






Weekly Briefing

**Croatia Social briefing:
Pearl of the Adriatic
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Pearl of the Adriatic

The first World Tourism Day was on 27 September 1980. It was a formal acknowledgement how relevant tourist industry has become. The World Tourism Organization and a plethora of tourist organizations and public institutions compete on the market with best offers of tourist attractions, cultural programs, preserved-nature tours, historical heritage programs and offering best beach-vacations one can dream of. Tourism has a significant impact on Croatia's economy. The latest data confirm how large the influence of this sector on GDP and employment in Croatia is. One specific group of tourists shows what potential Croatia has to become a new popular global destination and is therefore a theme of this brief – Chinese tourists in Croatia.

Trends in tourism

Southern European countries are, among else, pleasant vacation destinations, enchanted with beauty and charm. Among these is Croatia. It is a small country with around four million people with a long coast and pure water. It is a country whose popularity rises continuously, boosted also by the performance of the Croatian national football team at the 2018 World Cup Final in Russia. A Chinese author described Croatia as a “pearl of the Adriatic”, especially the Dubrovnik-Neretva county. The foundation stone of the Croatian-Chinese friendship in tourism was laid with the “Memorandum of Understanding between Ministry of Tourism and the State Administration for Tourism of the People's Republic of China on the implementation of the plan of organized group trips of Chinese citizens to Croatia”. The contract on cooperation in tourism was signed in Zagreb in May 2000.

In 2017 a total number of visitors in Croatia exceeded 100 million. By October 2018 there have been 2.300.000 arrivals, a plus of 8%. This increase in numbers includes a 2% increase in overnight-stays. Until the end of 2018 the Croatian minister of tourism predicts a growth of 5%.



Author computation according to data from the Croatian Touristic Association and WTTC

Tourism development strategy

The current operative program of tourist development covers the time period between 2014 and 2020. In 2013 tourist industry in Croatia generated 7,5 billion EUR profit, a proportion of 16.5% of the GDP. Tourism has a potential for growth thus creating further boost to the Croatian economy. This requires more knowledge, more sophisticated marketing strategies and profound information of foreign markets in order to design foreign market expansion plans and raise tourism standards. A draft bill of a law on tourism was presented in August 2018 by the Ministry of Tourism (MINT). Its goal is to decentralize the system and transfer a large part of administrative tasks and decision-making authority to the local level. The law would also facilitate efforts to implement touristic projects which contribute to regional development. For example, southern Croatian counties – Zadar, Split-Dalmatia, Sibenik-Knin and Dubrovnik-Neretva – have a yearly tourism growth of 10 to 15%. This growth

leads to job openings and expansion of services that tourists may need. In this regard, for example, Croatian government, with support of the EU funds, is funding education about rural areas and about cultural ethnographic tourist attractions in the amount of 91,3 million Croatian kuna.

Cohesion policy

Croatia is also a beneficiary of financial help from the European funds for the financial period 2014-2020. The budget of the EU for the cohesion policy of 2014-2020 is almost 1/3 of the general budget of the EU and amounts to 351,9 billion EUR. Croatia gets a support of 10,6 billion EUR from the European Structural and Investment (ESI) funds. 8,3 billions EUR of this amount are foreseen for the cohesion policy goals of the country.

Cohesion policy is the main investment policy of the EU, which supports the European solidarity by funding less developed countries and regions to reduce the economic, social and territorial imbalance. By 2020 sustainable development and improvement of the quality of life for EU citizens should be achieved through employment, innovation, education, social inclusion, climate and energy. Every nation is called to define their own parameters within these areas. Cohesion funds in Croatia are also used for the development of tourism. The Ministry of Tourism is the intermediary body and has two priorities: improving social inclusion, and investing in education and lifelong learning.

Economic impact

The much needed economic growth is for a great part supported by the economic activity of travel and tourism. Croatia is the 55th among 185 countries listed on the World Travel and Tourism Council (WTTC) ranking list in 2017 ,

before neighbors such as Slovenia 79, Bosnia and Hercegovina 127 and Montenegro 140.

The total contribution¹ of travel and tourism to GDP is of 25.0% for the year 2017, which grew to 25.1% of GDP until October 2018 and is expected to increase by 3.3% until the end of 2018. The prediction the World Travel and Tourism Council makes for 2028 is that tourism will constitute 31.7% of the Croatian GDP. The attention should also be drawn to the total contribution of travel and tourism to the total employment. WTTC predicts also an increase in job creation. By the year 2028 WTTC expects a rise of 27.2% in tourist job creation which amounts to 366.000 jobs in comparison to 320.500 people employed by the tourist sector in 2017.

Protected cultural heritage

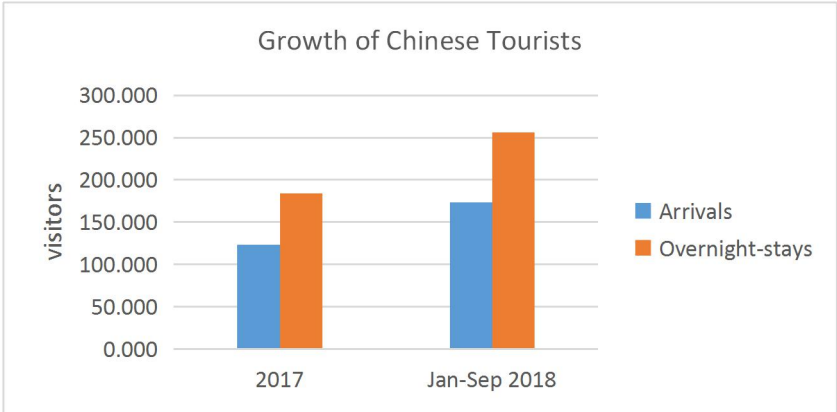
On the list of protected cultural heritage, Croatia listed 8.000 goods, seven on the UNESCO world heritage protected list and 14 on the list of non-material heritage of mankind such as the old town of Dubrovnik or the historic complex of Split and its Diocletian's Palace. Having UNESCO cultural heritage in Croatia does not only bring prestige, tourists and the potential for further growth, but requires a strategy for long-lasting preservation of the heritage. Therefore, a long-term goal is development, employment and social cohesion in these regions.

In the framework of the 16+1 initiative, Croatia hosted a tourism summit in September 2018 in Dubrovnik. The magazine Travel+Leisure, which is very popular in China, pronounced Croatia “The most desirable new European destination for Chinese tourists in 2018”. The representatives of the Croatian Touristic Association received the “China Travel Awards – World Best-Awards” in Shanghai, where a permanent office of the Croatian Touristic

¹ GDP generated directly by the Travel&Tourism sector plus its indirect and induced impacts: 1. indirect contribution: The contribution to GDP and jobs of the following 3 sectors: capital investment, government collective spending, supply-chain effects, 2. induced contribution: The broader contribution to GDP and employment of spending by those who are directly or indirectly employed by Travel&Tourism

Association is to be opened. At the September 2018 tourism summit in Dubrovnik, Luo Shugang, the Minister of Culture and Tourism of the Peoples Republic of China, emphasized the huge interest in Croatia by the Chinese market. After historical touristic results of 12 billion EUR in 2017, Gari Cappelli, the Croatian Minister of Tourism, has the feeling that the trend of more Chinese tourists visiting Croatia, is rising.

Increase of Chinese tourists



Author computation according to data from Croatian Touristic Association and WTTC

A significant rise of Chinese tourists in Croatia is a recent trend. From the year 2016 to 2017, there has been a growth of 57% visitors and 50% increase in overnight-stays. Since 2017 the increase is a bit slower, but it continues to grow.

It can be stated that Chinese tourists in general are interested in the beauty of nature and history, cultural heritage and cultural diversity. There are roughly three groups of tourists. The first group includes younger population ages between 25 and 44 years whose motivation is to learn foreign languages and know a different culture. The second group includes tourists that are over 45 years old who travel with kids, move a lot and stay 2-3 nights maximum in one place. They have more financial possibilities and choose different tourist offerings to get to know better a destination they visit. Families with young

children, are interested in educational trips, want to broaden their horizons and be exposed to a new culture. The third group are wealthy tourists who are organized and plan their vacation, are in search of possible investments, real estate business or educational institutions to which they might send their children when they desire to study in Europe.

For all groups sightseeing possibilities and security are the two most important concerns, as well as gastronomy and shopping. Older people chose sightseeing, beaches, museums and galleries, while the youth takes part in organized tours, loves gastronomy, shopping, concerts and festivals. The destinations Chinese like the best are Dubrovnik, Zagreb and Split.

Challenges for the Future

With culture and desires Chinese guests have, Croatia needs to become more creative in how to meet new demands and expectations. Chinese people love photo-trips, where they have the opportunity of an “emotional satisfaction with the visual identity of a place”, and share it on platforms like Facebook and Instagram, Chinese versions being WeChat, Weibo and Baidu. Moreover, Chinese people love to try new food, but they also want food similar to their cuisine and taste (e.g. sea food, fresh fruits). This is a big motive in choosing a destination for travel. If Croatia wants to be perfectly prepared, it is useful to know that Chinese tourists love warm water to be distributed, since Chinese usually do not drink cold drinks.

To strengthen the economy, the airlines should provide direct flights, for example from Beijing to Zagreb. This would create an arrival of Chinese tourist on a daily basis which would make a target 800.000 Chinese tourists per year easier to achieve in the near future. Important is also the issuance of visas, because the current situation complicates the work for travel agencies. The Croatian Embassy in Beijing does not have enough employees for the issuance

of visas. Abolishing visas or a relaxation of the visa regime would prevent Chinese tourists from a long waiting period for visas.

The number of Chinese tourists is continuously growing and it is expected to grow ever further, says Kristijan Stancic, the director of the Croatian Touristic Association. The Association will soon open a representation office in Shanghai that is expecting to cause a positive impact on communication with local institutions and agencies. The Croatian Touristic Association published a paper on how to expand the Croatian tourist market to Chinese citizens and the marketing strategy Croatia needs to conquer to achieve its goals. For example, employing influencers and therefore being represented in the social media as WeChat and Weibo are of indispensable importance. The fact that Chinese people do not use rating platforms such as Google and Twitter, a whole new communication of rating (Baidu, Youku, Tudou) and booking network (eLong, Qiongyou) needs to be built. This would provide reliable information about what kind of destination Croatia is.

Conclusion

No one says building a long-lasting brand of a region and expanding to foreign markets, especially China, will happen immediately but this is certainly on the Croatian priority list. Not only are Chinese tourists interested in Croatia, but the investors are too. The direction of development between Croats and Chinese is on the right path. An e-consultation, closed in October 2018, on a law on tourist communities and promotion of Croatian tourism will show if the overall efficiency of tourist services on regional and local levels will increase and if these will stimulate further foreign investments. As the tourist sector is significant for the state economy, Croatia needs to build a connection between public and private sectors as a basis for Croatia developing as a tourist destination of international recognition and competitiveness.