

INSTITUTE OF CURRENT WORLD AFFAIRS

AS-4
Tourism
1. The Record and the Plans

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Solina 4A
Belgrade, Yugoslavia

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Dear Mr. Nolte:

Western tourists may yet be prime beneficiaries of Yugoslavia's current economic troubles. For, if there are enough of them, they may at last put the Yugoslav economy on a self-sustaining basis. So, at least, hard-headed officials here believe -- an interesting commentary on the common notion that Yugoslavia is either already "behind the Iron Curtain" or is about to "rejoin the Soviet bloc."

This is the situation: Yugoslavia, with a national income of about \$5 billion, has been running a negative trade balance (not including U.S. aid) of about \$100 million a year and has accumulated foreign debts of more than \$800 million. Most of the creditors (the Italians are the notable exception) have been unwilling to refinance the debts; and the shortage of foreign exchange, needed to buy essential materials and parts, has already idled a significant number of factories and workers.

In this context, the question of tourism -- which has in the



SEASCAPE AT CRIVENICA

-- which has in the past accounted for only 0.5 per cent of Yugoslav national income -- may at first appear trivial. Yet, when in the very midst of the crisis tens of millions of dollars are being invested in new resort facilities, and when such matters as restaurant menus and waiters' tips are discussed in major speeches by Marshal Tito, one realizes that the promotion of tourism is rather serious business, indeed. It is, in fact, one

of the major components of state policy aimed at easing the strain on the balance of payments.

It is also an aspect of state policy on which I have, willy nilly, become rather well informed. I recently returned from a five-day press tour of various resort facilities in Slovenia and Istria, where we had a chance to talk with Yugoslav travel authorities, Federal and local, about their plans for the coming year. I also spent a month last summer on the Dalmatian coast, with side-trips to Bosnia and Montenegro, as a quite unofficial tourist. From this dual perspective, then, I should like to review the record of tourism in postwar Yugoslavia, the plans being made for the future and the problems still evident; and I should also like to speculate, briefly, on some of the social implications of an expanding tourist program.

The Record

Until about five years ago, the Yugoslav authorities showed relatively little interest in attracting foreign visitors. In the Leninist-Stalinist lexicon, Western tourists were by definition "bourgeois" and thus suspect. A decade ago, Belgrade rejected an offer by a Swiss hotel firm (the Swiss ran Brioni before the war) to build and operate a chain of new hotels on the Adriatic Coast which would, after a period of years, belong entirely to the Yugoslav Government. As late as 1956, the number of foreign tourists* was only a third above pre-war, and the number of "overnight stays" was actually lower than in 1939. This despite the fact that in the meantime Yugoslavia had acquired (in the peace settlements with Italy) the Istrian peninsula, Zadar (Zara) and various Adriatic islands -- territories which, taken together, account now for nearly a fifth of Yugoslavia's tourist trade.

What altered the regime's view of tourism, of course, was the experience of Yugoslavia's neighbors: Italy, Austria and Greece. Italy this year will earn a billion dollars from tourism (a fact which Marshal Tito has already mentioned in three speeches), while Greece, which was at the Yugoslav level in this respect a decade

* The Yugoslavs count tourists three different ways. The number of tourists is computed from hotel registers, and someone who stays in more than one hotel is counted each time. (E.g., my family of four, visiting six cities, counts as 24 tourists.) The number of overnight stays gives a more accurate picture of overall tourist volume, but does not tell anything about individuals. What might be the most accurate figure for individuals is the number of frontier crossings, but unfortunately this is available only many months after the fact (the 1961 figure is not yet available). In this letter I am using, as the most convenient basis for comparisons, the number of tourists -- normally about a third higher than frontier crossings and about a fourth of the total overnight stays. It would seem from these figures that the average individual stays about five days, but that one of three stays in more than one city.

ago, now earns almost ten times as much as this country. That kind of hard currency is simply too inviting for any government, Communist or otherwise, to ignore -- particularly the government of a nation fronting on the sunny Adriatic and lying athwart the main land routes from Venice and Vienna to Athens. Moreover, not only does tourism promise Yugoslavia hard currency and help to activate long-depressed areas on the Dalmatian and Istrian coasts; it also helps Yugoslav industry to cope with the problem of stabilizing its export markets. As Tito put it last July (at the Fourth Plenum of the Central Committee of the League of Communists in Belgrade):

"The foreign exchange earned through tourism is the cheapest for us, because not only do we earn this exchange without spending anything abroad, but we are also selling, in this way, articles whose export would have to be subsidized by us."

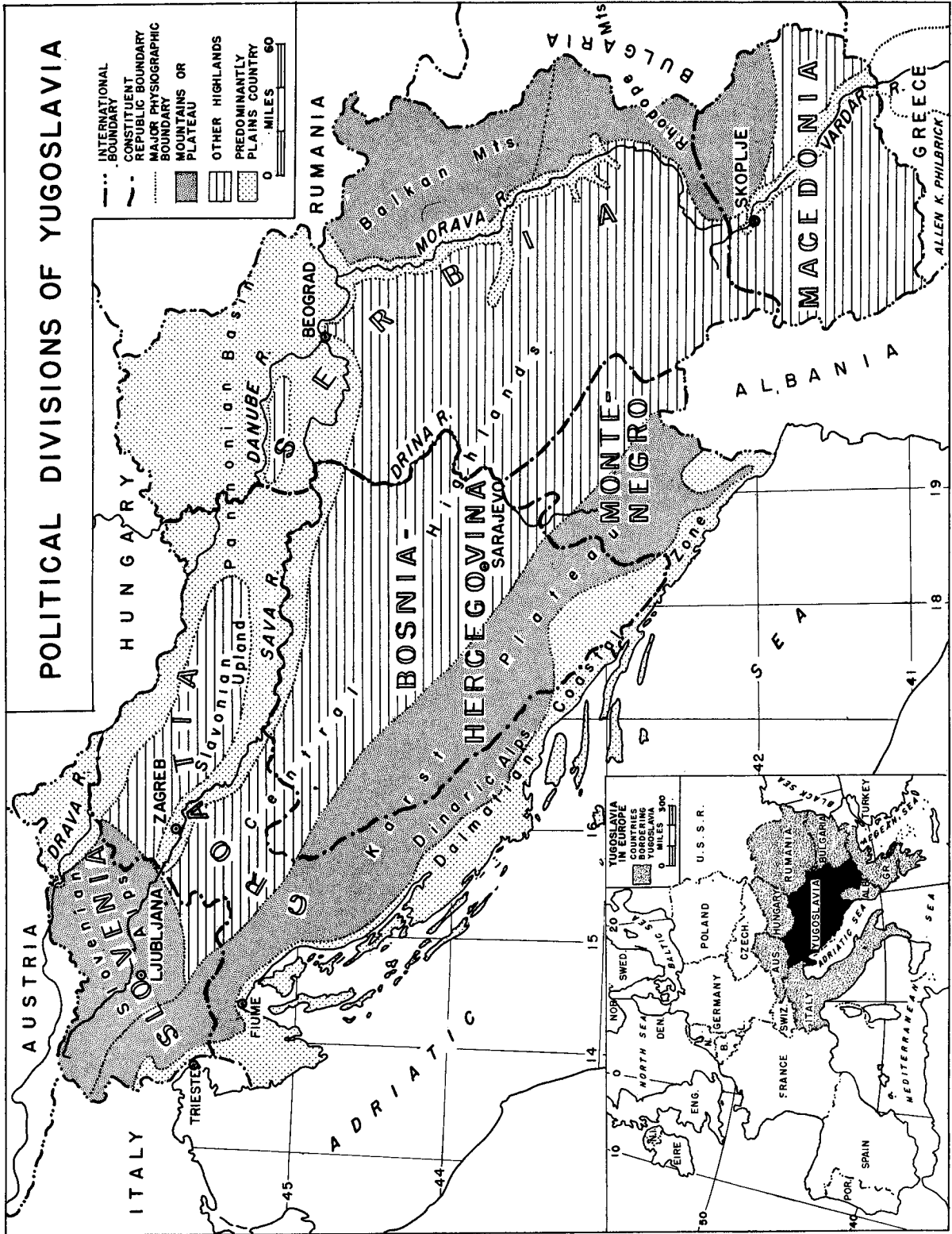
Between 1957 and 1961, the number of foreign tourists visiting Yugoslavia doubled. This was partly a result of the economic boom in Western Europe, partly a result of the eastward shift in the tourist pattern (France-Italy-Greece), but partly also a result of conscious and increasing Yugoslav efforts, ranging from tourist literature and contacts with foreign travel agencies to the construction of new highways and motels.

In 1961, some 1,079,500 foreign tourists spent some \$25 million in Yugoslavia. Despite harsh weather last spring, the number of tourists in the first eight months of 1962 was 12 per cent greater than in the same months last year. Owing to the gradual stabilization of the Yugoslav dinar, and the virtual elimination of the "cheap dinar" market in the West, the amount of foreign currency obtained this year was 63 per cent greater. Since September was a banner month, it is expected that by the end of this year some 1,220,000 tourists will have spent in the neighborhood of \$40 million.

More than 90 per cent of the tourists come from non-Communist Europe. The national origins of the 926,282 who came in the first eight months of 1962 may be ranked as follows:

Austria.....	238,747
West Germany.....	188,258
France.....	93,060
Italy.....	91,265
Great Britain.....	59,050
United States.....	35,376
Netherlands.....	30,994
Switzerland.....	25,492
Belgium.....	23,279
Greece.....	16,238

The Communist country which sends the most tourists to Yugoslavia is Poland, which is in thirteenth place (following Sweden and Denmark). The total number of tourists from all the countries of the Soviet bloc is barely 48,000 -- i.e., about a fifth of those from Austria alone.



Courtesy of the American Universities Field Staff

The tourists come primarily in the summer -- more than half during July and August, 70 per cent in the four summer months. More than half come by private automobile, nearly two-thirds by auto, bus or motorcycle.

The tourists go primarily to the Adriatic Coast, that is, to Istria and Dalmatia. By national republics, more than three-fourths of the total Yugoslav tourist trade is in Croatia. Another eighth is in Slovenia. If one excludes Belgrade, the other four republics -- Serbia, Bosnia-Hercegovina, Montenegro and Macedonia -- together account for less than 8 per cent of the total overnight stays.

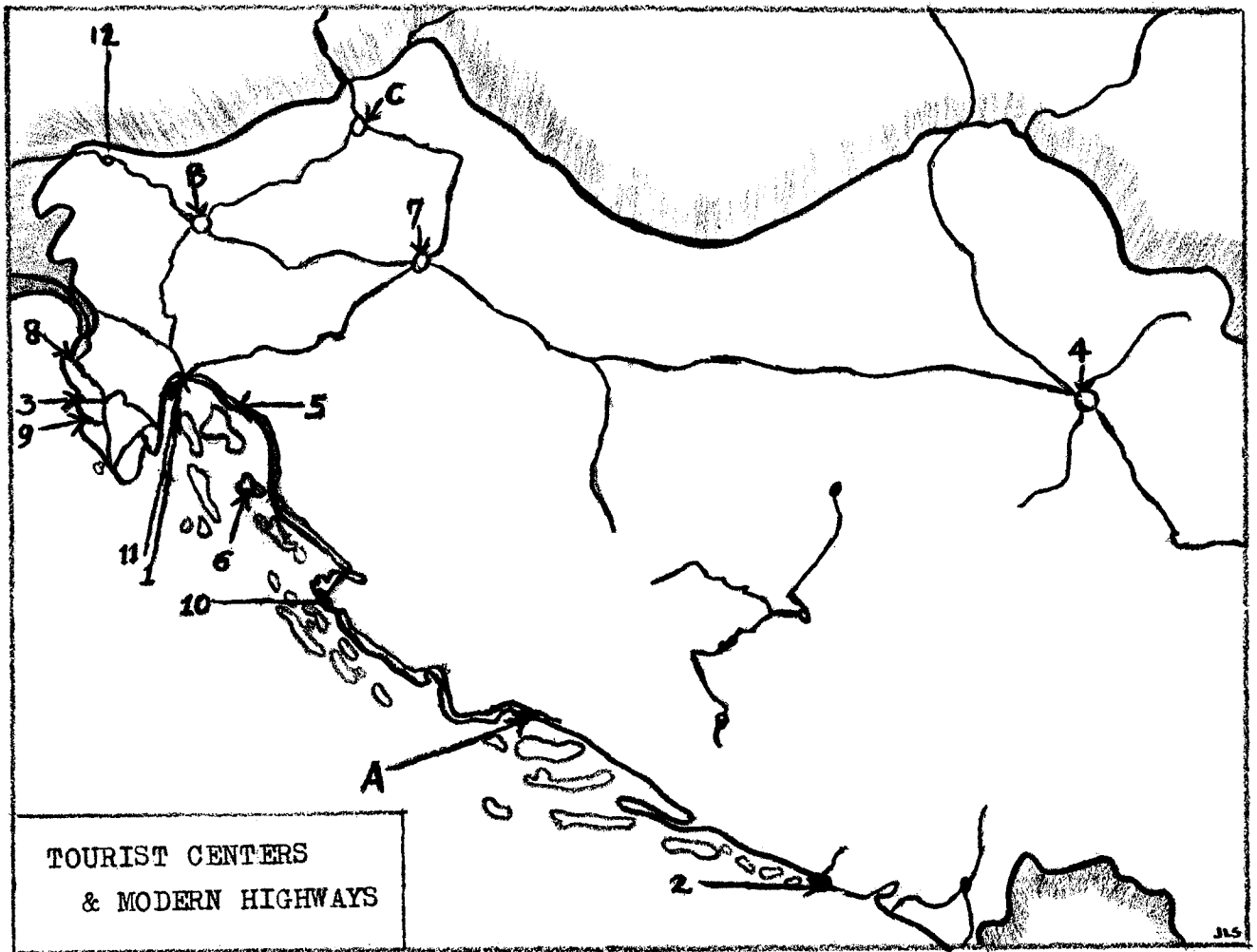
Perhaps the most important reason for this is the condition of Yugoslav roads, the best of which are mainly to be found in the northwest corner of the country. The chart on the opposite page shows that, of the twelve leading tourist stops in 1962, nine (eight maritime and one, Bled, inland) are to be found in precisely this area -- less than a day's drive from the northern frontier. (In the case of Rab island, one adds a few hours' boat ride.) Belgrade and Zagreb, of course, can be reached by air as well as by modern highway. Dubrovnik alone owes its high place on the list to its unique merits, for until the completion of its new airport last year it was accessible mainly by murderous dirt roads or usually overcrowded ships.

With tourism, in other words, as with many other natural resources, Yugoslavia has barely begun to realize its potential. Still awaiting full development and thus large-scale tourist "discovery" are not only Central and Southern Dalmatia, but the Montenegrin Littoral, the mountain lakes of Bosnia-Hercegovina, and the winter-sports areas of the Slovenian Alps.

The Plans

The \$40 million in hard currency Yugoslavia will earn from tourism this year is certainly welcome to a government hard pressed for foreign exchange. Yet the fact is that, at its present level, the tourist industry does not generate its own capital and must be financed from other sources -- by local authorities and by the Federal Bank for Foreign Trade. According to Marshal Tito, "accumulation" will only become possible when the annual gross reaches some \$75-80 million. Others say that a lower gross would be profitable if the hotels and other tourist enterprises were not taxed so heavily and were permitted instead to retain a greater share of their earnings.

In any case, the regime has set its sights for \$100 million, and hopes to achieve it by the 1965 season. Tito says this is "not a large sum," but it is two-and-a-half times the present volume (and, incidentally, precisely the amount of the annual trade deficit in recent years). At present spending rates, nearly three million tourists would be required to spend that much money. It is obvious that the attainment of such a volume will require great efforts, financial and otherwise.



The Leading Tourist Centers (ranked by no. of "overnight stays")

1. Opatija.....	411,947
2. Dubrovnik.....	219,941
3. Poreč.....	219,085
4. Belgrade.....	200,426
5. Crikvenica.....	161,825
6. Rab.....	157,213
7. Zagreb.....	153,078
8. Portorož.....	143,322
9. Rovinj.....	137,119
10. Zadar.....	121,473
11. Lovran.....	111,605
12. Bled.....	104,722

Figures for Jan.-Sept. 1962 (ctsy. Tourist Union of Yugoslavia)
 Also Shown A = Split B = Ljubljana C = Maribor

The financial effort is being made. Some \$32 million is being invested this year to build new hotels and motels, modernize old ones and provide all sorts of facilities. Among the projects expected to be completed by the spring are new Class A hotels in Split, Ljubljana and Maribor; annexes to the Excelsior (A) and Neptune (B) in Dubrovnik; and many new motel-type accommodations in Istria and along the main roads from Vienna to Istria and to Zagreb. All in all, it is hoped that by May hotel capacity will have been expanded by 9,000 beds -- more than two-thirds of them situated in prime tourist areas. This expansion of capacity is more than three times greater, overall, than in any previous year. In the tourist regions proper, in fact, present capacity is being doubled. The new accommodations, by conservative estimate, can be used by another quarter-million tourists annually, to the tune of some \$6 million a year in hotel bills alone. When one adds food, drink, gasoline, souvenirs and various other customary purchases and fees, the potential "take" for the Yugoslav economy may be as much as \$15 million.

The tourist industry is currently seeking to obtain an even greater investment in new facilities next year. They have requested some \$52 million for 1963, which would be more in one year than in the entire decade of the 1950s. How much they will actually be allotted in the new Social Plan under preparation depends in large measure, of course, on the broader economic situation.

The Yugoslavs have also begun (in this sphere as in others) to overcome earlier misgivings about foreign investments, and are openly seeking Western capital and participation in their tourist enterprises. The form this can take is that of "loans" plus "technical advice"-- with payment for the "advice" (out of the enterprise profits) serving, in effect, as the return on the loan. Thus far, Western-Yugoslav collaboration along these lines has been on a small scale. For example, several Western travel agencies and touring clubs have been regularly bloc-booking (and helping to run) various motel colonies, and their rising guarantees have financed the expansion of these facilities.

Last month, however, the Intercontinental Hotel Corporation, a subsidiary of Pan-American World Airways, concluded an agreement with the Hotel Esplanade in Zagreb and the Centro-Tourist agency which may be a harbinger of things to come. On the face of it, the agreement seems to make little sense: Intercontinental is reportedly putting up \$5 million ("to start with"), and appears to be receiving little more than the right to add Zagreb to its world-wide circuit; the Esplanade, in turn, is one of the two or three best hotels in the country and hardly seems in need of "advice." When questioned about the agreement, Yugoslav officials say that their main hope is that Pan-American will route them more customers, publicize Yugoslavia, etc. But they also talk about Intercontinental "taking over" other hotels in Belgrade, Split, Dubrovnik, Portoroz and elsewhere -- and "perhaps later" building "some" new hotels. Still another "perhaps" is Pan-Am being allowed to land its planes at Yugoslav airports. There is obviously something important in the works here, but it will take time for all its ramifications to unfold.

Quite apart from Intercontinental, the Yugoslavs are now negotiating with firms in no less than six Western countries to invest in tourist facilities here. The negotiations appear to be quite well advanced: When I suggested to one official that in all probability at least one or two of the projected deals would materialize, the reply was: "Well, why not all six?"

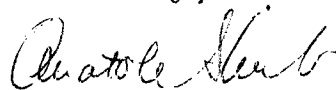
In addition to the major effort now underway to expand tourist facilities, through domestic and foreign investments, sums "many times greater" are being spent on developing the nation's transportation system. These investments will benefit the economy as a whole, of course, but many of the new projects are clearly aimed to make tourist areas more accessible.

The airline JAT (Jugoslavenski Aerotransport) has acquired three Caravelle jets and will put them into operation next April 1 on nine international routes, including direct flights from London, Paris and Rome to Dubrovnik. Two important new trains are being added: the Hellas Express, from Dortmund and Munich through Ljubljana, Zagreb and Belgrade to Athens (with connections to Rijeka-Opatija, Split and Sarajevo); and the Jadran (Adriatic), an express line from Vienna to Rijeka. A great number of new buses are also being added.

Most important, however, is the expansion of the Yugoslav network of asphalt roads. The main Autoput from Italy and Austria to the Greek frontier (via Ljubljana, Zagreb, Belgrade and Skopje) is approaching completion -- all asphalt next year except for a single remaining gravel stretch of fifteen miles in lower Macedonia. The Adriatic Highway will be completed to and somewhat beyond Split, opening that fascinating city and its environs to a large number of motorists who had been (rightly) daunted by an infamous twenty-mile gravel section south of Sibenik. Progress is also being made on the transverse roads which connect the Autoput with the Adriatic highway; by the coming season, for example, 280 miles of the 385-mile route across the mountains from Zagreb to Dubrovnik will be asphalt. And, in the south, both along the coast and in the interior of Serbia, Montenegro and Macedonia, significant sections of asphalt are being added year by year. By the end of the decade, perhaps, it may at last be possible to drive through all six republics, visiting both coastal resorts and the major inland cities, without once encountering the pervasive, sun-baked, beige-gray dust for which the roads of the South Slavs have been famous for centuries.

In a second letter on this subject, I shall discuss some of the problems which tourists in Yugoslavia -- and thus the Yugoslav tourist industry -- still face; and attempt also to assess the social impact of the tourist program on Yugoslavia itself.

Cordially,



Anatole Shub