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DEVELOPMENT OF THE COMPETITIVENESS OF THE REPUBLIC OF CROATIA'S TOURISM WITHIN THE EU MEMBERSHIP

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Abstract: *The purpose of the conducted research is to analyse competitiveness of tourism in the Republic of Croatia by applying Index of tourism competitiveness and travel and to establish, based on conducted analysis, so far effects of Croatia's EU membership on its tourism competitiveness. Also, the purpose of this research is, to establish scientifically based measures to improve Croatian tourism sector and to determine its perspectives for further development. The Republic of Croatia is achieving progress according to key indicators of tourist competitiveness and realizing positive trends in almost all segments of tourism activities. The stated situation represents a challenge in conducting thorough reforms, the increase of quality and further positioning on global tourist market.*

Keywords: *EU, competitiveness, Republic of Croatia, tourism, travel*

JEL Classification: *F02, L83*

INTRODUCTION

Tourism is the most massive and the most dynamic social economy category of modern society. Because of the faster way of living it has transformed itself from secondary to primary human need. Also, because of its economic and social importance, it is becoming one of the key development drivers in EU member states, including the Republic of Croatia. Still, in spite of its formidable foundations in material and natural resources, Republic of Croatia has not yet realized its full potential of this economic branch.

Therefore, research problem in this paper arises just out of difficulties in achieving competitive advantages of Republic of Croatia's tourism, both at European

and world level. Although all relevant indicators point out the significant progress of this economy branch, still certain shortcomings are present. Purpose of conducted research is to analyse competitiveness of tourism in the Republic of Croatia by applying Competitiveness Index of tourism and travel and to establish, based on conducted analysis, so far effects of Croatia's EU membership on its tourism competitiveness. Also, the purpose of this research is, based on conducted analysis, to establish scientifically based measures to improve Croatian tourism sector and to determine its perspectives for further development.

This research is divided into 6 mutually interconnected chapters. After introduction, in which key elements of research are defined, competitiveness analyses of Republic of Croatia's tourism were conducted by applying Tourism and travel competitiveness index. Based on given results, and observed strengths and weaknesses, research was continued on scientifically based identified effects of so far EU membership on Republic of Croatia's tourism competitiveness. Based on identified effects, in the further course of this research, measures and instruments necessary for the improvement of competitive position for Croatian tourism are recommended. This research ends by defying perspectives of tourism competitiveness development in the Republic of Croatia as EU member. Research ends with the conclusion which represents a synthesis of key findings established in the research process.

ANALYSIS OF THE REPUBLIC OF CROATIA'S TOURISM COMPETITIVENESS

According to Republic of Croatia's National Competitiveness Council *competitiveness is country's ability to achieve success on international market which will provide the better living standard for its people*. Competitiveness is a result of many factors among which enterprise-level competitiveness stands out, including favourable business climate which enables implementing new products, processes, and investments. Most commonly used definition of international competitiveness is the one by Organization for Economic Cooperation and Development (2018), which describes competitiveness as *country's ability to produce goods and services in free and equal market conditions, which previously go through the test of international markets, ensuring the keeping and long-term growth of real income*.

Evaluation of competitiveness of Croatian tourism was conducted by using the Index of tourism competitiveness and travel which is issued by World Economic Forum (WEF), and includes „combination of factors and policies which enable

sustainable development of travel and tourism sector, which contributes to sustainable development of certain country“ (National Competitiveness Council of the Republic of Croatia, 2018). Competitiveness and Travel Index measures the success of the certain country in travel and tourism sector through 4 categories: Supporting environment, Supporting policies and conditions for travel and tourism, Infrastructure and Natural and cultural riches. Index consists of 14 pillars: *Business environment, Protection and security, Health and hygiene, Human capital and labour market, Readiness of ICT, Tourism and travel sector's priority level, International accessibility, Price competitiveness, Ecological sustainability, Air traffic infrastructure, Land and naval infrastructure, Tourism service's infrastructure, Natural resources, Cultural resources and business travel* (National Competitiveness Council of the Republic of Croatia, 2017.).

Table 1: Leading countries in tourism and travel according to Travel and Tourism Index in 2017

Country	Rank	Change compared to year 2015.
Spain	1.	0
France	2.	0
Germany	3.	0
Japan	4.	5
United Kingdom	5.	0
USA	6.	-2
Australia	7.	0
Italy	8.	0
Canada	9.	1
Switzerland	10.	-4

Source: developed by the authors, based on data from Travel and Tourism Competitiveness Index in 2017

According to indicators in Table 1, Spain has a leading position in an aspect of travel and tourism, followed by France and Germany. The analysis shows that six countries have kept their positions from the year 2015. The largest decline was achieved by Switzerland, which has dropped 4 places, and the USA, which has worsened its competitive position for 2 places.

Next is the analysis of positions from other EU members according to the competitiveness of travel and tourism indicator (Table 2)

Table 2: EU member states compared to Competitiveness and Tourism Index in 2017

Country	Ranking	Shift from the year 2015
Spain	1.	0
France	2.	0
Germany	3.	0
United Kingdom	5.	0
Italy	8.	0
Austria	12	0
Portugal	14	1
Netherlands	17	-3
Sweedden	20	3
Belgium	21	0
Ireland	23	-4
Greece	24	7
Luxembourg	28	-2
Denmark	31	-4
Republic of Croatia	32	1
Finland	33	-11
Malta	36	4
Estonia	37	1
Czech Republic	39	-2
Slovenia	41	-2
Bulgaria	45	4
Poland	46	1
Hungary	49	-8
Cyprus	52	-16
Latvia	54	-1
Lithuania	56	3
Slovakia	59	2
Romania	68	-2

Source: developed by the authors, based on data from Travel and Tourism Competitiveness Index in 2017.

Including latter stated Spain, France, Germany, United Kingdom and Italy, which are in top 10 countries according to Competitiveness of travel and tourism index, Austria, Portugal, Netherlands, and Sweden need to be singled out because according to this indicator they are in top 20 countries. On the other hand, worst positions are achieved by Lithuania, Slovakia, and Romania which are in positions above 50th place. Also, greatest decline according to this indicator has been achieved by Cyprus, Finland, and Hungary, while biggest progress has been made in Greece, Malta and Bulgaria.

Below is the more detailed analysis of Republic of Croatia's position according to Competitiveness of Travel and Tourism Indicator. Thereby indicators for the year 2007, 2009, 2011, 2013., 2015 and 2017 are included (Chart 1).

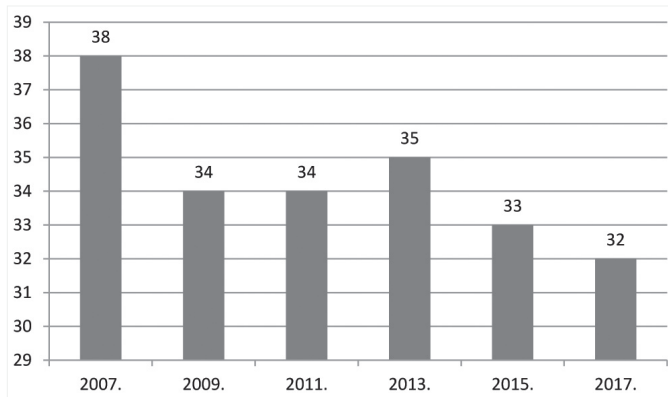


Chart 1: The Republic of Croatia's position according to the competitiveness of Travel and Tourism indicator in the period 2007 – 2017

Source: developed by the authors, based on World Economic Forum (1), (2), (3), (4), (5)

Data from this graph indicate that the Republic of Croatia's position, according to the competitiveness of travel and tourism, has been constantly improving. Thereby, the least favourable position was achieved in 2007, while in 2017 32nd position was achieved. That indicates a continuation of improvement trend in this sector.

Below is the analysis of key subindexes and pillars of competitiveness of travel and tourism for Republic of Croatia considering the report from 2017. According to a Business environment indicator, Republic of Croatia has taken 114th place with an average grade of 4,0. (Table 4).

Table 3: The Republic of Croatia's position considering the Business environment in 2017

Indicator	Rang
Property rights	107
Influence of rules on foreign foreign investment	108
Efficiency of Dispute Resolution Legislation	132
Time needed to issue building permits	57
Costs of issuing building permits	120
Market domination	105
Time Necessary to start a business	40
Start-up costs	69
Effects of Employment Taxation	132
The Effects of Taxation on Investing	130
Total tax rate	14

Source: developed by the authors, based on data from Travel and Tourism Competitiveness Index in 2017.

In a segment of the Business environment, as most favourable areas are noted total tax rate, time necessary to start a business, the time needed to issue building permits. On the other hand, most unfavourable areas are the efficiency of dispute resolution legislation, effects of employment taxation and investing and costs of issuing building permits

Considering the indicator of Protection and security Republic of Croatia has taken 24th place in the year 2017 with an average grade of 6,1 (Table 4).

Table 4: The Republic of Croatia's position according to Protection and security indicator in 2017

Indicator	Rank
Business Costs Due to Crime and Violence	19
Reliability of police protection	49
Business Costs of Terrorism	13
Terrorism Frequency Index	51
Murder rate	20

Source: developed by the authors based on data from Travel and Tourism Competitiveness Index in 2017

The Republic of Croatia has the most favourable ranking in the area of business costs of terrorism and business costs due to crime and violence. On the other hand, as the most unfavourable areas are emphasized terrorism frequency and index reliability of police protection.

Concerning area of Health and hygiene, Republic of Croatia has taken 19th place in 2017 with an average 6,4 grade (Table 5).

Table 5: The Republic of Croatia's position concerning Health and hygiene indicators in 2017

Indicator	Rank
Number of doctors	34
Access to health protection	44
Drinking water availability	43
Hospital beds	23
The incidence of HIV	1
The frequency of malaria	1

Source: developed by the authors based on data from Travel and tourism competitiveness index in 2017

In this segment, as key advantages of the Republic of Croatia are identified: in-existence of malaria and the low number of HIV cases. The most limiting factors are access to health protection and drinking water availability.

In the area of Human resources and labor market, Republic of Croatia has taken 85th place in 2017 with the average grade of 4,4 (Table 6).

Table 6: The Republic of Croatia's position considering Human resources and the labor market in 2017

Indicator	Rank
Population included in primary education	106
Population involved in secondary education	55
professional training	120
Orientation towards consumers	73
Types of employment and dismissal of workers	124
The ease of finding skilled workers	106
The ease of finding workers from abroad	126
Wages and productivity	66
The share of women in the labor force	48

Source: developed by the authors based on data from Travel and Tourism Competitiveness Index in 2017

According to this pillar of competitiveness, Republic of Croatia has positive positions considering women participation in workforce and population involved in secondary education. On the other hand, problems have been acknowledged in finding the qualified workforce, employment practices, and layoffs, workforce professional training.

In the area of ICT readiness, Republic of Croatia has taken 47th place in the year 2017, with average grade 5,0 (Table 7).

Table 7: Republic of Croatia's position considering ICT readiness in 2017

Indicator	Rank
Use of ICT for Business Transactions	81
Using the Internet in Business Transactions	84
Internet users	47
Broadband internet users	40
Cell phone users	92
Prepaid mobile users	37
Mobile network coverage	1
Quality of electricity supply	40

Source: developed by the authors based on data from Travel and Tourism Competitiveness Index in 2017

This area indicates the favourable position of Republic of Croatia concerning high GSM coverage, prepaid users' quantity, and electrical grid quality. On the other hand, ICT and internet in business transactions usage are still inadequate.

According to Priority of tourism and travel sector indicator, Republic of Croatia has taken 77th place in 2017, with an average grade of 4,5 (Table 8).

Table 8: The position of the Republic of Croatia considering Priority of tourism and travel sector in 2017

Indicator	Rank
Prioritization of tourism and travel by the state	46
Efficiency of marketing in attracting tourists	38
Data integrity	32
Frequency of availability of tourism and travel information	28
Country Brand Strategy	105

Source: developed by the authors based on data from Travel and Tourism Competitiveness Index in 2017

Data from Table 9 shows that tourism carriers in the Republic of Croatia are dedicating relatively high attention to collecting and issuing data regarding tourism and tourism trends. Marketing activities have positive effects on attracting foreign citizens. Key problems are state finances and lack of branding strategy, which should represent the cornerstone of further tourism development and position in Croatia.

According to Openness indicator, Republic of Croatia has taken 26th place in 2017 with an average grade 4,2 (Table 9).

Table 9: The Republic of Croatia's position compared to Openness in 2017.

Indicator	Rank
Visa regimes	73
Openness to Bilateral Services in Air Transport	48
Regional Trade Agreements	1

Source: developed by the authors based on data from Travel and tourism competitiveness index in 2017

In this section, total visa regime procedures are recognized as the biggest obstacle which refers primarily to visitors out of EU and Schengen space.

Concerning the Price competitiveness, Republic of Croatia has taken 100th place in 2017, with an average grade of 4,4 (Table 10).

Table 10: The Republic of Croatia's position regarding Price competitiveness in 2017

Indicator	Rank
Taxes on airport charter flights	77
Hotel Price Index	77
Purchasing power parity	88
Gas prices	107

Source: developed by the authors based on data from Travel and Tourism Competitiveness Index in 2017

According to this indicator, based on tourists' perception, Republic of Croatia still belongs to more expensive countries with high fuel prices, low purchasing power parity, high fees in airports and expensive hotels. Areas listed are necessary to improve for achieving further competitiveness increase in tourism.

According to Ecological sustainability, Republic of Croatia has taken 21st place with an average grade 4,7 (Table 11).

Table 11: The Republic of Croatia's position compared to Ecological sustainability in 2017

Indicator	Rank
Rigidity of environmental rules	50
Implementation of environmental regulations	55
Sustainability of tourism and travel	84
Concentration of particles	111
Ratification of environmental agreements	15
Water pollution	22
Endangered species	73
Changes in the forest cover	26
Disposal of waste water	44
Coastal endangerment	75

Source: developed by the authors based on data from Travel and Tourism Competitiveness Index in 2017

Data concerning environmental sustainability indicate low level of water pollution, changes in the forest cover and high level of environmental protection. High levels of particle concentration and endangerment of the coastal area are present.

Considering the aviation infrastructure, Republic of Croatia has taken the 52'nd position with an average grade 3,0 (Table 12).

Table 12: The Republic of Croatia's position compared to Aviation infrastructure in 2017

Indicator	Rank
Infrastructure quality	78
Available "seats" in domestic aviation	63
Available "seats" in foreign air traffic	83
Aircraft arrivals	49
Air traffic density	21
Number of airline companies	33

Source: developed by the authors based on data from Travel and Tourism Competitiveness Index in 2017

Un(quality) of infrastructure and lack of domestic and foreign flights is recognized as the key problem of air traffic, which largely effects the further connectivity Republic of Croatia with other world destinations.

Considering Land and naval infrastructure, Republic of Croatia has taken 46 the place with an average grade 3,9 (Table 13).

Table 13: The Republic of Croatia's position considering Land and naval infrastructure in 2017

Indicator	Rank
Roads quality	18
Roads density	51
Density of asphalted roads	38
Quality of railway infrastructure	64
Railway density	18
Harbour quality	45
Land transport efficiency	57

Source: developed by the authors based on data from Travel and Tourism Competitiveness Index in 2017

According to this indicator, Republic of Croatia has relatively favorable results, especially in the area of roads quality, railway density, and asphalted roads. Quality of railway infrastructure, roads density, and land transport efficiency are recognized as the key problem.

Considering Tourism service infrastructure, Republic of Croatia has taken the 5th position with an average grade 6,3 (Table 14).

Table 14: The Republic of Croatia's position compared to Tourism service infrastructure in 2017

Indicator	Rank
Hotel rooms	11
Quality of tourism infrastructure	65
Presence of car rental service	1
Information availability	15

Source: developed by the authors based on data from Travel and Tourism Competitiveness Index in 2017

These results indicate the high quality of tourism services with an emphasis on accommodation capacities, information availability and travel organization opportunities. The stated situation is a consequence of growing investments (private and public) in all aspects of tourism in the last 10 years.

According to Natural resources, Republic of Croatia has taken 20th place with an average grade 4,5 (Table 15)

Table 15: The Republic of Croatia's position considering Natural resources in 2017

Indicator	Rank
Involvement in the World Heritage List	46
Known species	87
Protected species	8
Digital Demand for Contributing Resources	8
The attraction of natural heritage	20

Source: developed by the authors based on data from Travel and Tourism Competitiveness Index in 2017

Indicators about natural resources indicate attractiveness and importance of natural resources in the total tourism offer in the Republic of Croatia. The country is abundant with big natural resources, preserved natural, protected species and other natural „resources“ which constitute one of the foundations of Republic of Croatia's attractiveness as the tourism destination.

The Republic of Croatia has taken the 39'th position with an average grade of 2,8 according to Cultural resources and business travel indicator in 2017 (Table 16).

Table 16: The Republic of Croatia's position considering Cultural resources and business travel in 2017

Indicator	Rank
Inclusion of Cities on the World Heritage List	30
Intangible Cultural Heritage	5
Sports facilities (stadiums)	77
Number of international meetings and conferences	41
Digital demand for cultural and entertainment content	36

Source: developed by the authors based on data from Travel and Tourism Competitiveness Index in 2017

According to this indicator, the greatest advantage of the Republic of Croatia is intangible cultural heritage and inclusiveness of cities on world cultural heritage list (Split, Dubrovnik, Trogir, Poreč etc.). The Republic of Croatia needs significant efforts in building and restoring sports facilities and, as leading world metropolises have already done, put them in function as part of tourism activities.

Conducted analysis indicates very favourable tourism position of Republic of Croatia on a world scale. According to Competitiveness of tourism and travel scale position Republic of Croatia has constantly been advancing and has taken 32'nd place in 2017, which positions Croatia among tourism most competitive world countries. By analysing key pillars of the tourism competitiveness posi-

tive position of the Republic of Croatia has been established from an aspect of tourism services, health, and protection, natural resources, environmental sustainability, international openness, protection, and security. As previously stated, positive trends in these categories are the direct consequence of „historical heritage “and continuing investments.

However, Republic of Croatia has certain lag in the area of land and railway infrastructure, ICT readiness, prioritizing of tourism and travel. In this segment is necessary, primarily to define quality guidelines of tourism development (with existing) and to create foundations for its implementation. As the biggest limitation of further tourism development has been recognized unfavourable business environment, burdened with administrating and fiscal barriers which are slowing down future progress and improvement of Republic of Croatia's recognition as the tourism destination of EU. Therefore, established advantages and especially disadvantages must represent the foundation for future endeavours in the sector of tourism.

EFFECTS OF THE EU MEMBERSHIP ON THE COMPETITIVENESS OF CROATIA'S TOURISM

By joining EU, Republic of Croatia has gained an opportunity to participate in the Internal Market of the Union and to offer its services and resources to a large number of potential tourists from every part of EU. Also, tourism services providers must since 2013 face growing competition from more developed countries, which in the end has a significant effect on price and quality of tourism product.

However, in order to compete with well-established world destinations, the Republic of Croatia and other carriers of tourism activities must make a step forward, i.e. continue improving their offer and make it price and quality more competitive.

Vinko Kandžija and Igor Cvečić (2010) state that by joining the EU, operational standards are becoming stricter, which has a positive effect on consumer protection, quality of available resources and materials. The Republic of Croatia is still, compared to leading world tourist destinations, cheaper i.e. more price competitive. In that case, the question emerges in which direction will further tourism development follow? *Does it include orientation and attempts of developing elite tourism or further orientation on some sort of mass tourism? In case of potential orientation on elite tourism, the question is are there, on the state level, participants capable of implementing such a plan into practice?*

Joining the EU and participating in the Internal market has enabled service providers using all advantages deriving from four freedoms which represent the foundation of all European economy. As the EU member, Republic of Croatia has been enabled to receive the free flow of tourists, without any restrictions which they had to face in past, which largely influenced on their total tourism turnover (Martina Belić and Josip Štilinović, 2013).

Relevant statistics point out that arrival of foreign tourists has increased just because of opportunity providing advantages resulting freedom of movement for workers. Such system enables Croatian tourists and tourism workers as well to freely move to other member states and implementation of observed good practices from these states in Croatian tourism sector. In this situation, marketing experts and other stakeholders that are in charge of branding republic of Croatia as the tourism destination can more freely promote Croatian beauties and thus make them globally available (Dean Križanić, 2017). Every EU member state can by itself decide on its development policies and ways of managing tourism sector. That situation offers an opportunity to carriers of tourism activities independency in determining strategic guidelines, VAT level, and other key tourism components. In this process, it is possible to ask EU institutions for guides and put in a good use practice of other member states (Ivo Kunst, 2012).

By previously conducted analysis, it has been pointed out that the Republic of Croatia, from the moment of it's joining the EU, has constantly been advancing according to relevant statistics of tourism competitiveness. Thus in the 2017 Republic of Croatia has taken 32'nd place by which it enters the group of the most competitive tourism countries of the world. The Republic of Croatia has significant capacities which enable improvement of existing position and further advancement concerning key indicators of tourism competitiveness. EU membership has been accompanied by an increase in tourists' numbers especially from traditional countries such as Germany, Slovenia, Austria etc. which is an exact result of a „borders opening “and possibility of free movement.

Increased number of tourists and achieved number of overnight stays has been accompanied by the increased number of accommodation capacity with an emphasis on all types of private accommodation. The Republic of Croatia has to encourage additional infrastructure investments to increase the quality of its offer. Also, in the purpose of (potential) orientation on elite tourism, it is necessary to increase hotel numbers, primarily 5-star ones and to ensure accompanying contents such as improving and create further conditions for developing a whole

year tourism. The Republic of Croatia, as EU member, has at its disposal large opportunities for using an available EU structural funds and other EU financial instruments which can be used to directly or indirectly foster tourism growth and sustainable development. Some of the most important instruments have been further analysed in the next section of this paper. It is possible by using available financial instruments to effect on the further advancement of tourism competitiveness with a special emphasis on infrastructure advancements and human resources advancements.

The known problem of Croatian tourism derives from the lack of qualified workforce and educational system shortcomings. Still, despite advancements according to key indicators of tourism competitiveness, this sector still has big problems and shortcomings. Therefore, it is necessary to point out focus on summer swimming season and the lack of accommodation facilities of the highest class. Biggest problems derive from shortcomings in infrastructure, especially roads and railroads, and current impossibility of its solution.

One of the key Republic of Croatia's resources, in conditions of increasing insecurities and terrorist threats, is having relatively safe surroundings. One of the reasons for the increased number of tourist visits derives from terrorist threats, which some of the world leading tourism destinations were exposed to. In these conditions, the large number of tourists have recognized Republic of Croatia's safety and decided to choose Croatia for their vacation.

It is possible to conclude that EU membership is moving borders and removing obstacles between population, contributing to the strengthening of EU sense of communion and cooperation. One of the sectors affected by these relations is exactly tourism. Further tourism development of the Republic of Croatia is largely affected by the quality of strategic planning and capability of the tourism sector carriers to implement defined measures into concrete effects.

MEASURES AND INSTRUMENTS FOR THE IMPROVEMENT OF COMPETITIVENESS OF CROATIAN TOURISM

By joining the EU, Republic of Croatia has faced challenges of inner market and increase of competitiveness in all aspects of the economy, including tourism. Therefore, Croatian tourism sector needs to define and implement quality measures and instruments which will enable further advancement of Republic of Croatia's recognition as the tourism destination.

The *Strategy of Republic of Croatia's tourism development* has been defined in the year 2013 and represents key development document which contains key principles, goals, and guidelines for developing Croatian tourism sector in the context of EU membership. The strategy has defined key limiting factors of the tourism sector and especially pointed out the quality and offer structure, investment climate, marketing and sales, human resources, quality management and complete legislative framework (Ministry of Tourism of Republic of Croatia, 2018). According to Strategy, Croatian tourism should be developing according to key developing principals: partnership, institutional deregulation, ecological development, „more than sun and sea “principle, whole special coverage of tourism, authenticity and creativity, „hotel business as key investment cycle initiator “focus, inventive market approach, production for tourism and culture of quality.

The principal of partnership implies narrow cooperation between all participants in tourism for a purpose of its development, while institutional deregulation must ease current limiting institutional factors. As previously said, Croatian tourism should move away from basic, traditional concept of having an offer based only on sun and sea, and develop more new types of tourism offers and with capital investments expand tourism to the continental area as well.

By promoting its authenticity and creativity Croatian tourism will differentiate from growing competition. In a purpose of further tourism development, it is necessary to start rebuilding and improving hotel infrastructure as well and adapt it to needs and wishes of contemporary consumers. Such approach will result in an international branding and improvement of small and medium entrepreneurs included in tourist movements. For a purpose of promoting own specifics the Republic of Croatia must focus local producers to „manufacture for tourism “and thusly present domestic quality which will have the direct impact on further positioning and improving Croatian's tourism competitiveness on the global scale.

Therefore, a vision of Croatian tourism is defined by a Strategy which consists of three key aspects (conception, operational and production) who answer three key questions:

- 1) How should tourism look like?
- 2) Which are key developing preconditions of Croatian tourism?
- 3) How will Croatian tourism attract attention?

Experts involved in defining the Strategy have given scientifically based answers on asked questions and concluded:

1. According to the conceptual aspect, Croatian tourism should have been recognizable, the whole year, territorially widespread i.e. developed on a whole territory, differentiated, inventive and flexible
2. According to the operational concept, key preconditions of Croatia's tourism development represent long-term environmental protection and space, sustainable management of natural resources, competitiveness and creation of favourable investment climate, activating state assets in a purpose of tourism development, increase of knowledge and competence on all levels and developed location management
3. According to a production concept, Republic of Croatia's tourism should be based on hospitality, quality, excellence, and safety.
Except for discretionary goals, Strategy has defined key quantified goals among which needs to be pointed out:
 1. Quality and structure increase of accommodation capacity through achieving hotels share in total accommodation of 18
 2. Increase employment in tourism by creating an additional 20 thousand new jobs
 3. Implementation of 7 billion Euros worth of investments
 4. Achieving tourist spending of 14,3 billion euros per year.

Strategy structure and key quantitative goals with no doubt indicate its connection to the key developing strategy of European economy i.e. strategy EUROPA 2020. Strategy Europa 2020 accepted in the year 2010 is a 10-year strategy which goal is to „*make Europe fastest growing and the most competitive economy of the world based on knowledge until 2020*“. The strategy includes the need for creating smart, sustainable and inclusive growth. (Kandžija and Cvečić, 2010). Smart growth includes the development of the economy based on knowledge and innovations, sustainable growth strives for the economy that efficiently uses resources, and inclusive growth is focused on creating the high level of employment which will contribute to social and territorial connectivity (Ministry of science and education of Republic of Croatia. 2010). The five major goals of the Strategy are defined in close connection with the main priorities focused on areas of employment, research and development, climate change and energy sustainability, education and fighting poverty and social exclusion (Ministry of science and education of Republic of Croatia. 2010). In the area of employment, the goal is to achieve employment rate higher than 75% of the population between 25-64 years of age. The goal of research and development means the realization of 3% GDP investments for activities of research and development until 2020. Area of climate change and energy sustainability is based on the realization of the

plan 20/20/20 i.e. lowering greenhouse gas emissions for 20% (or 30% if there are necessary conditions) compared to level from 1990, achieving 20% of total energy from renewable sources and increasing energy efficiency for 20%. As part of education, the anticipated rate of early school leaving is anticipated on the level below 10% and an increase of participation of people between 30-34 years of age with completed tertiary education to 40%. Poverty lowering and social exclusive goal demand lowering the number of people living in poverty and social exclusiveness risk for at least 20 million.

For a purpose of achieving priorities, EU has defined 7 key initiatives. Initiatives necessary for achieving smart growth are Innovation union (encouraging research and development investments and strengthening chain of innovations), Stimulating the youth (strengthening of the educational system and easier transition to the labour market) and Digital Agenda for Europe (applying of ICT and fast internet). In the area of inclusive growth Agenda for new jobs (employment, professional training and labour market modernisation) and European platform against poverty (social and territorial cohesion and inclusiveness) are being implemented, while priority of sustainable growth is achieved through Resource efficient Europe (fight against climate change, clean and efficient energy), Industry policy of globalisation era (creating better business environment and stronger industry foundations by ensuring higher level of competitiveness) (Ministry of science and education of Republic of Croatia. 2010). In the context of tourism development, the Republic of Croatia should primarily focus on goals which will enable promotion of innovation, education, employment and goals connected to areas of environment protection and realizing energetic efficiency.

This is the exact direction which Republic of Croatia's has taken by defining the Action plan of green tourism development, made by Tourism Institute. This Action plan goal is to improve proactivity and cooperation between all participants and to promote awareness of an ecological aspect of tourism and its effect on creating additional value in this sector. Action plan has defined two key action directions: 1) improvement of environmental sustainability of tourism and 2) improvement of tourism valuation of tourism heritage which will achieve lowering of the pressure on tourism and stimulate tourism growth which accepts the importance of natural heritage and contributes to its protection (Institute of tourism in Republic of Croatia. 2017).

In accordance with key aspects as key goals of the Action plan are determined: 1) improvement of sustainability, 2) improvement of environmental sustainability

on all levels of catering-tourist services providers and 3) Republic of Croatia's branding as a leader of sustainable tourism. As one of the initiatives derived from Action plan it is necessary to point out pilot project Green business in hotel industry developed by Croatian association of employers in the hotel industry in 2013. This project goal is to ensure and encouraging of implementation the principle of green business and sustainable development in the hotel industry and gradual expansion of good praxis and rules on other segments of tourist offer (Croatian association of employers in the hotel industry, 2017)

In a purpose of further increase of competitiveness of tourism of Republic of Croatia must increase activities in using financial capabilities available through structural and investment EU funds and other programs available on EU level such as European fund for regional development (ERDF), European social fund (ESF) and programs whose activities are directly or indirectly focused on tourism sector development, especially COSME, Horizon 2020, Creative Europe, Erasmus +, Life and Easi, Calypso. In a purpose of improving rural areas and developing tourism in these areas, Republic of Croatia has available financial instruments designed to encourage of agriculture, fishing, and other connected activities.

Calypso represents the only program on EU level that is focused exclusively on activities in tourism. The program has been established in 2009 with the core purpose of ensuring tourist exchange outside season on social level tourism. The program is focused on four key people groups: privileged young adults between 18 and 30 years of age, families facing financial and other pressures, disabled people and older than 65 and pensioners which can't afford to travel. Key program activities combine promotion of out of season tourism, ensuring opportunities and possibilities for lesser known places to get promoted among tourists across Europe and encouraging long-term employment in tourism (EuroPlan portal, 2017).

As part of ERDF following activities concerning tourism are being financed: 1) tourism connected to research, technological development and innovations, 2) development of ICT products for tourism, 3) development of innovative tourism services, especially in lesser developed and distanced areas, 4) development of high additional value of products and services in market niche (heath tourism, pensioners tourism, cultural and eco-tourism, gastro tourism, sport tourism) by mobilizing certain local resources, 5) dividing activities among different tourism activities and with creative industries, diversifying of regional tourism products and expansion of tourist season (European Commission (1), 2018).

Planned funds of European social fund for the Republic of Croatia in the period of 2014-2020 are around 1,5 billion euros and primarily focused on cohesion measurement, competitiveness and employment through two basic operational programs: 1) Operational program Competitiveness and cohesion and 2) Operational program Effective human resources (European Commission (2), 2018).

COSME is a program dedicated to small and medium entrepreneurs in program timeline 2014-2020 which has a budget of around 2,3 billion euros. The program is focused on strengthening of competitiveness of European companies and supporting employment with encouraging employment by encouraging favourable business environment. The special activity of the Program implies improvement of competitiveness and sustainability of companies in the tourism sector (European Commission (3), 2018).

HORIZON 2020 is an EU program for research and innovation for 2014-2020, defined for realizing key goals of strategic documents for innovations and technological development such as EUROPA 2020 and as support for implementing European research space. Total program's budget in the period of 2014-2020 is 78,6 billion euros. As key priorities of the Program, it is possible to point out Excellent science, Industrial leadership, and Societal Challenges. Social challenges category represents key area in which it is possible to intervene in further development and ensure sustainability of tourism concerning key strategic priorities: 1) Health, demographic changes, and life quality, 2) Food safety, sustainable agriculture, and forestry, sea, underwater, inner waters and bio economy research, 3) Safe, clean and efficient energy, 4) Smart, green and integral traffic, 5) Climate activity, environment, resources and ore efficiency, 6) Inclusive innovative and thoughtful societies and 7) Safe societies (European Commission (4), 2018).

Creative Europe is an EU program which has in 2014-2020 ensured 1,8 billion euros for creativity in the cultural and creative sector in a purpose of ensuring their contribution to achieving sustainable growth and employment (Ministry of the culture of Republic of Croatia, 2017). Considering the total impact of cultural content on the total tourism offer quality of Republic of Croatia, activity carriers should take measures to increase exploiting opportunities available through this Program (European Commission (5), 2018).

One of the ways for improving staff quality involved in the tourism sector is using the opportunities available through program ERASMUS + which is the biggest EU program for education, professional training, youth and sport, whose

budget for the current fiscal period is 14,7 billion euros. Generally, Program is „directed at strengthening knowledge and skills and employment of European citizens, also to improving education, professional training, and work in the area of youth and sport. It is especially directed to connecting education, professional training and youth sector with the business sector and is opened to their common projects (European Commission (6), 2018).

The tourism sector has also available the LIFE program, dedicated to areas of environment and climate activities with the key goal of implementing, updating and developing policies and legislation on EU level, co-financing projects which have European added value (European Commission (7), 2018).

Program for employment and social innovations (EASI) is a program dedicated to promoting the high level of quality and sustainable employment on EU level, guaranteed implementation, and worthy social protection, fight against social exclusiveness and poverty, improving working conditions. Total Program's budget in current fiscal period is 919,4 million euro (European Commission (8), 2018).

CONCLUSION

Competitiveness of Republic of Croatia's tourism is analysed in this paper with Index of tourism competitiveness and travel issued by World economic forum. According to this indicator, Republic of Croatia has taken in 2017. 32'nd position, which positions Croatia among most competitive countries in the world and indicates the further positive trend of improving national competitiveness. In that context, as key advantages of Croatian tourism are recognized: tourism services, health, and protection, natural resources, environmental sustainability, international openness, protection, and security. On the other hand, Croatian tourism demands certain improvements in the area of land and railroad infrastructure, ICT readiness and prioritizing of tourism and travel. The recognized situation represents the foundation for implementation of basic reforms in the tourism sector.

By EU membership, Republic of Croatia has gained a chance to participate and do business on Internal market and use its advantages. By entering European economic system, Croatian tourism is facing growing competition which represents growing challenges for carriers of tourist activities to improve quality and realize price competitiveness. Further, Republic of Croatia's joining the EU resulted in

the increase in arrivals of foreign guests, increase in a number of overnight stays and generally larger total tourism income. Increased tourist activity results in improvement of quality and number of accommodation facilities which in the end effects total economy growths and employment. As EU member, Republic of Croatia has an opportunity of using EU financial funds which promote further growth of tourism.

Further improvement of Republic of Croatia's tourism, as an EU member, represents burning issue which needs special attention by economic and political activity carriers. One of the key steps for Croatian tourism is made by defining the Strategy of tourism development of Republic of Croatia until 2020. The strategy is accompanied by the list of action plans and measures which aim the improvement of current state and positive effect on economic growth and employment. With defined national strategies and guidelines, Republic of Croatia has a possibility of using a large number of EU financial instruments with a purpose of improving quality of tourist offer and human potentials.

Republic of Croatia's tourism should turn to realize goals of sustainability i.e. growing connections between environmental protection goals and economic competitiveness, what is as priority stated in key developing EU strategies. Tourism carriers must start to further improve infrastructure, accommodation facilities, education, and strengthening information – communicational foundations of tourism in a purpose of achieving recognition on the international level.

By conducted research, positive effects of EU membership on the development of Croatian tourism are proven. The Republic of Croatia is achieving progress according to key indicators of tourist competitiveness and realizing positive trends in almost all parts of tourism activities. The stated situation represents a challenge in conducting thorough reforms, the increase of quality and further positioning on global tourist market.

Scientific contribution of this research is based on complete analysis of the competitiveness of travel and tourism of Republic of Croatia, by which are identified key advantages and disadvantages. Further, based on conducted analysis, in this paper has been conducted formulation and synthesis of effects from Croatian EU membership on competitiveness and development of Croatian tourism. Scientifically based results of the research have made a foundation for defining key measures of improving the competitiveness of Croatian tourism sector and determination Croatian tourism development perspective as an EU member.

Further research should be directed on quantifying the effects, by using relevant statistic tools, EU membership on the tourism sector and its effect on key macro-economic aggregates (economic growth, unemployment, employment, minimal wages etc.). Also, future research should be directed on scientifically based predictions of future trends in the tourism sector of the Republic of Croatia as an EU member, taking into account the effects of globalization and global market movements.

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