INSTITUTE OF CURRENT WORLD AFFAIRS

AS-5
Tourism
2. Problems and Implications

Birčaninova 28b
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Dear Mr. Nolte:

Yugoslavia's natural splendor, its novelty to most tourists on the West European circuit, its special position as a Slavic and Communist society, its substantial new investments in facilities and roads, its burgeoning ties with Western groups and firms -- all these factors augur well for a significant expansion of foreign tourism in Yugoslavia in the years ahead.

It is another question, however, whether Yugoslavia can soon attract -- and hold -- enough tourists to make the industry self-financing and profitable for the national economy as a whole: a level of, say, three million tourists spending $100 million a year. For progress toward this level will depend not only on investments and promotion but also on the solution of certain intrinsic problems of tourism in Yugoslavia -- problems which reflect more general social conditions. However, the very expansion of Western tourism may, as another force for "liberalization," contribute in some measure to the eventual solution of some of these Yugoslav social problems.

## The Problems

The most obvious shortcoming in the Yugoslav tourist industry is service. For tourists who arrive by air in Zagreb and stay at the Hotel Esplanade, or come by foreign ship to Dubrovnik and stay at the Argentina, the problem hardly exists. But such happy tourists are the exception. For the majority, including even those who wisely restrict themselves to Class A accommodations, the service may range from mediocre to execrable (e.g., at the Jadran Restaurant in Karlobag on the Adriatic, we started lunch by arguing fifteen minutes for the changing of a tablecloth and ended, two and a half hours later, by fetching dessert from the kitchen ourselves).

There are many reasons given for the poor service. To begin with, there is not much of a tradition of hostelry. In the old Yugoslavia, many of the better hotels, restaurants and resorts were operated by "outsiders" -- mostly Germans, Italians and Jews, that is, the very groups who were exterminated or expelled from the country in World War II. Others were likely to be "bourgeois" in political taste, which means that many were killed or fled the country. Still others were forced into other occupations during the postwar decade in which the tourist trades were neglected. Thus, on the human level, the new Yugoslav tourist industry has virtually started from scratch -- relying on intensive training schools to impart in a few months what their Italian and Austrian neighbors have learned over generations.

There are also problems of organization. At the top, there is a tendency to award prize jobs, such as the directorship of a major hotel, to deserving Communists. This sometimes means that another person, with neither the pay nor the authority, must actually run the place. The confusion begins for the tourist when, accustomed to dealing with the de facto manager on routine matters, he must locate the (often "busy") Communist director for some special favor, such as cashing a personal check.

At lower levels, Yugoslav labor laws prevent rapid hiring and firing -- and thus make it practically impossible for managers to take on extra help at times of peak business. Quite predictably, many facilities as a result are understaffed, others overstaffed. Those that are overstaffed are not necessarily more efficient; with tenure assured, their employees are even more prone to look the other way when a tourist beckons.

The same insistence on maintaining employment levels is partly responsible for the failure of the dozens of Yugoslav tourist agencies to consolidate their operations, despite repeated calls from on high for "integration." The situation is better now than a few years ago, when almost all the agencies were named "Putnik" (Traveler); there have been some mergers, and several of the Putniks have changed their names. Still, the casual tourist may well resent being told by one agency that a given ticket or reservation is unavailable, and then after some effort obtaining it from another -- only to find the plane or hotel half-empty.

Nevertheless, despite the lack of tradition and organizational shortcomings, the major cause of indifferent service is clearly the lack of incentive. Since almost all Yugoslav tourist enterprises are socialized and their employees salaried, there is no such thing as the fine "little place," where owners and their families are eager to please because they have a personal stake in the tourists' satisfaction. To be sure, hotels and restaurants are nominally owned and administered by workers' councils, which back-check the director and supposedly decide on the distribution of profits. Yet so much of the profit is taxed, or goes to pay off local or Federal loans, or goes into maintenance or expansion of facilities, that even an unusually independent workers' council has little leeway when it comes to raising wages.

In fact, so little power do the actual employees have that in many cases they have been unable to obtain the 10-20 per cent charges for "service" which Yugoslavia instituted a few years ago as an alleged substitute for the "bourgeois" practice of tipping. As Marshal Tito revealed at the Zagreb Fair in September:

"I thought that in our country these people were well paid during the summer season, but that is not the case. The amount of money claimed for services is not distributed to them. Who, then, does take that money. I was very annoyed when I heard about this. A worker employed in catering draws 24-25,000 dinars ($32-33) a month in the summer, but he works all day long. Naturally, in such circum-

stances he cannot always be smiling. On the contrary, he must often be frowning and ill-tempered. This does not at all appeal to foreign guests."

Actually, a normally inquisitive traveler who has been in Yugoslavia a few weeks will learn to add his own 10-15 per cent tip to the nominal "service" charge -- and will be amazed at the dramatic improvement in service, for the Yugoslavs are by nature a warm and hospitable people, and not without all sorts of unsuspected skills when they have the will and do not feel themselves exploited. Unfortunately, the average tourist stays in the country less than a week; and he is liable already to resent the first, mandatory "service" charge, which has been indicated in fine print only, if at all, on the price lists which he has used to budget his vacation. For this is only one of the "hidden" charges with which he has been confronted: There are others for residence (taxe de séjour), insurance, registration, parking, food not included in the pension, etc.

The files of Yugoslav tourist organizations are full of complaints against these extra charges. Yet there is a certain hesitation about instituting realistic "all-inclusive" prices, for such prices might be as much as 20 per cent higher than the rates now listed. And that might be perilous, in view of the fact that one of Yugoslavia's chief attractions to the Western tourist has been its relative inexpensiveness. A number of hotels and restaurants did raise their prices this year, and apparently met with considerable resistance; the announced policy for 1963 is to hold the line on most hotel prices, and actually to lower a great many.

The resistance to higher prices and hidden charges does not come only from individual tourists, but from large firms as well. Some weeks ago, the Italian Line, whose luxury vessels the Saturnia and Vulcania have for several years been putting in at Dubrovnik on their cruise route from Venice to Piraeus, announced it would discontinue the stop as a result of new Dubrovnik local taxes. The Yugoslavs, of course, have rushed to reassure the line that the taxes would be "adjusted," for they simply cannot afford to be bypassed on such a profitable and prestigious international route. However, the very imposition of the taxes, and the strong pressures required to remove them, illustrated a common Yugoslav attitude which Western people can only regard as exploitative. That is, many Yugoslavs, high and low, seem to feel that the Western countries are so rich (and their tourists, by definition, so "bourgeois") that almost any expedient for parting them from their money is morally justified, however unmerited it may be by any Yugoslav quid pro quo.

The same line of thought has been apparent in larger spheres of Yugoslav policy -- as, for example, when Vladimir Popović recently argued before the U.N. General Assembly that the underdeveloped nations, whatever their policies and politics, had a right to aid from the advanced countries. However this attitude may be judged morally, it seems to me that in practical terms it can only lead to unpleasantness in the short run and great disillusionment for the Yugoslavs in the long range; for the Western tradition, which with

the best of intentions cannot long be ignored, is to pay only for services rendered and value received.

In any event, the individual Western tourist has a wider range of choices, and can be more fickle about them, than any Western chancery. He can always pick up stakes and go home, or move on to Italy, Austria, Greece; perhaps soon to Hungary or Rumania; even, in the jet age, to Turkey, Cyprus, Israel, Egypt. He can also, if he likes the Adriatic but finds aspects of the Yugoslav milieu unpleasing, "bring his own" -- tents, boats, cots, canned food, liquor, gasoline, etc. (This apparently is what a number of West Germans have been doing, thus depriving the Yugoslavs of coveted marks.) Most important in the long view, the dissatisfied tourist can simply choose not to come again -- and tell his friends why.

Many Yugoslav tourist officials are quite aware of this. They recognize that the golden goose cannot be artificially prodded; that their country is in fact competing with other nations which offer greater readily-apparent value; that thus far it has been profiting to a large extent from its novelty; and that their own efforts must be directed now not only at luring the tourist to Yugoslavia but at pleasing him once he has come. Increasing contact with Western tourists, tourist officials and tourist facilities has raised their own sights; and there can be little doubt that Yugoslav standards have risen considerably -- particularly in those fields (such as the JAT airline) most directly exposed to the bracing effects of international competition. Tourist officials generally also favor greater internal competition, to be achieved by alleviating the tax burden and permitting the hotels and other enterprises to retain more of their earnings. In this way, the more attractive, efficient and profitable enterprises and communes could expand more rapidly, while the weak sisters would not be able to fall back so easily on government subsidies.

But at this point we are on political terrain, and must remain awhile. For fundamental questions of social policy are involved in the apparently innocuous matter of hotels and restaurants keeping their own earnings. To put it most broadly: if purely market considerations are to prevail, and autonomous centers of wealth and social power to develop, in the Adriatic resorts, then why not in the other sections of the country and the other sectors of the economy?

Why not, indeed, a genuinely decentralized social structure and a really free market (with cooperatives, municipalities and family enterprises in the place of capitalist combines)? It is a question that goes beyond tourism -- and beyond Yugoslavia. In the ultimate sense, the answer was supplied long ago in the Russian inner-party debates over the collectivization of agriculture. If individual peasants were permitted through the free market to "enrich themselves," and to stimulate industry and trade through the growth of their purchasing power, then -- argued Stalin (or perhaps it was Preobrazhensky) -- "what need is there for the Party?"

To be sure, both Tito and Khrushchev have shown that, Stalin (and Mao Tse-tung) to the contrary notwithstanding, it is possible to disregard "ultimate" implications and make piecemeal reforms -- with the limitation that they do not undermine the social role of the Communist party apparatus. Nevertheless, even in the immediate sense, "liberalization" of the economy -- decentralization, freer play in the market, material incentives, tolerance for small-scale private operations -- poses distinct political problems. For the further such "liberalization" goes, the more it generates pressures to reorient the national economy toward consumption rather than investment -- toward higher living standards rather than absolute "growth," toward the good things of life rather than heavy industry, or (to put it another way) toward "private" rather than "public" needs. And such pressures, to the extent that they are recognized and appeased, also tend to erode Communism's basic rationale as Stalin defined it in 1927.

We may seem now to have wandered a long way from tourism; yet we are really not very far at all. For it is a fact that Yugoslav tourist resorts suffer most of all -- more than from indifferent service, or inexpert organization, or exploitative attitudes -- from the lack of a vital "private" milieu. It is not only the lack of good small cafes and roadhouses and refreshment stands, of comfortable movie theaters and dance halls, fishing parties and golf courses, boarding houses and day camps. All these might conceivably be supplied, in reasonable quantity if not high quality, by the state. Rather, the lack is in Yugoslav society itself: the poverty, discomfort and political ambiguity in which most of the Yugoslavs live, and which tend virtually to exclude that natural network of relationships between "summer people" and "natives" which imbue resorts elsewhere with their specifically human content. I am not thinking now only of relations between men and women (although one may wonder how many tourists would come to Italy and France without that particular lure), but also of the more prosaic relations between neighbors, between children, between customers and shopkeepers, tenants and handymen, swimmers and lifeguards, motorists and mechanics, fishermen and captains, "staff" and "guests."

All these relations are difficult, if not impossible, in the Yugoslav tourist resorts -- and not solely because of the language barrier (German and Italian are well understood on the Dalmatian coast). It is, rather, that we tourists are all so much richer than the Yugoslavs, even if we are not by our standards rich at all: we have eaten more and better, we spend more freely, we drive rather than walk, we are used to space and privacy and cleanliness, we expect reciprocity and a measure of equality among people. We are also freer: our very presence in Yugoslavia is the most obvious sign of that, and the deference with which we are treated by the police is another.

This fundamental inequality in the relation between "tourists" and "natives" is recognized by both sides, and it produces reactions which are not conducive to the rapport that makes for long-term

vacation habits. In the foreigner, the social disparity produces guilt (expressed as arrogance or indifference); in the Yugoslav, shame (variously expressed in servility, hostility or greed). The Yugoslav is compelled to live and cope with such feelings; the foreigner, however, can simply shrug his shoulders and move on.

I do not believe that this disparity can easily be removed under the present system, no matter what the rate of economic growth. For while there is poverty, too, in Italy, Greece, Puerto Rico and even Cape Cod, it is not quite so pervasive. There are also in those places a rising middle class, and an even more numerous lower-middle class, with whom the tourist can make easy contact and to whom he is bound by a certain community of interest. Such classes are being created in Yugoslavia -- a middle class of administrators, managers and political officials, a lower middle class of engineers, scientists, intellectuals and entertainers. (Mr. Djilas' "new" or upper class is not very numerous, is "rich" only by comparison with the other Yugoslavs, and tends to seclusion.) But the new Yugoslav "middle classes" are, with reason, concentrated in Belgrade and Zagreb, and to a lesser extent in Llubljana and other political-industrial centers.

The creation of a political and technical elite in the power centers is not at all the same as the fostering of general well-being in the tourist towns. Quite apart from the specifically Yugoslav circumstance that other regions and peoples would probably resent the enrichment of the Dalmatian Croats (even by their own efforts), it is ideologically unthinkable for any Communist regime to permit the rise to relative affluence of hotelkeepers, restaurateurs, caterers, shopkeepers, produce merchants, fishing captains, service men, agents, doctors and the like. For Communists would thus be assisting in the veritable re-creation of that pristine "bourgeois society" which in Marx's teaching (cf. George Lichtheim's penetrating new study) precedes the rise of capitalism and thus the industrial revolution. And, of course, the Communists who have attained power in underdeveloped Eastern Europe are committed to bypassing all these other stages and social formations which the West traversed on its road to industrial development.

It may not be true, although there is strong historical evidence for it, that tourism is "in essence" a phenomenon of the bourgeois era. But it would appear that the establishment of a viable milieu for large-scale and stable tourism in Yugoslavia -- a milieu that could withstand changes in fashion, technology or prices -- requires in some measure the renovation of Yugoslav society at large. Yet paradoxically -- or, rather, dialectically -- there is another side to the coin.

## The Implications

One need not be an enthusiastic believer in the wholesale blessings of cultural exchange to recognize that Western tourism may itself be a significant and hopeful factor in Yugoslavia's internal development. To put it briefly, the presence of hundreds

of thousands of Western tourists -- and the various measures which must increasingly be taken to accommodate them -- tend to promote greater realism and openness in Yugoslav life.

It is obvious, for example, that tourists provide the Yugoslavs with a more realistic and detailed view of Western life than they might otherwise obtain from their own government. No special oral "propaganda" is necessary; such sights as the Adriatic Highway in summer, with nearly all the cars foreign, are eloquent enough. The more cars, the more tourists, especially from such unplutocratic countries as Austria and Italy, the harder going it must be for any who seek to resurrect the myth of the "pauperisation" of the Western working class. The more tourists from West Germany and Italy, too, the less tenable the notion that the lag in Yugoslavia's economic development is primarily due to World War II damage. The increasing numbers of tourists from Scandinavia may even contribute something to the Yugoslav understanding of socialism -- the Danes, specifically, to an understanding of how cooperative agriculture may be freely and efficiently organized.

But there are other effects, direct and indirect, of tourism on Yugoslav life which are perhaps more important than an accurate "image" of the West. Tourist spending habits, like export sales, influence Yugoslav production patterns. The police are far less in evidence (and more polite) on the Dalmatian Coast than in Belgrade--and that, as the saying goes, is "no accident." Visa and customs formalities have, year by year, been further relaxed and simplified, a practice which must eventually apply to traffic in the other direction. Tourist festivals, social events and promotional literature have less and less Communist content, and draw increasingly on the pre-Communist heritage. In restoring old churches and monasteries as tourist attractions, the authorities are also in a sense rehabilitating them for use. In building modern roads, they are not only stimulating domestic demand for cars but also perhaps contributing to the eventual resolution of the nationalities problem; for only when this three-fourths-mountainous country is unified physically can its people ever be united economically and spiritually.

The expansion of tourism, moreover, means the growth of the tourist "interest" as an influence within the regime. It is, unmistakeably, an influence for rationalization, liberalization, Westernization. We have already observed the "decentralizing" positions naturally assumed by tourist officials on such matters as taxation, distribution of earnings, and internal competition. Successful and growing fast, the tourist industry -- like shipbuilding and some of the other export enterprises -- may be expected to press further for the use of profitability and other rational economic criteria, rather than political ones, in social policy. Large-scale tourist patronage of the Trieste, Zurich and other free markets in the dinar doubtless helped to compel the realistic currency reform of 1961, from which the resort industry benefited so greatly this year. It is even likely, since expanding tourism places evident strains on Yugoslav agriculture, that tourist officials may be counted as a force for solving the various problems

of farm production and distribution in pragmatic rather than doctrinaire fashion.

Most crucial of all, perhaps, is the basic fact with which we began this survey: the fact that Yugoslavia is banking on Western tourists to help solve, on a permanent basis, its balance-of-payments problem. For here is yet another strand in the powerful material links being forged between Yugoslavia and the West. It is of a piece with even more substantial ties: the acceptance of Western credits and investments, the welcoming of Western licenses for Yugoslav industry, the regrouping of that industry toward trade rather than autarchy, the Yugoslav entry into GATT and the reluctant, circuitous but undeniable attempt now being made to adjust to the Common Market.

It seems to me that, with all the fanciful official fanfare about "non-alignment" and the "third world," and with all the inconclusive journeyings between Belgrade and Moscow, Yugoslavia has already taken many a long step toward rejoining Europe -- not, perhaps, the "little Europe" defined by transient military pacts, but the real Europe of history, of trade and of the tourist, a Europe which certainly includes the allegedly "neutral" citizens of Geneva, Vienna and Stockholm. Is it too much to suggest that, so many steps having been taken, there is no longer any turning back?

Cordially,

Anatole Shub

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