

OECD MEMBERSHIP CHALLENGES FOR CROATIAN TOURISM; SUSTAINABLE PERSPECTIVES

Jasmina Gržinić²⁵⁹

DOI: <https://doi.org/10.31410/eraz.2018.560>

Abstract: *Tourism is in global transformation. Countries which do not adapt lose market competition. OECD countries realise numerous benefits from their membership (publication of statistical indicators, comparison of indicators, pointing to benefits and costs, discussions through forums, encouraging sustainable behaviour). The aim of this paper is to determine whether the economy of a country which is outside the OECD is indeed less efficient than one which is a member and whether, following the implementation of recommendations, countries can realise benefits for themselves, i.e. greater effects of their own economy. The high dependency of the Croatian economy on tourism threatens the national economy due to the changeable nature of tourism, as well as due to the number of arrivals in destinations. The contribution of this paper lies in the indication of the advantages of inclusion and disadvantages of the absence of membership based on the analysis of two European, touristically attractive, markets (France and Croatia) which use the potentials and manage them in different ways. International organisations can assist in the management of the tourist destination development in three directions: priority policies, pointing to the importance of what is authentic and attractive and undertaking of activities for the purposes of improvement of destinations.*

Key words: *OECD, membership, Croatian tourism, potentials, sustainability*

1. INTRODUCTION

Tourist regions in the wider sense (non-specialised or heterogenous), in which tourism is not the main business activity, can have benefits for their development from OECD association membership. Furthermore, economies which are highly dependant on tourism can have benefits in the form of transformation of tourism towards sustainable challenges. The subject and, at the same time, the problem area of the research is valorisation of the potentials of the Croatian economy (tourism). The goal of the research is an analysis of the purpose and significance of joining the OECD organisation, both for Croatia and in the wider sense. In the available economic literature of recent dates, papers dealing with “new trends” in global economies and tourism are predominantly represented as well as efforts to adapt. Most represented are papers which refer to proactive policies, analyses of influences, change management and sustainable development. Bracy (2015) considers the possibility of substitution of regulation with reputation and points to such a possibility due to the emergence of new global trends in the market. Ritchie et al. (2010) prove that tourism of Canada and USA is affected by a crisis and that it will reflect on the future, which requires proactive policies. Bartoluci (2013) points out that in tourism it is “not enough to just manage changes, but that it is necessary to be ahead of them, i.e. to be ahead of the competition”. Pallis (2015) and Pucher and Dill and Handy (2010), analyse the co-relationship between traffic and urban development with the aim of improving infrastructure, programmes and policies. OECD (2011) issues instructions about

²⁵⁹Juraj Dobrila University of Pula, Faculty of Economics and Tourism "Dr. Mijo Mirković", Zagrebačka 30, Croatia

climatic changes and OECD policies and, the same year, issues the publication “Green Innovation in Tourism Services”.

In 2014, it emphasizes the term “creative economics” with the aim of encouraging innovations and managing changes. Sharma (2011) analyses economics as a quantitative and qualitative discipline and stresses the need for the creativity in regard to logic, epistemological, sociological and educational characters of some economic subjects. However, Thévenot (2017) analyses and further points to the problem of imbalance of the quality of OECD countries. McManners (2017) and Šergo, Gržinić, Poropat (2009) stress the need for reformative economic policies towards sustainability and the need for sustainable management of changes and for further actions. Based on the above stated, we can conclude that, due to the influences and changes in economies, as well as to an increase in the risks of externalities (economic deviations) the importance of international associations is growing. According to what has been said, sustainability (economic, ecological, and social) is becoming the main premise of stakeholders’ actions.



Jasmina Gržinić is Full Professor of Tourism at Juraj Dobrila University in Pula, Department of Economics and Tourism. She was educated at the Faculty of Tourism of Hospitality and Management (Opatija, Croatia) and Pula University (Croatia). She is a member of the editorial boards of 5 international scientific publications. Her main research topics are: Principles of tourism, International tourism, Tour operators and Travel agencies, Cultural tourism, Tourism attractions. She has published more than 80 scientific papers and two books, including the book “International tourism” (2014) and “Tour operators and hoteliers in modern tourism”. She is also editor of three scientific monographs. She was Head of Department of Tourism and a member of the Senate at the University of Pula. Besides her scientific work, her duties also include teaching activities with international students. She is actively involved in the work of a student entrepreneurial incubator and a member of numerous professional and academic associations.

2. ROLE OF ASSOCIATIONS FOR MEMBERSHIP COUNTRIES

The Organisation for Economic Cooperation and Development (OECD) is a transnational economic organisation, founded by the United Nations in 1960, in the capacity of an observer and is situated in Paris, France. Given that France is one of the first signatory countries, the official language is English and French. The last acceding country is Latvia (in 2016). The purpose of the organisation is encouragement of economic progress and world trade. The goal is to promote the policies of economic and social wellbeing in the way that the governments of the countries exchange experiences and seek solutions for problems with the aim to encourage changes. OECD is directed towards provision of assistance to the governments of the member countries, but also throughout the world by means of:²⁶⁰

- return of trust to markets through the institutions which facilitate their functioning;
- establishment of public finances in the form of a basis for future sustainable economic growth;

²⁶⁰ OECD, <http://www.oecd.org/general/oecdlaunchesyourbetterlifeindex.htm>

- encouragement and support of new sources of growth through innovations, ecologically acceptable strategies of “green growth” and development of new economies;
- guarantee of development of skills of different age groups in order to work on future tasks in a productive and satisfying manner.

In the following text, the “dimensions of the entry” are analyzed, important for organisation of economic cooperation and development, social, demographic and economic aspects of development. For this purpose, the comparison of the economic progress of countries which have different tourism positions, observed from the aspect of the national authority, as well as a long time delay from the initiative of entry (Croatia,²⁶¹ France) seems justifiable.

3. COMPARATIVE ANALYSIS OF SELECTED COUNTRIES

3.1. Demographic and developmental characteristics

France is one of the 19 countries which, on 14th December 1960, signed the Convention for the Establishment of the Organisation for Economic Cooperation and Development (OECD). With over 64 million inhabitants, it has an unemployment rate of 9.3% and poverty rate of 8.1%.²⁶² Life expectancy is approximately 82.5 years, among the highest among the countries of the European Union.²⁶³ Health consumption is higher than in the majority of other membership countries and expenditure for health reaches €3,382 per capita (2015).²⁶⁴ For the same year, Croatia has 4.2 million inhabitants, risk of poverty 19,5% and an unemployment rate of 16.1%. Life expectancy in Croatia is 77.5 years. Health consumption in Croatia equals €1,200 per capita.²⁶⁵ The difference in the minimal level of income (1,038 €) points to the Croatian economic backwardness.²⁶⁶

The OECD advisory body has a strong partnership with the European Commission, as well as a cooperative relationship with other organisations, such as UNWTO (*The World Tourism Organisation*). In 2016, travel and tourism contributed with a total of approximately 200 billion euros to the gross domestic product, while employment in tourism created 3 billion jobs.²⁶⁷ Therefore, the development of the global tourism sector is monitored and development recommendations are given.

3.2. Tourism sector

The OECD membership countries have a distinctive role in international tourism. International arrivals in the OECD membership countries made up 54% of global arrivals in 2014 (up to 57% in 2012). On average, tourism directly contributes with 4.1% and the share of service export is considerable in the OECD economy. On average, international income from tourism represents 21.3% of the product export in the OECD. That share varies from country to country. Tourism makes up 39.5% of product export in Italy and 12.9% in Great Britain. In addition, it is estimated

²⁶¹ In OECD sources, Croatia is quoted as a partner country

²⁶² OECD <https://data.oecd.org/france.htm> and STATISTA 2018, <https://www.statista.com/statistics/460446/poverty-rate-france/>

²⁶³ average age in Europe is 80 years

²⁶⁴ EU average is €2,797, *France: Country Health Profile 2017*

²⁶⁵ UNDP in Croatia, <http://www.hr.undp.org/content/croatia/en/home/countryinfo.html>

²⁶⁶ OECD data Croatia, <https://data.oecd.org/searchresults/?q=Croatia>

²⁶⁷ OECD Tourism Trends and Policies 2018, p. 30.

that around 80% of tourism export turned into domestic added value, which is more than the average of the overall economy.²⁶⁸

Countries encourage the introduction of mechanisms to improve the stability and reliability of the processes, needed for procurement of permits, concessions and other requirements for construction and operation of tourism companies (Brazil, Greece), as well as direct and alleviate investment in accommodation and other tourism infra/suprastructures (Croatia, France, Israel, Switzerland; OECD, 2014;54). Although there are several countries (Brazil, Bulgaria, Costa Rica, Croatia, Egypt, India, Israel, Malta, Mexico, Morocco, Philippines and the South African Republic), where tourism operates under the Ministry of Tourism, and others where tourism portfolio is predominantly within other (economic) country ministries (Austria, Canada, Chile, Columbia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Latvia, Lithuania, Luxembourg, Macedonia, The Netherlands, New Zealand, Norway, Portugal, Romania, Spain, Sweden, Switzerland and the United States; OECD, 2014;32).

Table 1. shows a comparative review of the observed countries' tourism scope. In Croatia, travel and tourism contribute with approximately 17 billion euros to the Croatian gross domestic product. The number of arrivals and the number of overnights is evidently higher in France in relation to Croatia, which is understandable given the number of inhabitants, but it is under the influence of numerous other factors. France develops "supporting attractive products", which are recognizable as trade marks (OECD, 2014;35), based on the principles of clarity, cooperativeness and selectiveness. It develops sustainable forms of tourism and validly covers regional imbalances.

Table 1. Number of overnights, arrivals and employed in tourism – selected countries (2016); (in mil.)

Country	Overnights	Arrivals	Employed
France	404.8	157.3	1.180
Croatia	91.3	16.3	0.138

Source: *Statista*, <https://www.statista.com/statistics/413224/number-of-arrivals-spent-in-short-stay-accommodation-in-france>, *Total Croatia news*, <https://www.total-croatia-news.com/travel/17314-croatian-tourism-income-surpasses-18-percent-of-gdp>

Arrivals in the OECD have grown faster than global arrivals (on average 6.4% in 2014). Five OECD countries recorded an annual growth of over 20% in relation to 2008, namely: Denmark (21.4%), Greece (23.0%), Iceland (23.6%), Japan (29.4%) and Mexico (21.5%). OECD contributes to future trends in the form of active policies for tourism:²⁶⁹

- Tourism trends and priority policies,
- The role of transport in raising of clients' experiences,
- Policy for tourism "sharing economy".

Competitive, but also sustainable tourism activity, as well as the role of the governing structures in the development of the funds are specifically emphasized. Tourism has a key role in the global economic activity, creation of new jobs, export income and domestic added values. The result is improvement of the development of regions by means of recognition by visitors who repetitively visit or transfer information about their experiences.

²⁶⁸ Ibid

²⁶⁹http://www.oecd-ilibrary.org/industry-and-services/oecd-tourism-trends-and-policies-2016_tour-2016-en;jsessionid=3ilprvg4vohgr.x-oecd-live-02

Table 2. Selected economic indicators (2016)

Country	GDP (in mill. €)	GDP per capita	Minimal income	Tourism in GDP (%)	Unemployment (%)
France	2 465.45	41.364	1 480	8.9	9.4
Croatia	46.406	11.118	442	18.01	16.3

Source: Prepared by the author according to: *Le portail de l'Économie, des Finances, de l'Action et des Comptes publics*, <https://www.entreprises.gouv.fr>, *Knoema*, <https://knoema.com/atlas/France/topics/Tourism/Travel-and-Tourism-Total-Contribution-to-GDP>, *HNB*, <https://www.hnb.hr/statistika/glavni-makroekonomski-indikatori>

France has been progressing despite the insecurity caused by terrorist attacks (table 2). Although, in 2016, it realized a fall of 2.2%,²⁷⁰ it is the most popular world destination in the observed year. Croatia is the destination of rapid growth and continues to be oriented towards predominantly mass tourism. Tourism is a main sector of economic development and on which the economy is highly dependent. Creation of an experimental measurement framework is in progress, which would unite the practices of countries, methodology of preparation and examples of applicability.²⁷¹ The Organisation wishes to moderate new tourism marketing models and influence the countries in order for them to, using governmental funds, encourage a higher level of participation in the cooperative sector or industry (especially: Austria, Croatia, France, Iceland, The Netherlands, New Zealand, Portugal, The Slovak Republic, Spain, Sweden, United Kingdom, Bosnia and Herzegovina and the United States; OECD, 2014;42).

4. DISCUSSION AND DEVELOPMENT RECOMMENDATIONS

To increase the potential of the countries, the Organisation will request further progress by the governments concerning the reduction in the cost of roaming or finding alternative mechanisms to facilitate local access to the Internet (for example Croatia, France). In Croatia, the Ministry of Tourism implemented the HOT-SPOT programme (support to free Internet access in tourism destinations), which is deemed to be an improvement. For its goal, the programme has to improve the competitiveness of Croatian tourism by providing free Wi-Fi in the most frequented destinations.

Although in numerous countries initiatives for improvement of the access to finance for small and medium-sized companies are not directed towards the tourism sector, small and medium-sized tourism companies can join public support for improvement of access to the financing of small and medium-sized companies in general. However, certain financing options are better matched to the needs of small and medium-sized companies in tourism of some countries (for example Austria, Brazil, Columbia, Croatia, Mexico, Portugal) (OECD, 2014;35). Apart from quantitative data, reports are also issued about how traffic can improve tourism experience, in the same way as possibilities, challenges and implications can improve tourist board management. Numerous private schools/faculties demonstrate greater agility in the development of relationships with economy, putting state universities in a competitive position. Linking of the academic community with the social and economic communities is becoming an integral part of institutional strategies for both countries.

²⁷⁰ Le portail de l'Économie, des Finances, de l'Action et des Comptes publics, <https://www.entreprises.gouv.fr>

²⁷¹ Dupeyras, A., MacCallum, N. (2013), "Indicators for Measuring Competitiveness in Tourism: A Guidance Document", *OECD Tourism Papers*, 2013/02, OECD Publishing, <http://dx.doi.org/10.1787/5k47t9q2t923-en>.

Understanding international tourism and its dynamic environment, whose changes in a great measure affect its future, give us a possibility to better understand the whole of tourism as an important economic development originator. For Croatia, access to OECD represents easier adaptation to global trends and resolving disputes with the important and traditional tourism markets (eg border disputes with Slovenia). Otherwise, it will lose orientation on the priority policies (sustainable development) and activities in order to improve coastal and rural tourism destinations.

In order to avoid unfavorable conditions and reduce negative effects, except the government, tourism must be managed by experts (stakeholders) who are familiar with the paradigms of sustainable development, socially responsible business and technological innovations and who are prepared to adapt methodology to the demands of advanced economies.

5. ACKNOWLEDGEMENTS

This paper is a result of scientific - research project „Identification of externalities in the modelling of sustainable development of tourism“ supported by the Faculty of Economics and Tourism „Dr. Mijo Mirković“, Juraj Dobrila University of Pula. Any opinions, findings, and conclusions or recommendations expressed in this paper are those of the author(s) and do not necessarily reflect the views of the Faculty of Economics and Tourism „Dr. Mijo Mirković Pula“.

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