

# QUANTITATIVE ANALYSIS OF THE COMPETITIVENESS OF CROATIAN TOURISM IN THE CONTEXT OF MEMBERSHIP IN THE EUROPEAN UNION

**Kristijan Čović**

*Institution awarding the PhD Degree*

University of Rijeka, Faculty of Tourism and Hospitality  
Management

*PhD Programme*

Management of Sustainable Development

*Supervisor:*

**Tea Baldigara**, PhD, Full Professor with tenure

**Christian Stipanović**, PhD, Full Professor with tenure

*Date of defence* 7<sup>th</sup> September 2023

## SUMMARY

### Purpose

On July 1, 2013, the Republic of Croatia became a full member of the European Union after intensive preparations and formal accession negotiations. This entire process included a series of legislative, institutional and many other adjustments, the consequences of which are already quite reflected in many spheres of Croatian society, but it can still be reasonably expected that the main (structural) effects of this process will be long term. Therefore, the motivation for more detailed research, analysis and comparison of current and past, as well as for judgments of the future effects of membership in the European Union, specifically on the competitiveness of Croatian tourism, was imposed. Accordingly, the competitiveness of tourism and the effects of membership in the European Union on the business and competitiveness of Croatian tourism, applying the methods of quantitative analysis, is a topic that is dealt with through a doctoral thesis, with the aim of expanding scientific and applied knowledge on the analysis of the country's competitiveness as a tourist destination, placing the above in the broader context of the European of the Union. Competitiveness is an extremely complex and multidimensional concept that cannot be considered unambiguously in terms of the key factors that can provide such an advantage to a company or state. In accordance with the set problem and the subject of the research, the basic scientific hypothesis of the doctoral thesis (H0) was formulated, which reads: The accession of a country to full membership of the European Union has a statistically significantly positive effect on the competitiveness and business of tourism in that country, and the main effects of these processes are long-term. Since the basic research hypothesis contains several relatively independent relations between different variables, auxiliary hypotheses were also formulated:

PH-1: The improvement of macroeconomic conditions and competitiveness factors of the national economy has a statistically significant and long-term positive effect on the competitiveness of tourism.

PH-2: Economic growth in the member states of the European Union has a stimulating effect on the business results of Croatian tourism and its competitiveness.

PH-3: The increase in foreign investments and economic growth in the member states of the European Union have a statistically significant and positive impact on the operations and competitiveness of tourism in full member states.

Based on the set problem, subject and hypotheses of the doctoral thesis, the basic goal of the research was defined: Systematically investigate the competitiveness of Croatian tourism in the context of European Union tourism by applying quantitative methods of analysis and comparison of the results of the tourism business of other European Union countries, and based on the obtained results, define recommendations for the future.

### Methodology and Findings

The theoretical part of the doctoral thesis serves the purpose of achieving the basic goal and special goals of the theoretical part of the research. The concept of competitiveness is considered, for a more detailed insight and a deeper understanding of its complexity, heterogeneity and actuality in today's time in which economic relations are strongly characterized by competitive relations between individuals, companies and states. The question of how to develop successful business models in conditions of constant uncertainty and global changes and how to build relationships that will primarily be based on cooperation and networking, and less on fierce competition, is also brought up to date. Partnerships can encourage innovation, the exchange of knowledge and resources, and the creation of synergies that will strengthen the competitiveness of Croatian tourism, as well as EU tourism.

In order to delineate the fundamental determinants of the concept of competitiveness, a systematic review of the relevant literature identified a whole series of different factors from the micro and macro environment, which affect competitive abilities in different ways. Most authors are mainly focused on productivity, innovation, speed of adaptation, costs, processes, value for customers,

strategies. In the context of the European Union, the notion and importance of strengthening competitiveness at the macro level is emphasized through all fundamental strategic documents (Lisbon Strategy, Europe 2020 Strategy, Next Generation EU).

As part of the empirical part of the research, an analysis of the basic statistical indicators and business trends of Croatian tourism, as well as the tourism of other EU member states, was performed. By looking at the above indicators, which show the continuous growth of tourist traffic, its contribution to employment and the national economy in general through financial effects, it could be concluded that Croatian tourism is competitive, resistant to negative environmental influences and that it represents one of the rare segments in the national economy. an economy that can deal with international competitors on an equal footing. However, a deeper insight and analysis of the trend of other indicators, as well as a comparison of them with other EU countries, pointed to certain structural problems and limitations of Croatian tourism. These are reflected in the extremely unfavorable structure of the accommodation offer, in which family accommodation dominates with around 65%, followed by a relatively weak positioning in the competitiveness rankings in relation to comparable countries (according to the TTCI report for 2019, Croatia was positioned in 15th place out of 28 EU countries), extremely seasonally oriented business, excessive dependence of the national economy on tourism (the share of foreign exchange income from tourism in the total GDP is 18.9% in 2019), relatively low consumption by tourists, insufficient level of investments and weak business - investment climate.

With the aim of consistency in the research and transparency in proving the basic and auxiliary hypotheses, through two dynamic models of panel data with independent variables, the impact of selected macroeconomic factors of competitiveness on the gross added value of tourism and related activities in the member states of the European Union was first examined, in a panel of 27 country for a 14-year time period (2006 to 2019), with 378 observations. Both models were used to test the auxiliary hypothesis PH-3. The "old" member states (EU-15) and the "new" member states (NMS-12) were analyzed separately. In the first model, for the "old" member states, it was shown that the variables of GDP change rate, inflation and exchange rate are statistically significant in the model ( $p < 0.05$ ) with the expected signs in the regression coefficients, while the foreign investment variable was not significant. In the second model, for the "new" member states, the GDP change rate and inflation variables also show statistical significance ( $p < 0.05$ ), however, the exchange rate and foreign investment variables are not statistically significant in the model. It is concluded that the obtained results of the two models partially confirm the auxiliary hypothesis PH-3. Furthermore, an econometric analysis of the competitiveness of Croatian tourism was carried out through the evaluation of three separate models, which derive from auxiliary hypotheses PH-1 and PH-2. The empirical analysis included data for the period from the first quarter of 2001 to the first quarter of 2020, which resulted in a total of 77 observations. The goal was to model and analyze the determinants of business and competitiveness of Croatian tourism (approximated by the gross added value of tourism), and at the same time to include selected factors of competitiveness in the analysis. The variables foreign demand, investments in fixed capital, consumer price index and interest rates showed a statistically significant influence on the gross added value ( $p < 0.05$ ). Due to the importance of analyzing macroeconomic factors in the long term, the aforementioned required the application of more complex econometric methods, using vector autoregression (VAR model). The obtained results of all three mentioned econometric models support auxiliary hypotheses PH-1 and PH-2. Based on the analysis of the obtained results of the conducted quantitative research, it is concluded that the basic hypothesis of the doctoral thesis is fully accepted. Two auxiliary hypotheses (PH-1 and PH-2) fully support the basic hypothesis, while auxiliary hypothesis PH-3 partially supports it.

It is concluded that tourism can represent a unique national economic cluster with which it is realistically possible to strengthen national competitiveness. In the era of globalization, new possibilities of technological development, sophisticated products, in the future it should strive to strengthen the offer of innovative, creative, recognizable tourist products with more added value, such as tourist products that offer a set of unique experiences related to the destination - natural beauty, culture, heritage, autochthonous local gastronomy, manifestations etc. It is also necessary to encourage the resident population, especially in continental part of Country, to actively participate in the development of sustainable tourism by starting entrepreneurial initiatives. As a member of the European Union, Croatia has at its disposal European non-refundable financial resources that can be an important lever in the realization of the previously mentioned activities.

### **Originality of the research**

Through research and the collection of information from scientific materials, it was determined that the topic that deals with Croatian tourism in the context of membership in the European Union, using quantitative methods, has not been sufficiently researched and that there is no similar research that would conceptually, that is, with the set object, problem, hypothesis and goals research had an influence on the selection of the topic of this research. Therefore, from the point of view of thinking about all the possible structural effects of the integration process in the EU on Croatian tourism and its competitiveness, there was an interest in researching the topic in question, and the implementation of which achieved the research purpose and goals in the conceived scope, both from a theoretical and an applied point of view. In relation to the issue that was thematized through this research, the key benefits of joining the European Union for a country, i.e. the competitiveness of its tourism, were often emphasized and evaluated in the doctoral thesis. They result from the positive effects of membership in the EU, which are manifested through: improvement of the tourist image of the country, greater interest of investors in investing in tourism projects, freedom of movement of people, goods, services and capital, single market, higher ecological standards, increase in competition and thus the quality of services, greater security and protection, economic and monetary union (EMU), common currency, lower cost of borrowing for entrepreneurship and citizens, greater investment in public infrastructure, the possibility of using generous grants from EU funds,

joint promotion of tourism as a European destination, application of stricter standards and regulations, greater investments in the education of tourism professionals through the use of programs and EU funds, removal of border barriers, abolition of customs and visa restrictions, coordinated approach of member states within the tourism sector, etc.

Based on the indicators of the competitiveness analysis of Croatian tourism, strategic guidelines were formulated for the future development of Croatian tourism in the context of membership in the European Union. From the aspect of quantitative analysis of recent developments in Croatian tourism, a credible conclusion can be made that tourism has exceptional development potential and can represent a unique national economic cluster that can realistically build and strengthen national competitiveness, mostly with its own resources. The results of this research and the knowledge gained through it contribute to the improvement of theoretical achievements in the field of tourism competitiveness analysis and a better understanding of the effects of membership in the European Union in the field of tourism.

**Keywords:** competitiveness factors, European Union, Croatia, sustainable tourism, quantitative analysis

**Citation:** Čović, K., (2023). Quantitative Analysis of the Competitiveness of Croatian Tourism in the Context of Membership in the European Union, Doctoral Dissertation Summary. *Tourism and Hospitality Management*, 29(4), 641-643, <https://doi.org/10.20867/thm.29.4.13>