

# Croatian Tourism Development Model – Anatomy of an Un/Sustainability

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## 1. Introduction

Four identifiable development paradigms have, at one time or another, dominated development thinking, i. e. modernization, dependency, neoliberalism and the alternative development paradigm (Southgate & Sharpley, 2002; Sofield, 2003; Sharpley, 2009). The last emerged in response to the apparent failure of mainstream, economic-growth based models to deliver development (Sharpley, 2009). Opposite to the other three it has been focused on the content rather than the form of development. Nerfin (as cited in Sofield, 2003; 63) has specified the following premises constituting the alternative development paradigm:

- It is needs-oriented (being geared to meeting human needs both material and non-material);
- It is endogenous (stemming from the heart of each society, which defines in sovereignty its values and the vision of its future);
- It is self-reliant (that is, each society relies primarily on its own resources, its members' energies and its natural and cultural environment);
- It is ecologically sound (utilizing rationally the resources of the biosphere in full awareness of the potential of local ecosystems as well as the global and local outer limits imposed on present and future generations);
- It is based on self-management and participation in decision-making by all those affected by it, from the rural or urban community to the world as a whole, without which the goals above could not be achieved.

With development being increasingly linked with environmental sustainability, from the late 1980s alternative development effectively became synonymous with sustainable development. However some authors suggest that alternative development model is more focused upon specific societal contexts at specific times while sustainable development adopts a much broader focus, in terms of space and time (it is a global phenomenon and seeks for fair and equitable development for all people both within and between generations) (Sharpley, 2009; 45).

However, despite possible dissimilarities regarding the scope and extent between the notions of alternative and sustainable development, the latter has overwhelmed literature and attracted debate and analysis from virtually all academic standpoints. Many authors have striven (though unsuccessfully) to find a single all-purpose definition of sustainable

development. Yet at the time when Steer and Wade-Gery wrote their article (1993, as cited in Sharpley & Telfer, 2002) over 70 different definitions were proposed and today they are probably even more numerous. Although the origins of the concept can be traced to the 1960s and the coincidence of the perceived environmental crisis and a global institutional response the most widely cited definition of the concept is given in the so called Brundtland's report stating that "development is sustainable if the present satisfaction of needs does not question the ability of the future generations to satisfy their needs" (World Commission on Environment and Development's [WCED], 1987; 4).

Till today no universally acceptable practical definition of sustainable development has been adopted. However the intention of this chapter is not to add to the already substantial literature on what are regarded as useful approaches to theoretical concepts of sustainability. It accepts that there are many differing approaches to sustainable development and that different policies and practices may be appropriate in different circumstances (Sharpley, 2009). Its main objective is to investigate, through an analysis of the specific case study, whether tourism development model effective in the Republic of Croatia, a well known tourist destination promoted as the "Mediterranean as it once was", is based on the principles of sustainability. The author has analyzed this model by scanning it from all the three aspects of sustainability, i.e. economic, environmental and the social one. For the purpose of a deeper investigation into this matter a desk research has been conducted consulting a substantial amount of sources, such as books, papers, and research studies of which quite a few are based on questionnaires, strategic documents, newspaper articles as well as web posts. The author of the chapter has participated herself in several studies referenced here.

The chapter is structured as follows: after a brief overview of the three main sustainable development aspects, an explanation is provided of the costs tourism development poses globally and locally. Then the concept of sustainable tourism development is introduced expounding in which way tourism has to be developed if the crucial resources are to be preserved in the long term and benefits equally spread among all the stakeholders. The main part of the study endeavours to draw the three main aspects of sustainability together blending the theoretical issues with the practical experience from the case study. The final section, i. e. conclusion, briefly considers the future mechanisms for managing tourism in Croatia in order to make it more sustainable.

## 2. The aspects of sustainable development

Although there is no universally acceptable practical definition of sustainable development, the concept has evolved to encompass three major aspects of sustainability: economic, social and environmental (Figure 1).

The *environmental sustainability* focuses on the overall *viability and health of ecological systems*. Natural resource degradation, pollution, and loss of biodiversity are detrimental because they increase vulnerability, undermine system health, and reduce resilience. This aspect of sustainability has been the most often discussed through the literature by numerous authors such as Hall, C. M. & Lew A. A. (1998), Hall, D. (2000), Weaver (2006), and many others.

*Social sustainability* seeks to reduce vulnerability and maintain the health of social and cultural systems by strengthening *social capital* through *empowerment* (Simmons, 1994; Sofield, 2003; Petrić, 2007; Petrić & Pranić, 2010). Preserving cultural diversity and cultural

capital, strengthening social cohesion, partnership and networks of relationships are integral elements of this approach (Munasinghe, 2003).

The *economic sustainability* is geared mainly towards improving human welfare, primarily through *growth* in the consumption of goods and services. Economic *efficiency* plays a key role in ensuring both efficient allocations of resources in production, and efficient consumption choices that maximize utility. Problems arise in the valuation of non-market outputs (especially social and ecological services), while issues like *uncertainty*, *irreversibility* and *catastrophic collapse* pose additional difficulties (Pearce & Turner 1990, as cited in Munasinghe, 2003).

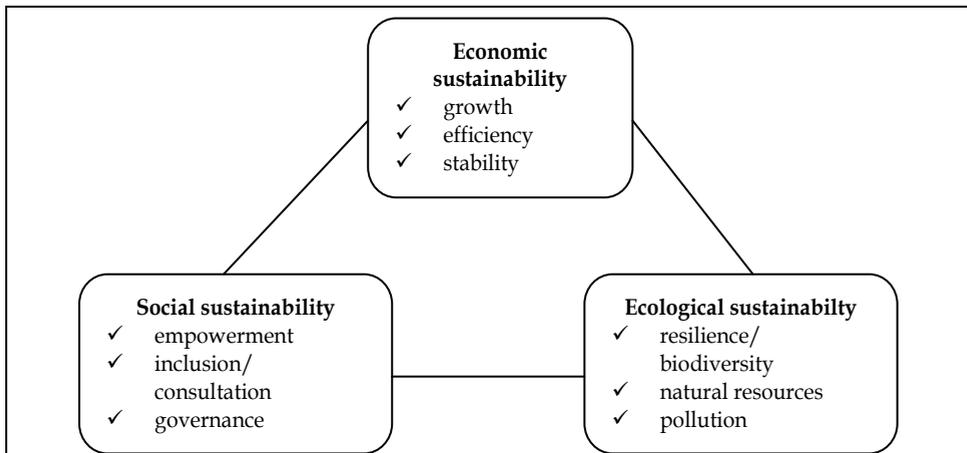


Fig. 1. Sustainable development triangle<sup>1</sup>

### 3. Could tourism become sustainable?

In parallel with the evolution of sustainable development discourse, concerns about the environmental and social impacts of tourism have escalated in recent years. The main causes for such a rise of concern may be listed as follows:

- International tourist arrivals reached 880 million in 2009 with the projections of reaching 1.5 bill arrivals worldwide until 2020 (United Nations World Tourist Organisation [UNWTO], 2010).
- Such a huge number of people travelling around the world, using the most valuable resources generate not only positive but also a lot of negative effects especially when it comes to the environmental issues. Among them the ones that ought to be specially addressed are:
  - Deterioration of natural resources (fresh water, land and landscape, marine resources, atmosphere and local resources), which may be resilient, but can deteriorate rapidly if impact exceeds tolerable limits (carrying capacities);

<sup>1</sup> Adapted from: Munasinghe, M. (2003). Analyzing the nexus of sustainable development and climate change, an overview, Organisation for Economic Co-operation and Development [OECD], 4.03.2011, Available from: <http://www.oecd.org/dataoecd/32/54/2510070.pdf>

- Disruption of wildlife and habitats, including vegetation, endangered species, use of forest resources, intrusion into fragile areas with sensitive ecosystems;
  - Creation of pollution and waste contaminating the land, fresh water sources, marine resources, as well as causing air and noise pollution. Thus, international and domestic tourism emissions from three main sub-sectors (transport, accommodation and activities) are estimated to represent between 3.9% and 6.0% of global emissions in 2005, with approximately 40% of the total being caused by air transport alone (United Nations Environmental Programme [UNEP] & UNWTO, 2008; 33). Environmental problems caused by tourism appear to be even harder since environment, especially the natural one, is a basic resource that tourism industry needs in order to thrive and grow.
- There is still an uneven distribution of tourist flows in terms of their dominant regional concentration. Thus despite the negative effects of the world financial crisis, Europe, as the most popular macro-destination accounted for 52% of international tourist arrivals and 48% of international tourism receipts in 2009 (decrease by 6% in terms of arrivals and 7% in terms of receipts in real terms). As already mentioned, World Tourism Organisation (2010) forecasts that international arrivals are expected to reach over 1.56 billion by the year 2020 out of which 717 million arrivals only in Europe. Of these worldwide arrivals in 2020, 1.18 billion will be intraregional and 377 million will be long-haul travellers. After the tragic happenings of September 11<sup>th</sup>, securities concern and tighter visa policy over travel to Europe and USA have led to change in the travel behaviour of tourists. This has forced tourists to take their holidays in their own countries, or the region, thereby providing much-needed impetus to regional tourism development but at the same time producing higher pressures on the destinations' natural and social capacities.
  - Tourism still shows high seasonal concentration hence posing additional pressure on destinations' capacity to cope with tourists and their numerous activities in relatively short a period of time. In 2009, most of the European residents took holidays in the third quarter of the year, with more than one in three holiday trips made in July, August or September. When taking into account the duration of the trips, the seasonal pattern was even more pronounced, with EU residents spending 46 % of all nights away on holiday in the third quarter of 2009. Short holiday trips, domestic holidays, and business trips tended to smoothen the seasonality of tourism demand. The increasing popularity of short trips slightly reduced the seasonal bias in the period 2004-2009 (Demunter, 2010).
  - Tourism is a global phenomenon but locally generated; as such it has to be deeply embedded into a local community. Moreover, local community itself is not only a physical space within which tourism occurs but also a highly complex tourism product. Murphy (1985:153) argues that tourism development "relies on the goodwill and cooperation of local people because they are part of its product." Hence, tourism, being a local community job and strongly affecting community life, requires proactive approaches based on broad participation by stakeholders, which would contribute to more effective policies and plans. This would increase the opportunities to realize the full social and economic potential of the tourism industry.

Due to the elaborated features of tourism industry leading to possible deviations during the process of its development, numerous authors such as Haywood (1988), Bramwell and Lane

(1993), Hall C. M. and Lew (1998), Timothy (1998), Butler (1999), and many others recommend a number of principles that ought to be followed in order to achieve sustainable tourism development. These principles are summarized by Southgate and Sharpley (2002: 243) in the following way:

- The conservation and sustainable use of natural, social and cultural resources is crucial. Therefore, tourism should be planned and managed within environmental limits and with due regard for the long-term appropriate use of natural and human resources. Many studies have been done and implemented so far in order to bring conservation ideals into tourism. Good example is, for instance The World Wildlife Fund for Nature Arctic Tourism Project whose goal was to enable communities, tourists and operators to work together towards a more sustainable tourism (Mason et al., 2000). Many destinations from around the world witness implementation of different hard and/or soft measures aimed at conservation and sustainable use of resources. They include dispersal strategies that 'dilute' tourism related activity and help in distributing employment and revenue benefits more equitably, such as in the case of Maldives, then strategy of spatial and temporal concentration which could contribute to the attainment of sustainable tourism within the destination as a whole (the Gold Coast of Australia illustrates this phenomenon, wherein the vast majority of tourism activity occurs along a narrow coastal strip occupying less than 2 % of the City Council area) (Weaver, 2006). Visitation caps facilitate strategies based on fixed or flexible carrying capacities, depending on whether they apply to absolute numbers or rates of growth. Quotas most commonly used in high order protected areas as well as in a small number of countries are the most formal type of visitation cap and are often used to abet the objectives of zoning system. User fee increases, also commonly employed in protected areas, provide an informal capping effect by reducing the number of potential tourists who can afford to visit the affected site (Weaver, 2006).
- Tourism planning, development, and operation should be integrated into national and local sustainable development strategies. In particular, consideration should be given to different types of tourism development and the ways in which they link with existing land and resource uses and social-cultural factors. A good example of the above is the model of rural tourism which produces multiple benefits for rural population in terms of producing additional income by renting their accommodation, by selling home produced food and drinks and by using local culture as a part of a tourism product. Examples of successful development of rural tourism could be seen everywhere, especially through Europe (Austria, Switzerland, Germany, Belgium, Italy, UK, etc.), particularly in the light of the efforts European Commission has done to this end so far (Veer & Tuunter, 2005; as cited in Petrić, 2006).
- Tourism should support a wide range of local economic activities, taking environmental costs and benefits into account, but it should not be permitted to become an activity which dominates the economic base of an area.
- Local communities should be encouraged and expected to participate in the planning, development and control of tourism with the support of government and the industry. Particular interest should be paid to involvement (empowerment) of indigenous people, women and minority groups to ensure equitable distribution of the benefits of tourism. Good examples of such community involvement in tourism that provides exposure of tourists to local life styles and generates benefits directly to local population might be

the cases of village tourism in Senegal and Sri Lanka (Inskeep, 2006), but can also be found elsewhere, in developed as well as underdeveloped countries. However it is important to stress that in most of the developed countries community consultative arrangements are normative parts of development while in developing countries such a concept may be opposed by the elites running such countries due to the element of power sharing (Tosun, 2000).

- All organizations and individuals should respect the culture, the economy, and the way of life, the environment and political structures in the destination area.
- All stakeholders within tourism should be educated about the need to develop more sustainable forms of tourism. This includes staff training and raising awareness, through education and marketing tourism responsibly, or sustainability issues amongst host communities and tourists themselves.
- All agencies, organizations, businesses and individuals should operate and work together to avoid potential conflict and optimize the benefits to all involved in the development and management of tourism. A number of examples and cases of cooperation among different stakeholders (in Canada, USA, Brazil, Eastern Europe) have been presented in the book “Tourism Collaboration and Partnerships” edited by Bramwell and Lane (2000).
- In addition, a principle underlying fair distribution of tourism benefits among the members of the local community and internalization of costs produced by tourism stakeholders has to be stressed too.

As seen from the above, sustainability refers to the capacity for continuance of any destination and is, therefore, a function of complex inter-relationships between society and natural resources, a myriad of socioeconomic and political structures and local-scale management decisions<sup>2</sup>. It depends above all on recognition and utilisation of local social and institutional capital (Southgate & Sharpley, 2002: 255-256).

#### **4. Case study: Tourism development in Croatia**

After having elaborated the theoretical framework of the notion, principles and aspects of sustainability and the reasons for their implementation into any model of tourism development, there follows the empirical research based on Croatian tourism development model as a specific case study. It must be noted that this case study draws on a more detailed studies and analyses in which the author has participated so far. In line with the study’s goal the main research hypothesis has been shaped:

- Principles of sustainable development, though institutionally recognized are not implemented into Croatian tourism development model in any of the elaborated areas/aspects of sustainability. Hence, it is not only that the achieved results do not correspond to the real abilities but also resources have been seriously endangered by tourism development so far.

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<sup>2</sup> Very useful source of information regarding sustainable tourism development with a number of case studies and good practices is the “Sustainable Tourism Gateway” web site. It was set up on 27 September 2008 - the World Tourism Day, by The Global Development Research Centre in order to develop awareness and educate on issues related to sustainable tourism, to assist in policy and programme development, and to facilitate monitoring and evaluation. 4.09.2011, Available from: <http://www.gdrc.org/uem/eco-tour/st-about.html>

In order to prove the above hypothesis, a conceptual model has been introduced. It reveals the main factors featuring the three main aspects of sustainability and links them with the issues that ought to be considered in order to achieve sustainability.

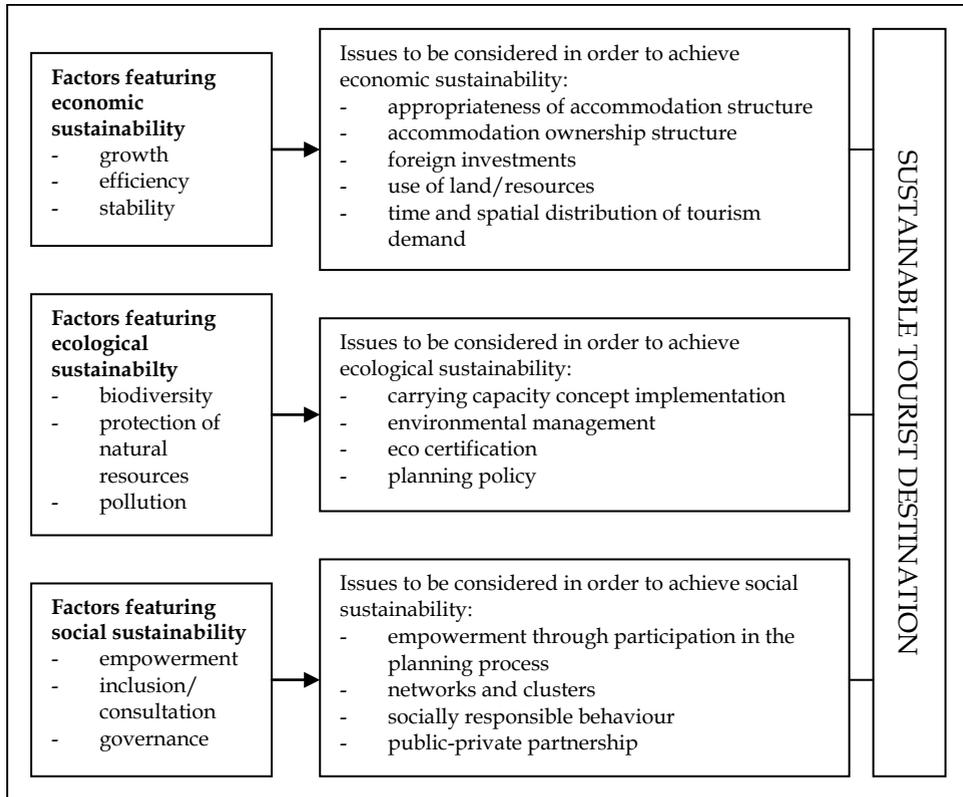


Fig. 2. Conceptual model presenting relations between factors and issues related to different aspects of sustainability

#### 4.1 Croatian tourism - is it economically sustainable at all?

To answer this question it is necessary to reassess the development model of Croatian tourism so far. It started to develop in the late sixties, at a time when the country's competitiveness was largely defined by its inherited, comparative advantages which got aligned with the long-dominant developmental paradigm of the so-called "sun-sea-sand" or mass tourism. Exclusive reliance on natural comparative advantages led to stagnation in the development of higher value-added products. Consequently, the growing influx of tourists did not result in proportionally higher foreign exchange earnings from their spending, and Croatia was on its way to becoming a "low-cost" destination. Today however, it is neither low cost anymore nor necessarily good value for money. According to the results from the latest "TOMAS" research on attitudes and consumption of the foreign tourist in Croatia (Marušić et al., 2010), in comparison with some Mediterranean countries, elements such as

entertainment, cultural manifestations, shopping opportunities, sport and recreation facilities, local transportation quality, beach facilities, etc. are still the “Achilles’ heel” of the Croatian tourism offer. Hence the average tourist consumption per day is only 58 €, out of which only 7.12 € is spent on sport, recreation and cultural activities.

What caused such a situation? A considerable part of the “blame” lies in the political and macroeconomic circumstances (command economy in the first place) to which the Croatian tourism industry was subject at earlier times. This, however, does not provide a satisfactory explanation for the actual situation. Namely, in the period after gaining its independence (1991), Croatia has unfortunately witnessed merely pale and cosmetic attempts to change the tourism development paradigm, meaning the shift from valorisation of comparative advantages (predominantly based on exquisite natural resources) to building and promoting its competitive advantages. The competitive advantages of a nation, according to Porter (1990), are based on the advanced resource preconditions founded on knowledge, developed infrastructure, high technology and innovation. Competitiveness is therefore a multidimensional phenomenon that must be achieved not only at the level of a firm, but also at the level of an individual, a sector, and a state in general which, in the case of Croatia has still not been recognized to the full extent.

Apart from the misunderstanding of the concept of competitiveness, there has often been a lack of understanding of the true meaning of tourism and its effects and significance for the Croatian national economy. Namely, tourism is frequently discussed as if it were constituted solely by the hotel sector which in turn gives a wholly inaccurate image of the diverse economic effects of the tourist industry. At the same time even the hotel sector operation shows an unfavourable picture. According to the Ministry of Tourism (2010) its share within global accommodation capacities in 2009 accounts for as little as 12.5 % and tourist resorts represent 3.2 % of the total share. Besides, the share of the high-quality hotel and resort facilities is extremely low, i. e. the five star hotels account for 3.9 % while the four star hotels represent 24 % of the total hotel beds; over 54 % are the three star hotels.

Such an unsatisfying picture of the hotels with the domination of the lower category capacities, results in lower occupancy<sup>3</sup>, high seasonality of operation<sup>4</sup> and consequently poor performance of the entire sector (Ministry of Tourism, 2010). To prove these statements some results of the hotel sector performance research are presented:

- In 2009 the average revenue per room (REVPAR) of the Croatian hotels is only 17.6 € as compared to the European and the world’s hotels’ average REVPAR which is 57.89 € and 54.5 € respectively;
- Out of 344 hotels analyzed in the study (which is more than 60% of the total), 38.7 % of them are producing loss;

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<sup>3</sup> Thus the hotel accommodation capacities prove to be used for only 118 days in 2009, or 32.3 % on an annual scale. The use of other forms of accommodation capacities remains even lower; tourist resorts 31.8 %, 16.4 % for camping sites, 11.8 % for private accommodation. The use of hotel accommodation is far below the limits of profitability.

<sup>4</sup> 51.6 per cent of arrivals and 63 per cent of overnights have been realized only in July and August; in the period from May till September over 91 per cent of overnights and 83 % of arrivals have been realized.

- The sector's indebtedness, though already high, has the rising tendency (Horwath Consulting, 2010);
- Croatia is perceived as a country with pricey labour. Hence an average share of the labour costs within the Croatian five and four star hotels' revenue is 5% higher than in the same category hotels of several competitive countries (Spain, Austria, Bulgaria and Monte Negro) (Ivandić et. al., 2010);
- Croatian hotels are on average 45 years old and the period since their last renovations is on average more than 5.7 years (Horwath consulting, 2010);
- Due to the problems Croatian hotel sector is evidently faced with, there are quite a number of hotels that are still to a higher or lesser extent owned by the Croatian state through Croatian Privatization Fund. Namely, according to the latest data presented at the Croatian Privatization Fund's web site, there are 9 hotels in which the state's property share is above 50% and in 44 hotels the state's property share is below 50 %<sup>5</sup>.

It is obvious that development problems of the Croatian hotel industry can be solved only by considerable investments aimed at repositioning the entire hotel industry, along with the changes in the development strategy and the completion of market infrastructure in the country. Unfortunately, investments into new assets in the Hotel and Restaurant (HR) sector in the period from 2000 to 2009 make up only 5% of the total investments into Croatian economy while direct foreign investments into the HR sector participate with only 2.5 % in the total direct foreign investments in the country (Croatian Bureau for Statistics, 2010). However, it is to be noted that with the imminent Croatian accession to the EU the investment conditions have been gradually improving and the number of foreign investors in Croatian hotels has gradually been rising reaching total of 107<sup>6</sup> in 2010 (Novak et al., 2011). Among them 65 are owned by companies from the neighbouring countries (Austria, Italy, Hungary, and Bosnia and Herzegovina), which may be explained by geographical proximity, the size of potential market, and cultural similarity. Most of the foreign owned hotels are located in the Istria County (36), then in the Split-Dalmatia County (25), the Primorje-Gorski Kotar County (22), the Zadar County (10), the Dubrovnik-Neretva County (8), the Šibenik-Knin County (3), the City of Zagreb (2), and the Krapina-Zagorje County (1). With the exception of the latter two, all other counties are coastal. Such uneven distribution of hotels results from the fact that most arrivals and room-nights are realized along the Adriatic coast where most foreign-owned hotels are located. Namely, out of 56 million room-nights and 10.6 million guests who visited Croatia in 2010, over 90 % were realized along the coast<sup>7</sup>. Since distribution of demand has been the same since the earlier time of Croatian tourism development, it gives an impression that thus far, increasing number of tourist arrivals, without any spatial or time consideration, is the centrepiece of Croatia's tourism developmental strategy. Attempting to attract as many investors (above all the foreign ones) as possible, with no cost considerations, coastal cities' and municipalities' authorities supported by different profit seeking lobbying groups and individuals have been adjusting spatial plans to the needs of the potential investors in terms of changing the purpose of the land zones from agricultural into the building ones.

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<sup>5</sup> 26.05. 2011, Available from:

[http://www.hfp.hr/UserDocsImages/portfelji/portfelj\\_hr\\_100.xls](http://www.hfp.hr/UserDocsImages/portfelji/portfelj_hr_100.xls), Croatian Privatization Fund

<sup>6</sup> Foreign hotel is here defined as a hotel present in Croatia by share of ownership above 10%.

<sup>7</sup> 20.06.2011, Available from;

<http://www.mint.hr/UserDocsImages/t-promet-2010.pdf>, Ministry of tourism

Apart from the unsatisfying structure, quality and territorial distribution of hotels, their high seasonality and unsatisfying business results, high level of the state's intervention in the hotel sector's portfolio, etc. there are also few other problems that deserve attention as they are showing economic inefficiency of the entire tourism industry, not just the hotel sector.

First of all, Croatia has been experiencing the booming development of the households renting accommodation, the so called 'private accommodation'! In 2009, out of 969,726 beds, 435,295 (or 45% of the total) belong to this type of accommodation.<sup>8</sup> According to the state authorities dealing with the tourism inspections, 'private accommodation' accounts for 80 % of the total accommodation capacities on the Croatian coast. There are approximately 52,000 families registered to rent the accommodation, with, according to some estimation, as much as 10 % of that number renting rooms illegally (which brings us to the number of almost one million of unregistered arrivals and six million overnights) (Kljepak, 2011). Due to the fact that Croatia has in recent years faced a complete breakdown of the traditional industrial production which forced people to turn to tourism as an alternative, Croatian authorities have tolerated such huge and still growing private accommodation capacities. By this they have been buying social peace. The problem of private accommodation capacities has yet another dimension, the one referring to their illegal building or adaptation/renovation<sup>9</sup> thus damaging the aesthetic and historical image of the coastline and lowering the quality of the overall supply. How is that possible? On one side the reason lies in the fact that the administrative procedure of getting building permission is long and complicated and hence forces people to choose shortcuts hoping that they will be spared the penalties (due to the poor inspections). On the other hand, local communities highly tolerate illegal building due to the lack of knowledge and awareness of the environmental consequences of such deeds. Furthermore, as an answer to the earlier regime suppressions people strongly support all the profit oriented activities regardless of the costs. Although this situation is gradually changing as Croatia is adjusting its legal framework to the European Union's laws and behaviour standards, the government still does not have a strategy regarding the expected growth of this kind of accommodation, its spatial distribution, the level of desired quality, its relations to the other types of accommodation, etc.

Another important aspect of economic sustainability is the way Croatia is treating its resources used by tourism, especially the public ones. Although this has partially been explained by the example of illegal building of the houses for rental purposes, the following example gives us another perspective into the problem. Namely, the Croatian government has passed the Law on Golf Courses (Narodne novine, No 152/08) thus giving them status of the strategically most important tourist projects. By this Law a potential golf investor can get as much as 30% of the total surface of public land directly negotiating with the local authorities without bidding. Besides, such investor can obtain additional 20 % of the land surface by means of land expropriation from the owners. At the same time agricultural land owned by the state, in spite of being declared country's strategic resource by the Law on

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<sup>8</sup> This is 40% more than in the pre-war period.

<sup>9</sup> According to the Croatian Association of Urban Planners there are over 150,000 houses built illegally in Croatia; Perica, S. (2011) U Hrvatskoj 150.000 bespravnih objekata, 26.06.2011, Available from: <http://www.vecernji.hr/vijesti/u-hrvatskoj-150-000-bespravnih-objekata-clanak-295867>

Agricultural Land (Narodne novine, No. 125/08), can be expropriated and turned into a golf course with no compensation for the change of its purpose. Thus the Law on Golf Courses is in contradiction with the Law on Agricultural Land as it prioritises golf course projects over food production, i. e. over agricultural land which is the most important country's resource. As the counties' spatial plans provide for 89 golf courses<sup>10</sup> throughout Croatia, this has provoked numerous debates over the necessity of building so many of them, having in mind potential water pollution and biodiversity threats especially on ecologically sensitive islands and coastal zones consisting of porous limestone. At the same time critics suggest that these laws could encourage land speculators whose only intention is to build as many apartments and villas as possible with the purpose of selling them on the real estate market instead of developing tourist resorts that might work throughout the year and employ local people. Such a scenario related to the golf course project on the top of the hill above the city of Dubrovnik has been recently disclosed becoming an object of intense public disputes (Šutalo, 2009).

Finally, to conclude the session dealing with the economic (un)sustainability of Croatian tourism, the review on its financial results has to be given. In the financial year 2010, revenues from tourism reached € 6.24 billion<sup>11</sup>, representing a slight decrease of 1% over the previous year, but a decrease of 8.4% over 2008 (Hrvatska Narodna Banka, 2010). Even such a relatively small amount of tourism receipts as compared to some other European countries of similar size such as Austria, Denmark, Greece, Netherlands, Portugal, etc. (UNWTO, 2011), makes up an extremely important contribution to the Croatian economy, as these receipts are used to cover 55-70 per cent of the foreign trade deficit in the recent years (Blažević, 2007). Another significant indicator of the importance of tourism for the Croatian national economy is its impact on GDP. According to the Ministry of Tourism<sup>12</sup> the share of direct tourism receipts in the country's GDP ranged from 19.4 % in 2005 to 14 % in 2010<sup>13</sup>. However, such a high share of tourism receipts in the national GDP, especially in the earlier years indicates high dependency of Croatian economy on tourism which is in collision with the basic principles of economic sustainability. At the same time tourism leakages are not negligible. Thus, the Tourism Satellite Account for 2006 (World Travel and Tourism Council, as cited in Petrić, 2006) estimated that direct leakages of the overall tourist economy for Croatia account for about \$4.5 billion or 36.5 % of its total GDP. The older analysis carried out by Jurčić (2000) who, lacking the updated intersectoral tables of the Croatian economy, adjusted those from 1987 and estimated that in 2000 the share of total import content in tourism economy amounted to 32 % of its GDP. Evidently, the situation with the tourism leakages in Croatia is getting even worse.

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<sup>10</sup> 26.06.2011, Available from: <http://www.business.hr/hr/Naslovnica/Politika/VIDEO-Hrvatska-mala-zemlja-za-velika-golf-igralista>

<sup>11</sup> 26.06.2011, Available from: <http://limun.hr/main.aspx?id=694037>

<sup>12</sup> 26.06.2011, Available from: <http://www.mint.hr/default.aspx?id=5778>

<sup>13</sup> On the other hand Tourism Satellite Account for Croatia (World Travel and Tourism Council; 2011) estimates that direct contribution of Croatian tourism to its GDP in 2010 is 11% and total contribution is 26.3 %. Retrieved from: [http://www.wttc.org/eng/Tourism\\_Research/Economic\\_Data\\_Search\\_Tool/\(24.06.2011\)](http://www.wttc.org/eng/Tourism_Research/Economic_Data_Search_Tool/(24.06.2011)). Such diverse information on the effects of tourism on Croatian economy (due to the inadequate statistics) is also a proof that so called "strategic sector of economy" is often misunderstood and its real effects are never estimated precisely.

The above analysis of the economic performance of the Croatian tourism industry has shown that the main requirements of sustainability, i. e. *growth, efficiency and stability*, expressed and elaborated through issues such as appropriateness of accommodation quality and quantity, the role of government in the hotel sector ownership structure, attractiveness of tourism industry to foreign investments, the way of using resources for the purpose of tourism development, time and spatial distribution of tourism demand etc., have not been fulfilled in a satisfactory manner. From what has been shown it could be concluded that Croatian tourism has been developing with hardly any strategy. Measures have been put into operation with no respect to the wider context of development and consequences of the bad decisions have never been penalized.

#### 4.2 What about ecological sustainability?

Many of the issues related to the economic aspects of the Croatian tourism sustainability discussed so far are closely connected to its ecological sustainability, these two being the two sides of the same coin. This is especially true when it comes to the matter of resources and land use. Spatial and seasonal concentration of tourists and tourism facilities, illegal building on the coastal zone, land misuse and speculations, are notably ecological problems but they also create considerable environmental costs and in the long term reduce potential economic benefits.

Concentration of too many tourists in a short period of season (from June to September) creates problems with water and electricity supply (especially on islands), different types of pollution (water, land and air pollution) and the consequent change or loss of biodiversity, damage on cultural heritage etc. (Petrić, 2005). Most of the Croatian coast is seasonally highly saturated by tourists and their activities meaning that carrying capacities<sup>14</sup> of the space are not respected thus leading to environmental, socio-cultural and economic changes and the loss of a destination's attractiveness. As an illustration the case of the island of Hvar, one of the most popular tourist destinations, may be used. Hvar is one of the 66 inhabited islands and occupies an area of 299.66 km<sup>2</sup>. According to the 2001 Census (Croatian Bureau of Statistics, 2001), the whole of the island had 11,103 inhabitants with population density of only 37 inhabitants per km<sup>2</sup>. Although the results of the 2011 Census have not been published yet, the trend of depopulation was evidenced a long time ago. In the season of 2010 the number of tourists who visited island was 172,554 realizing 1,132,982 overnights. From these numbers it is easy to count some tourist density indicators, such as:

- The number of tourists per km<sup>2</sup> = 575.83 (as compared to 37 inhabitants per km<sup>2</sup>);
- The number of tourist overnights per km<sup>2</sup> = 3.780;
- The number of tourists per inhabitant = 15.54;
- The number of tourist overnights per inhabitant = 102.04.

When these indicators are counted at the level of a single settlement, such as the popular town of Hvar, one can get the idea on the level of saturation such island destinations suffer from. Namely the town of Hvar covers only 75.35 km<sup>2</sup>, including the town itself and five

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<sup>14</sup> Carrying capacity refers to the number of individuals who can be supported in a given area within natural resource limits, and without degrading the natural, social, cultural and economic environment for present and future generations.

settlements in the hinterland. It has only 4,138 inhabitants and realizes 86,216 tourist arrivals and 439,909 overnights, meaning that the number of tourists per one inhabitant is 20.8, the number of tourist overnights per inhabitant is 106.3, the number of tourists per km<sup>2</sup> is 1,144.2, etc. There has been an attempt to count carrying capacities of the city of Hvar, resulting in a proposal of an eco charge introduction at the city level (Taylor et al., 2005). Unfortunately the proposal has failed due to the strong opposition of the local stakeholders, predominantly people from tourism business who thought that this would push up the prices and consequently reduce demand.

Even before this case, there was a Carrying Capacity Assessment Study done for the island of Vis in early 1990-ties (Dragičević et al., 1997), but although the study had been completed, none of the measures suggested by it has been implemented so far.

The problems arising from the overuse or wrong use of resources in the process of tourism development in Croatia can be seen almost everywhere in its coastal area and in all the types of tourism. However, apart from the residential tourism, nautical tourism has been producing most of the ecological problems so far. Why is that so? Adriatic is a shallow sea rich with different endemic species of sea flora and fauna as compared to the rest of the Mediterranean Sea to which it belongs. They are threatened by an ever rising number of sea vessels that destroy their habitats by draining ballast waters and importing invasive species such as algae *Caulerpa taxifolia* and *Caulerpa racemosa* that have already invaded those parts of the Adriatic that are attractive to nautical tourists (such as the Kornati Archipelago National Park, the bay of Stari Grad on the island of Hvar, the surroundings of the Mljet Island National Park, etc.) (Fredotović et al., 2003; Petrić, 2003; Petrić et al., 2004; Petrić, 2005). Besides, for the purpose of nautical tourism development, new marinas are being constantly built, rapidly changing the coastal landscape and threatening biodiversity. As for an illustration, the coastal counties' spatial plans provide for 300 new locations aimed at building new marinas with 33,655 new berths (out of which 25,755 in the sea). Hence, together with the existing ones the total number of berths will be 54,675 (Ministry of Sea, Transport and Infrastructure & Ministry of Tourism, 2008). Apart from this, due to the poor control, there are an enormous number of yachts dropping their anchors illegally in hundreds of wild coves scattered along the coast. Illegal anchoring causes not only the loss of economic benefits in terms of unpaid port charges but also produces environmental costs that are to be paid by society and not the polluter. Similar situation is also with big cruisers that pay daily visits to Croatian ports such as Dubrovnik, Split and Zadar. These ports mostly do not have enough capacities to host so many cruisers in terms of inconvenient infrastructure, insufficient system of monitoring and insufficient material and human capacities to cope with possible pollutions. Not less important to mention is that too many cruise tourists visiting destinations like Dubrovnik may cause discontent of the tourists who reside in the city hotels. According to the results of a research on cruising tourism in Croatia (Horak et al., 2007), there were almost 600,000 cruise passengers who visited Dubrovnik in 2006 (82% of the total number of cruise passengers in Croatia). In the peak days more than 19,000 cruise tourists happen to visit the old city at the same moment, which together with the numerous excursionists, residential tourists and local population poses tremendous pressure on the city's carrying capacities. The study reveals that almost every fourth tourist (23% of the interviewed) residing in the city hotels thinks that such a huge number of cruise tourists affect negatively the attractiveness of the city.

Environmental problems are caused not only by huge number of tourists but also by tourist enterprises and organisations which intentionally or unintentionally (due to negligence) damage the environment. Unfortunately, although the ecological awareness among them has an ever rising trend, implementation of the concepts of environmental management and eco certification in the tourism business sector is still a rare case. Why is that so? First, it is to be noted that no Croatian law, regardless of their number and variety, deals in particular with the issue of resource usage in the tourist sector (Petrić & Pranić, 2009). The issue is defined in a number of environmental and industry laws. Environmental laws deal with the usage of environmental factors such as water, soil, sea, etc. Industry laws, unlike the environmental laws directed to the general issues, regulate the treatment of concrete natural resources in particular industries (such as agriculture, fishing, etc.). The operation of the tourist industry (and thus also of the hotel sector) is based on various natural and cultural resources and therefore it has to comply with the basic principles of environment protection declared by these laws, and particularly by the Law on Environment Protection (Narodne Novine No. 82/1994; 110/2007). According to this law (art. 150-158) all legal entities (including hotels), are liable for the damage incurred by pollution if caused by their operation or negligence. In a hotel this can be for instance emission of oil or excrements into water, emission of gas into atmosphere, dispersion of asbestos dust, etc. In such cases the hotel not only settles its own damage but also covers all the costs caused by measures taken to eliminate pollution (internalization of external costs). However it is not the hotel sector causing such pollutions so often but rather illegally built private accommodation that is leaning on poor communal infrastructure. Poor control of their behaviour is another reason why they easily transfer the environmental costs they produce to the society.

As for the measures potentially stimulating implementation of ecological initiatives and general environmental policy in companies (including hotels), the Law provides the possibility of regulating benefits, tax incentives, and exemption of tariffs for those entities that use less detrimental production procedures (for example use of alternative energy resources, use of environment friendly equipment and appliances) and those that organize disposal of used appliances or their parts, used products and their packaging or use other ways to reduce negative effects on the environment (Narodne Novine, No. 82/1994; 110/2007).

However, due to the already elaborated circumstances Croatian hotel companies are coping with, most of them are unwilling to implement ecological initiatives and general environmental policy in companies, especially through formal systems of environmental management, justifying their reasoning by high initial costs. The exceptions are the hotels operating within international chains whose ecologically oriented operation is the basic element of their competitive strategy. A few hotels in Croatia implement informal measures of environmental management directed primarily to rationalization of energy and water consumption. To promote necessity of acting in an environmentally friendly way, the Croatian Association of Small and Family Hotels provides training for its members in implementation of the environmental management measures and strives to establish environmental quality mark to be awarded to its members. It also collaborates with Croatian Centre for Clean Production that already in 2006 started a pilot project on possibilities of savings in Croatian hotels by implementation of environmental measures.

However, despite these efforts, the survey of the Croatian hotel sector run in 2009 (Petrić & Pranić) showed that only a third (33.3%) of the hotels in the sample<sup>15</sup> had a written environmental policy, despite environment being Croatia's first and foremost tourism 'attraction' (Marušić et al., 2008, 2010). Moreover, given the implied underlying role of environmental protection in Croatia's official tourism slogan (i.e., "Croatia - The Mediterranean as It Once was"), it is interesting that the reported figure in this research is so low. While interesting, this finding does not come as a surprise as the Croatian lodging sector is still hampered with numerous viability issues - i.e. incomplete and/or poorly executed hotel privatization process, unresolved land ownership disputes, and pronouncedly high seasonality. Under these circumstances, it appears reasonable that the adoption and implementation of environmental standards by Croatian hoteliers is still at an early stage.

As for the eco certificates, except for the EU Blue Flag for beaches and marinas, Croatia has not been included in any international eco certification programme. According to the report by the nongovernmental organisation "Lijepa naša" for 2011 there were 116 beaches and 19 marinas with the Blue Flag certificate in Croatia.<sup>16</sup> Despite the seemingly huge number of certified beaches, one has to remember that the Croatian state has a 1,778 km long coast and 4,057 km of the total coastal line and evidently thousands of beaches.

Apart from the Blue Flag eco certificate, some other instruments and tools (institutional, economic and/or management) aimed at implementation of the environmentally friendly behaviour have also been used but mostly sporadically. Thus, except for the zoning which is an institutional instrument commonly used in the spatial plans (Inskeep, 1991), instruments such as eco taxes, environmental management charge (EMC)<sup>17</sup>, visitor payback<sup>18</sup>, target marketing aimed at attracting visitors of a certain type and in a certain period of year<sup>19</sup>, demarketing<sup>20</sup>, price policy aimed at tourist demand attraction or reduction, group size limitations, etc. are sporadically used or not used at all in most of the Croatian tourist destinations for the purpose of resolving problems of resource overuse.

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<sup>15</sup> The Croatia's Ministry of Tourism (MINT) list of 671 officially licensed and categorized facilities under the group HOTELS (hotels [562], apart hotels [11], tourist resorts [46] and tourist apartments [52]) in Croatia for January 2009 served as the sampling frame for this study. The actual study sample consisted of 310 facilities (46% of the sampling frame) belonging to the group HOTELS (210 hotels, 11 apart hotels, 46 tourist resorts and 52 tourist apartments). The 210 hotels in the sample were randomly selected among 562 hotels using Research Randomizer.

<sup>16</sup> 16.06.2011, Available from: [http://www.lijepa-nasa.hr/images/datoteke/popis\\_pz\\_2011.pdf](http://www.lijepa-nasa.hr/images/datoteke/popis_pz_2011.pdf)

<sup>17</sup> The environmental management charge (EMC) is an amount charged to visitors who visit protected areas or some exquisite locations and perform certain tourist activities.

<sup>18</sup> Visitor Payback is the process of asking visitors to a destination to voluntarily support management and conservation of the area, by donating a 'nominal' sum towards its upkeep.

<sup>19</sup> A target market is a group of customers that the business has decided to aim its marketing efforts and ultimately its merchandise. A well-defined target market is the first element of a marketing strategy. Once these distinct customers have been defined, a marketing mix strategy of product, distribution, promotion and price can be built by the business to satisfy the target market.

<sup>20</sup> Demarketing is a little known concept which aims at dissuading customers from consuming or buying some things either because it is harmful or simply because the demand is more than the supply, especially in case of tourist demand. This could be on a temporary or permanent basis.

*To conclude:* Croatian tourism is evidently not ecologically sustainable as often being declared. Though institutionally recognized, environmentally friendly behaviour of tourism stakeholders has not been widely adopted yet, which can be proved by the poor implementation of the carrying capacity assessment technique, environmental management concept, eco certification programmes, etc. Monitoring of the spatial plans implementation is rarely done consequently leading to voluntarism in the use of land and resources.

### **4.3 Croatian tourism social (un)sustainability – the cause or the consequence?**

Finally, the third issue this chapter deals with is the one referring to the *social* aspect of Croatian tourism *sustainability*. Though some of the issues featuring social sustainability have already been touched to a certain extent, there is a need to get deeper into this area hoping that this would help us understanding reasons of failure in achieving sustainability in the other two areas. To achieve social sustainability is to empower community and its members to get involved in the process of decision making and planning tourism development. The notion of empowerment has entered literature as a generic term denoting a capacity by individuals or a group to determine their own affairs. Recently it has been used across a wide range of disciplines. The issue of empowerment in the non-management literature has largely been centred on women, minorities, education, and politics and viewed from the perspective of powerlessness and oppression. Simmons and Parsons have a summary definition of empowerment as „the process of enabling persons to master their environment and achieve self-determination through individual, interpersonal change, or change of social structures affecting the life and behaviour of an individual (as cited in Sofield, 2003; 81).

When located within the discourse of community development, it is connected to concepts of self-help, equity, cooperation, participation and networking. These concepts, particularly participation in the process of decision making, is a vital part of empowerment since it makes people more confident, strengthens their self-esteem, widens their knowledge and enables them to develop new skills. Murphy (1985:153) argues that tourism "relies on the goodwill and cooperation of local people because they are part of its product. Where development and planning does not fit in with local aspirations and capacity, resistance and hostility can...destroy the industry's potential altogether".

There are four "types" of empowerment, i. e. economic, psychological, social and political (according to Scheyvens 1999, as cited in Timothy, 2003; 152). Economic empowerment is important because it allows residents and entire communities to benefit financially from tourism. Psychological empowerment contributes to developing self-esteem and pride in local cultures and traditional knowledge. Social empowerment helps maintain a community's social equilibrium and has the power to lead to cooperation and networking. Political empowerment includes representational democracy wherein residents can voice opinions and raise concerns about development initiatives (Timothy, 2003).

To what extent should the community and its members be empowered, or how much empowerment would they experience depends on the level of the social capital development in the country and the community itself (Petrić, 2007). Social capital as a set of formal rules/institutions and informal norms of behaviour creates environment in which the process of empowerment is performed. Grootaert and Bastenier (as cited in Vehovec, 2002; 36) speak on three dimensions/levels of social capital, referring to micro, mezzo and macro levels.

*Micro level* refers to the networks of individuals and households that create positive externalities for the local community. *Mezzo level* is created by associations and networks. *Macro level* refers to social and political environment that shapes social structure and enables development of the norms of behaviour (laws and regulations).

Croatia generally speaking shows a low level of social capital development on all the three levels, which obstructs communities and their members to be fully empowered to master their future in the sustainable manner. According to Hall D. (2000; 449), such a situation in all the post communist countries such as Croatia, could be explained by considering the following issues:

- The legacy of almost half a century of centralised, top-down civil administration, affording local people little real opportunity to participate in meaningful local decision-making;
- The often pejorative equating of any form of collective action with the collectivised organisation of communist days; and
- The well recognised ambivalence of community as a concept, embracing notions of spatial contiguity, social cohesion and interaction, reflexivity, overlain with often misplaced assumptions of shared aspirations and values.

Apart from the legacies of the communist regime, Stubbs (2007) numbered some other interrelated *macro level* factors constraining 'progressive' community development and empowerment in contemporary Croatia:

- War consequences (physical destruction, mass population displacement, authoritarian nationalism);
- Economic and social crises and transition causing widening, regional gaps between the affluent, largely urban areas and many of the war-affected areas, now designated as 'areas of special state concern' marked by high unemployment, low human capital, an ageing population, and tensions between settler, returnee, and domicile groups;
- A strong impact of rapid urbanization, de-industrialisation and the shifting fortunes of tourism which consequently has never succeeded to get embedded within the local population and culture;
- The proliferation of numerous local government units (127 cities and 429 municipalities) causing appearance of many municipalities, understaffed and unable to raise revenues locally to be sustainable, meaning that decentralisation is increasingly spoken of rhetorically but rarely pursued in practice;
- Above all, perhaps the most important constraint on 'progressive' community development and empowerment in contemporary Croatia is not so much 'the new social stratification of Croatian society, accompanied by a significant redistribution of social wealth, social power and social esteem', as the deeper meta-level crisis in values and trust which can be seen as both a cause and effect of this redistribution (Malenica, 2003; as cited in Stubbs, 2007). To prove this statement the following information seems to be very convincing: namely, according to the Transparency International Corruption Perception Index 2010<sup>21</sup>, Croatia's rating is 4.1 (0 meaning full corruption, 10 meaning no corruption). Out of 178 countries included in this year's index, Croatia ranks 62nd.

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<sup>21</sup> 21.06.2011, Available from:

[http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2010/results](http://www.transparency.org/policy_research/surveys_indices/cpi/2010/results)

In such a developmental context sustainability principles in tourism development (and development in general) at community level have never been really embedded. Some recent multidisciplinary researches on sustainable development on Croatian coast with the special stress on tourism development issues (Fredotović et al., 2003; Petrić, 2003; Petrić et al. 2004; Petrić, 2005; Vukonić, 2005; Petrić, 2007; Petrić, 2008; Petrić & Pranić, 2010), have shown the following:

- There is an enormous number of agencies, institutes, committees, and such like, all charged with developing and overseeing strategies and programmes in different areas with overlapping, competing and multiple mandates, thus causing difficulties to small understaffed and underfinanced communities to choose the right strategic direction.
- Environmental policies are usually not reflected enough in most of the tourism sector strategies, plans and programmes. There are no institutional, economic or management tools to implement environmentally friendly behaviour (as explained earlier in the text).
- Plans are technically competent, but often unrealistic and not responding to the local needs. The public is included in the planning process post festum and therefore has no faith in plans and does not make an effort to influence them. On the other hand, efforts to involve the public, if there are any, have most usually been ineffective. The key reason is the way that information is presented, largely in a technical and inaccessible form. Hence, although there is a policy to account for public interest and participation, no real attempts are made to achieve it (Fredotović et al., 2003).
- Specifically with regards to biodiversity protection and conservation, local inhabitants and/or enterprises do not recognize how they may gain from it. Protected areas are designed and managed to respond to national and international needs, not local concerns. The value of biodiversity, to the present and future generations, is not well or not properly understood. There is little faith that the benefits of conservation will flow to locals (Petrić, 2008). These findings correspond to the Hall's statement (2000; 449) that in post-communist countries "any ecologically inspired restriction of personal freedom, such as exclusion from environmentally sensitive areas or the banning of such pursuits as hunting, may be seen to echo the half-century of post-war communist imposition, and thereby meet resistance".
- As already mentioned local communities highly tolerate illegal building of houses/secondary residences or other types of construction though positive results of the Ministry for environmental protection, physical planning and construction most recent activities have reduced such behaviour to a certain extent. Unfortunately, this has not been the result of the rise of the ecological awareness within communities but more of the penalties imposed from above;
- A lack of local involvement in tourism development and decision making has also caused local culture being insufficiently valued as a resource for tourist products (Tomljenović et al, 2003);
- Generally speaking, though there is a commitment of the Croatian government to the principles of Agenda 21 (1992), explicit institutional response to the needs of Agenda at local and regional levels appeared not to be sufficient in the case of Croatia (Petrić, 2007).

In an attempt to counterbalance governmental (macro level) shortcomings, there has been an enormous growth of the number of Non Governmental Organisations (NGOs) in the country. In 2002 Croatia had over 20,000 registered associations of citizens, with 18,000 of

these registered at the local level, but only between 1,000 and 1,500 active ones (excluding sport clubs and cultural associations). Many of the NGOs in Croatia have seen multi-sectoral working as a panacea for many of the problems of Croatian society. The 'List of the non-governmental organisations', published by the Ministry of environmental protection, physical planning and construction in 2004 (as cited in Petrić, 2007) speak of 268 NGOs dealing with environmental issues, while the most recent data mention 710 registered environmental NGOs<sup>22</sup>. Most of these are focused on pure ecological problems while a few, such as ODRAZ<sup>23</sup>, a Zagreb-based NGO, are focused on sustainable development of communities in Croatia. ODRAZ is, among other things, strongly committed to the revitalization of the Croatian islands through cross-sector cooperation, including local community organizations, entrepreneurs, and tourist associations.

In Croatia there is no legislative obligation for the cooperation of governmental and non-governmental organizations or for the participation of NGOs in decision-making. However with the imminent accession to the EU, Croatia is obliged to adopt the European Community *acquis* and a common practice proposing consultation with the NGO's in the process of development and decision making. In recent years an interesting trend of growth has been noticed of what have been termed 'meta-NGOs', whose primary purpose is to provide information and assistance to other NGOs. Hence these larger, more successful, but increasingly bureaucratized or meta-NGOs growingly suppress emerging, under-funded, localised initiatives which ought to be true sources of 'social energy' in Croatia, alongside informal community leaders and local activists (Stubbs, 2007).

Generally speaking, Croatia is gradually making progress when it comes to the civil society development. In 2006 National strategy and action plan for civil society development were adopted thus creating preconditions for the more efficient development of civil institutions at *micro level*.

When it comes to the activities oriented towards empowerment of the key stakeholders at the *mezzo level* through strengthening formal and informal *networks*, there are few examples of long-term, consistent, multi-sectoral partnerships for community development, between local governments, associations and NGOs, and particularly businesses (Franičević & Bartlet, 2001; Petrić & Mrnjavac, 2003; Pivčević & Petrić, 2011). They are usually formed at the national, not regional or a local level. It is mostly vertical type of networks that include different business entities whose aim is better use of resources or better placement of their products or services (good examples are the National Association of Small and Family Hotels and Split-Dalmatian County Association of Hotels, both of which gather hotels as well as tour operators, national air company, suppliers and other subjects creating tourism supply chain. Creation of different types of partnership and/or networks of the firms (horizontal and vertical ones) at a regional/community level, that Croatia still lacks, could help in developing and imposing service standards that will raise the competitiveness of the network and destination tourism brand. Such tourism partnerships and networks can substantially improve tourism business performance by transforming their sporadically scattered products into a one-stop-shop selling a wide variety of functionally interrelated tourism products (Mansfeld, 2002).

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<sup>22</sup> 24.06.2011, Available from: [http://www.mzopu.hr/doc/Popis\\_nevladinih\\_udruga.pdf](http://www.mzopu.hr/doc/Popis_nevladinih_udruga.pdf)

<sup>23</sup> 24.06.2011, Available from: <http://www.odraz.hr/hr/home>

Apart from networks another type of partnerships that could be nourished at the local level is through *clusters*. “A cluster is a geographically proximate group of companies and associated institutions in a particular field, linked by commonalities and complementarities” (Porter 1998; 78). Unlike networks, clusters have an open membership, they are based on local values such as trust, empathy, cooperation and have a common vision. Operators within local (tourism) clusters can increase their collective markets and capacities by working together. Working through clusters can benefit all parties involved in terms of increased opportunities and revenues. However, many local tourist communities/destinations lack a system dimension and do not have shared vision or common goals. “And destinations that share little more than joint marketing can not be regarded as clusters” (Nordin, 2003; 18). This statement is proved to be true in the case of Croatian local communities oriented to tourism. Except for Istria, a south-western part of Croatia and Zagorje-Krapina county in the north-western part of the country, where some rudimentary efforts in tourism clustering arise, no other tourism region or a community shows any effort whatsoever to this matter.

The concept of the *socially responsible behaviour* of the firms, although being recognized elsewhere, in the tourism industry is still quite unfamiliar. Thus, a report on Corporate Social Responsibility for 2004 points out a number of positive examples of growing corporate social responsibility and business - NGO collaboration (Bagić et al., 2004, as cited in Petrić, 2007), but no examples from tourism industry were evidenced in either this report or the one made in 2007 (Škrabalo et al., 2007). However, an analysis of the particular web sites shows that the concept has been gradually adopted and implemented in the business strategy of a few hotels (in particular those that do business within international hotel chains) while tourist agencies do not show the change of their orientation towards socially more responsible behaviour (except for the Dubrovnik based Gulliver travel agency that is a part of the world’s leading travel company, TUI Travel Plc.)

Finally, within the discourse of social sustainability, discussion on new trends of business performance in the partnership between public and private sector seems to be inevitable.

*Public-private partnership* (PPP) describes a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies. Public-private partnership involves a contract between a public sector authority and a private party, in which the private party provides a public service or project and assumes substantial financial, technical and operational risk in the project. A private sector consortium forms a special company called to develop, build, maintain and operate the asset for the contracted period. The increase of the public-private partnership projects has been the result of the processes related to the change of the government’s role in the process of development (new forms of governance). As far as tourism industry is concerned, this concept has already been widely used across the world due to the fact that tourism business uses a great deal of public goods and government’s role is to protect them. Following are the areas of tourism business where public-private partnership most often occurs:

- The tourist destination attractiveness' enhancement (infrastructure, new attractions and accommodation facilities, etc.);
- Marketing efficiency enhancement (development of the new product, promotion, new information/distributive systems);

- Productivity rise-up (through education, quality management, implementation of the new management techniques and new technologies);
- Enhancement of the management models (through education of all tourism stakeholders, implementation of the new management tools and concepts etc.)

As far as Croatian experience regarding private-public partnership in tourism is concerned there are still very few such examples. One of them, Suncani Hvar – ORCO hotel company as the first partnership project between the national government, local municipality authorities and an international hotel company has failed, and the company is struggling to survive overburdened by many unsolved problems. The project of health tourism resort in the Krapina County is to be realized through public-private partnership, as well as Posedarje Rivijera, a greenfield project, aimed at development of a high quality tourist resort. In 2009, Ministry of Tourism entered into partnership with 12 hotels and four chambers of commerce with the aim to subsidize scholarship for 320 pupils and 20 students. After finishing school they will work for the hotels that have entered the partnership. Furthermore, the Split-Dalmatian County has entered into the partnership with the owners of the real estates in the abandoned or devastated villages in the Dalmatian hinterland with the purpose of creating so called „eco-ethno villages“. The County authorities are obliged to make infrastructural adjustments, development studies, management plans, etc. On the other side the real estate owners have to organize themselves into a non-governmental organisation which will represent their interests in the process of negotiating the terms under which they will put their real estates into function.

As could be seen, public-private partnership projects in Croatian tourism have gradually started to get introduced just recently and not much evidence on their presence has been recorded so far.

*To conclude:* Though positive changes have been recorded related to empowerment of individuals and communities to manage their own future, there is still much to do in terms of building social capital at all the three levels, i.e. macro, mezzo and micro level. When improvements in this area happen, changes in other areas of sustainability are expected to get realized more easily.

## 5. Conclusion

The nature of tourism is obviously ambivalent. On the one hand, it might be a valuable source of income and employment, potentially acting as a catalyst for wider socio-economic development or regeneration. On the other hand, the growth and expansion of tourism generates different environmental costs related to different types of degradation, misallocation or destruction of natural resources. These are usually accompanied by a variety of economic, social, cultural and political consequences. Hence it is obvious that in the absence of appropriate management techniques and tools, tourism has the ability to destroy the very resources upon which it depends. Without strategic approach to its development and the use of integral planning to this matter, fulfilment of sustainability principles is threatened. By researching the case of Croatian tourism model of development we have shown that despite being recognized institutionally, sustainability has not been achieved in any of the areas under study. By this the main hypothesis of the chapter has

been proved. Being qualitative by its nature this research is partially leaning on the author's subjective opinion. However, the author has tried to the best of her abilities to consult as many relevant sources of literature and information as possible. As compared to other similar case studies most of which are focused on a particular area or an aspect of sustainability, this one has tried to cover all the three of them thus getting a holistic dimension. Namely, the three aspects/areas of sustainability (i. e., economic, ecological and social) are all interlaced to such an extent that it is hard to say where one ends and the other one begins. However the social area sustainability seems to be a starting point for better understanding of the reasons for possible failures in achieving sustainability in two other areas (i.e. economic and environmental ones).

Though this research as any other one could have been done in a different manner, and including more relevant issues, we believe that even as such it has 'unmasked' the particular tourism development model that is very often named sustainable or at least 'nature friendly'. It would certainly be of more help if some additional, more concrete indicators could have been presented. However, since they are usually done for the level of a community or a region (not a country) it was not possible to do so. There have been mostly general trends that were analyzed.

Finally, in order to give this research a bit of pragmatism, few practical proposals are to be given, aiming at putting sustainability principles in life. First of all, we believe that the popular dilemma of whether mass tourism in Croatia is needed or not is quite out of place. It is clear that tourism will not lose its mass character, indeed quite the opposite. Therefore the real dilemma lies not in whether we need mass tourism or not, because it will remain a mass phenomenon according to all the indicators, but rather what kind of mass tourism do we actually need and want? If Croatia continues to focus only on boosting the number of tourists, then it is positioned for the continuation of the current development trend of mass and undifferentiated tourism. On the other hand, we could opt for modest growth in the number of tourists but focus on their seasonal and regional redistribution, as well as increased profitability within a sustainable environmental model. To this end Croatia has to create a spectrum of tourist services that can satisfy different kinds of guests, distinguished not just by their purchasing power, but by their different affinities and habits. It will also mean a trickling down of tourism industry benefits to many more businesses and Croatian residents. With this second option in mind, the following strategic measures ought to be adopted:

- The level of economic development in all Croatian regions should be increased, thus creating preconditions for development of economically more sustainable tourism. It is a quite common knowledge that tourism cannot be developed unless national economy is appropriately developed. Consequently, it has to be understood and accepted by the public that is not sole tourism that could solve the problem of underdevelopment, which is the idea quite often placed by Croatian authorities;
- Development of modern technologies (especially information and communication ones) should be promoted together with the new business methods based on knowledge;
- Domestic producers should be included in all the direct and indirect segments of tourism supply chain (agricultural production, fishery, construction etc.) in order to reduce the dependence of the overall tourism industry on imports. By this development

- of the recognizable “Croatian brand” would be enhanced and well-being of Croatian citizens fostered;
- Incentives aimed at reduction of the grey economy in the small tourism business sector should be promoted;
  - Awareness of the positive and negative effects of tourism should be raised among local population;
  - Local communities should be empowered to affect and manage their future. To this end different models/methods of empowerment enhancement could be used. Hence, leaning on the examples of good practices from the UK, Timothy (2002) mentions Gill's idea published in 1996, known as 'living room meetings', which involves informal gatherings of small groups of community members in a moderated, yet relaxed situation throughout the community. He also explains benefits of the Fitton's 'planning for real' method which is a form of town meeting that involves bringing the community together before the planning process begins. Another method that has found considerable success is through household questionnaires, whose benefits were already explained in 1994 by Simmons. These methods help identifying issues that are important to an area, focus on the needs of the community and highlight opportunities for improvement. It gives everyone in the community an opportunity to participate and encourages them to think about tourism, local issues and the environment in depth (Timothy, 2002), or help spreading, as Porter said “social glue” (Porter, 1998).
  - Local authorities should support promotion and implementation of a planning solution which ensures that the unique identity of the destination is maintained;
  - The level of control over the behaviour of all the relevant stakeholders should be raised;
  - Management efficiency of the tourism system in general has to be enhanced through education, partnership, networks and different other types of cooperation;
  - Principles of responsible ecological behaviour on all levels should be promoted and implemented more intensely by introducing eco certificates, codes of conduct, Carrying Capacity Assessment and other tools and instruments aimed to this matter;
  - Parallel with the increase in diversity and quality of tourist supply various tourist segments ought to be attracted and distributed more evenly throughout the country with the help of different economic and management instruments, such as price differentiation, marketing and demarketing techniques etc. Thus, saturated coastal areas could be relieved in favour of rural and inland destinations hence making the overall tourism more sustainable.

This list is not exhaustive and indicates a range of principles that underpin strategic and integrated planning for tourism areas. As the matter of sustainability is a very broad area of research, any of the elaborated principles could be an object of some future research.

*To conclude:* it is important to stress, yet again, that there are no institutional or practice models from elsewhere which can be transplanted in Croatia as a kind of panacea promoting sustainable tourism development. Rather, as Stubbs has pointed (as cited in Petrić, 2007), what is needed is the creation of networks, arenas and spaces, locally, nationally, and internationally, for exchanges of experiences and the elaboration of good practice, not in terms of set formulae, but in terms of attempting to grapple with the reason why certain initiatives appear to have had positive effects and others less so.

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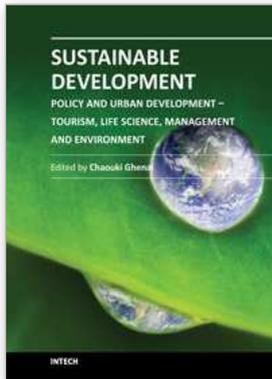
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