding on the domestic market should help this process as well. Such additionally induced, locally generated, investment demand will further increase the threat of uncontrolled space consumption. Moreover, it will continuously push the already existing infrastructure capacities to their limits, turning them into bottlenecks for further development³⁰. Apart from the introduction of, already mentioned, additional communal taxes, the expected increase in local investment demand, if not channeled appropriately, might cause the effect of overconstruction in best infrastructurally equipped and/or most attractive tourism zones, which would, eventually, result in the permanent loss of exclusivity, and multitude of related negative implications for the Croatian tourist sector.

Another unavoidable consequence of the expected increase in investment demand, as well as in real estate demand, both associated with Croatia's EU accession,

²⁹ Alipour, H. and Hall, D. (2006) The Mediterranean Enlargement: an Overview. In: Hall, D., Smith, M. and Marciszweska B. (editors) *Tourism in the new Europe – The Challenges and Opportunities of EU Enlargement*, CAB International, pp. 199-212.

³⁰ Smith, M. and Hall, D. (2006) Enlargement Implications for European Tourism. In: Hall, D., Smith, M. and Marciszweska B. (editors) *Tourism in the new Europe – The Challenges and Opportunities of EU Enlargement*, CAB International, pp. 32-43.

is the rapid growth of real estate prices throughout the country, with the most attractive coastal strip leading the way³¹.

Rapid growth in the real estate prices (construction sites as well as already existing houses / apartments) will further intensify the propensity of present (local) owners to sell their properties and, in doing so, permanently solve own material needs. Based on the already existing price ranges and assuming the trend of increasing prices will proceed for some time in the future, the number of property involved transactions is about to increase progressively. One of the obvious results of this process is the emergence of a new class of unproductive Croatian rentiers. This would not be a reason for a major concern had the process not affected the most attractive coastal cities (or their most valuable inner cores) such as Dubrovnik, Primosten, Trogir and/or Rovinj. Namely, the old city cores of these cities, not so long ago having the role of prime meeting / conversion points where life was most intense, have already started to depopulate and gradually die away throughout most of the year (when their new inhabitants are away). Providing such city core depopulation trend would continue according to this negative scenario, one could justifiably address the issue as a partial loss of extremely valuable element of national cultural heritage and, hence, of a partial loss of national identity.

CONCLUDING REMARKS

Croatian entry into the EU implies considerable changes in the economic environment of the country in which the tourism sector is no exception. Although the EU, apart from agriculture and fisheries, did not formulate specific, sector related, economic policies, there is no particular guideline how this sector should develop within the EU member countries. Nevertheless, the experiences of the „last EU accession round“ countries suggest that the EU accession process influences the tourism sector in more ways, out of which one should stress especially the following:

- EU membership has positive effects on general image of the member countries, which indirectly reflects itself through an increase in tourist visitation and tourism receipts in these countries;
- EU membership implies new investment in communal infrastructure (roads, ports, airports, projects related to environment – wastewater treatment, sewage systems, solid waste management etc.), which largely contributes not only to the preservation and long-term protection of space as a prime tourism resource, but to the attractiveness of the country for tourist visitation as well;
- Due to an improvement of the general image of the member countries, removal of „bottlenecks“ in communal standard and introduction of effective controls in preservation of valuable space from potential degradation, EU membership intensifies the interest of private capital investments (FDI) into commercial accommodation supply, as well as in uncommercial real estate property.

³¹ Smith, M. and Hall, D. (2006) Enlargement Implications for European Tourism. In: Hall, D., Smith, M. and Marciszweska B. (editors) *Tourism in the new Europe – The Challenges and Opportunities of EU Enlargement*, CAB International, pp. 32-43.

The analysis of tourism development process in Malta, Cyprus and Slovenia, last EU accession round countries which are especially relevant for Croatia, mostly due to their location and orientation towards the sea, importance of tourism for the national economy, and key features of the tourism sector before the initiation of the EU accession process, have brought additional insight into the above conclusions. Namely, it is indicative that new tourism development strategies in these countries, emphasizing environmental protection and effective utilization of space (not only as a prime tourism resource, but as a potential constraint for further development), which both can be subsumed under the common denominator of sustainable development, have coincided with the beginning of the accession process. The same holds for the dynamic acceleration in tourism receipts. Despite the fact that it would not be correct to conclude that these positive shifts are a result exclusively of different perception of these countries in terms of international tourism demand resulting from the EU accession process, it would, nevertheless, be even more difficult to argue against such a statement.

Further, regardless of the date on which Croatia will become a member of the EU, one can rightfully expect that the quality of the Croatian tourism product will considerably improve during the preaccession period. This improvement will be largely a result of the accommodation supply restructuring (an increase in the number of hotels and similar establishments, and a simultaneous decline of the complementary accommodation), improvement in the quality of service, new product development and improvements throughout the tourism value chain (as a result of the dynamic growth of the SME sector). All this, coupled with the implementation of new, much stricter spatial planning rules and environment protection standards, should contribute considerably to the positive shift in the prevailing image of Croatia as a cheap destination with limited offer of tourism experiences. Finally, such trends will bring about a positive shift in the demand structure and total tourism receipts. Namely, Croatia will be able to rely more on the upper-middle and upper market segments, willing to pay more not only during the peak summer season, but throughout the year as well.

Apart from expected growth in tourism arrivals, overnights and receipts within the country, one should also stress the fact that the EU membership implies gradual removal of some of the currently most acute development constraints, especially in view of long term sustainability of Croatian tourism. This refers in particular to the communal infrastructure modernization, effective blockage of the „wild construction“, as well as the irreversible destruction (opportunity cost) of high quality space through overconstruction of private apartments

On the other hand, and taking into consideration both, a significant discrepancy in wealth, as well as the continuously growing interest of the residents of other EU member countries to acquire secondary (holiday) homes, predominantly along the Croatian coastal strip, it is almost certain that it will not be possible to protect in full the most valuable (coastal) zones from new residential construction. In this context, one should take notice of the threat of possible overconstruction. Finally, due to skyrocketing real estate prices in some of the most attractive coastal cities, there is a real threat of emergence of deserted „ghost“ towns throughout most of the year.

Nevertheless, assuming that most of the specified socio-economic costs associated with Croatia's EU accession is effectively controlled, there should be no doubt that the EU integration process should considerably and permanently improve the image of Croatia on the international tourism market, and contribute significantly to the quality and diversification of the Croatian tourism product. In doing so, it is paramount to pay maximum attention to the preservation of the country's natural resources. Namely, the preservation of the environment and effective space utilization management will, over the long term, be crucial for Croatia's positioning on the international tourism market and safeguarding its „terms of trade“.

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