

# **LOCKED IN: THE SILENT SIEGE OF DUBROVNIK BY THE TOURISM INDUSTRY**

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URBAN PLANNING and HISTORIC PRESERVATION THESIS**

**2012**

**LOCKED IN:  
THE SILENT SIEGE OF DUBROVNIK BY THE  
TOURISM INDUSTRY**

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Submitted in partial fulfillment of the requirements for the degrees  
Master of Science in Historic Preservation  
Master of Science in Urban Planning

Graduate School of Architecture, Planning, and Preservation  
COLUMBIA UNIVERSITY

May 2012



# ABSTRACT

This thesis argues that Yugoslavia and an independent Croatia used Dubrovnik's cultural heritage to define and substantiate themselves as they emerged from political upheaval, disrupted economies, and nascent institutional foundations and thus firmly embedded the tourism industry within their political economies as more than an economic tool.

Through the tourism industry, the cultural heritage of Dubrovnik played a fundamental role, symbolically and economically, in their process of nation building. As an emblematic site of historic and national significance, Dubrovnik represented the freedom and wealth of culture that both Yugoslavia and Croatia as new unsteady political institutions sought to evoke.

Within bolstering the tourism industry, Yugoslavia and Croatia cultivated Dubrovnik's path dependency in the sector, which resulted in its contemporary "lock-in" and mono-economy. This study of Dubrovnik will elucidate the role of path dependency in shaping Dubrovnik's economy, political actors, and social fabric, while portraying the extent that tourism has pervaded throughout all spectrums of society and distorted its local heritage.

Thus, I seek to answer the following questions:

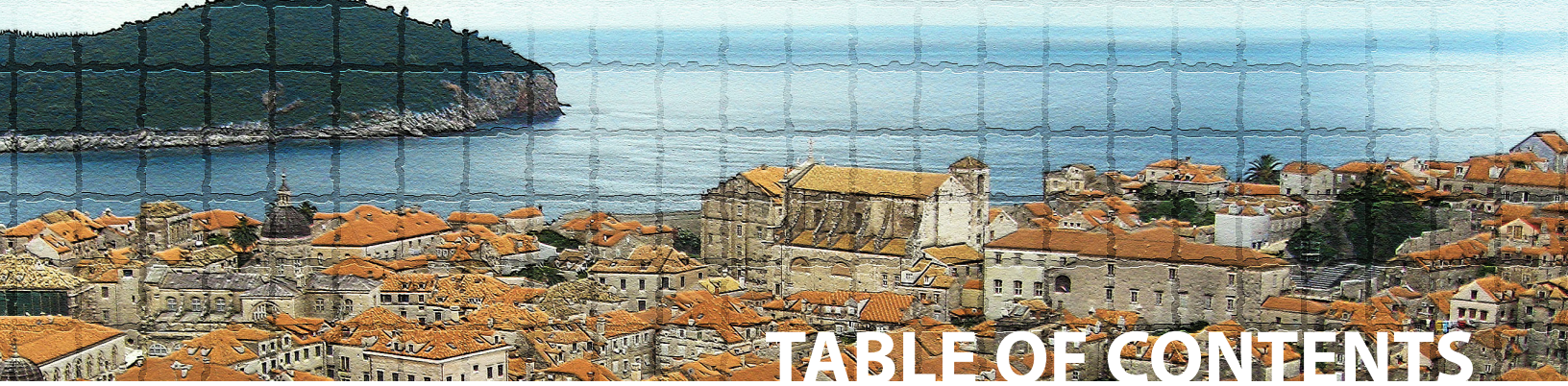
- How did the State's focus on the tourism industry as an economic and political engine engender Dubrovnik's path dependency in the sector?
- How does Dubrovnik's lock-in the tourism industry represent the State's failure to regulate the industry?
- How does a lock-in the tourism industry facilitate the erosion of a site's cultural heritage?

Using Dubrovnik as a case study to answer these questions, this research will evaluate path dependency's potential use as an ex-ante planning and preservation tool to predict if a state is advancing towards an irreconcilable lock-in and how to intervene if it does. Path dependency makes meaningful intervention all the more difficult, because it increasingly diminishes the agency of political actors to switch paths. Therefore, as will be demonstrated, planners need to increase means for effective participatory planning to counter a potential lack of political will that can prevent developing alternative, more optimal paths.



# ACKNOWLEDGEMENTS

I would like to extend my deepest gratitude to my advisor Smita Srinivas. This paper would not have been possible without her ceaseless time, support, and guidance... even out of the country. I am immensely appreciative of her unwavering belief in this work's potential. Thank you to my parents, Dolores and Michael, for seamlessly transitioning without fail between being my editors, advocates, counselors, and of course parents. As always, I could not have done it without you both. I am also very appreciative of Andrew Herscher, my reader, for finding the time to participate in my thesis jury despite his hectic schedule. Finally, I would like to thank my advisor Jon Calame for reminding me that even late in the game, it is still possible to switch paths and not be "locked-in."



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# THESIS STATEMENT AND RELEVANCE

## LOCKED-IN: THE SILENT SIEGE OF DUBROVNIK BY THE TOURISM INDUSTRY

In 1907, a traveler recounted a conversation that he had in the Old City of Dubrovnik, then referred to as Ragusa, that warned of tourism: “ ‘Don’t write about Ragusa,’ said the only English lady I met [there]... ‘or tourists will flock here in crowds and spoil it.’ And I fear that she was right” (De Windt 1907, 77). Another traveler in 1911 reiterated similar sentiments worrying that Dubrovnik’s intrinsic essence would be eroded through increases in tourism: “Even now these fairylands are being ‘discovered,’ and Americans and English are beginning to find out of their unspoilt wonders. All too soon they will be invaded, and their purely Eastern beauties will be corrupted by our cheap civilization” (Trevor 1911, 215). By 1954, their concerns had become a reality. A travelogue confirmed their admonitions asserting the passing of the fairylands and pristine allure of Dubrovnik to that of a commonplace tourist destination: “Tourist-ridden... its dreamy atmosphere spoilt by sausage-eating Germans and gum-chewing Americans” (Ingram 1953, 121).

Today, the situation is much worse. It is my assertion that Dubrovnik now is “locked-in” the tourism industry’s web. Having survived one conflict, Dubrovnik is faced with the ubiquitous battle to save its cultural heritage and local identity against the corrosive forces of tourism and globalization in a transition economy, as recently described by a journalist: “The city is again under siege but this time it is by cruise operators, who deposit thousands of tourists each day in high summer with the feckless abandon of the early 1990s Yugoslav gunners” (Russell 2010). The bombardments of 1991-1992 on Dubrovnik were marked by the widespread destruction of its historic architecture, and it took a long and difficult period for the city to recover from the extensive damage. However, the present onslaught of Dubrovnik’s heightened tourism industry is yet another destructive force that threatens the city. Unbearable to Dubrovnik’s residents and putting city’s cultural heritage in peril, the tourism industry is threatening its own economic livelihood by jeopardizing the continued sustainability of Dubrovnik’s social and cultural capital. The recent dismissal of Dubrovnik’s former Minister of Tourism Pave Župan Rusković from her position for purportedly vocalizing the need to limit tourism in Dubrovnik (Pavičić 2012) highlights the extent to which the issue of the tourism industry has ruptured the seams of local society, while the government’s official response has been complacency and ignoring the issue rather than addressing it through integrated, long-term planning.

I argue that the States surrounding Dubrovnik sought to define and substantiate themselves emerging from political upheaval, disrupted economies, and nascent institutional foundations and thus consequently, firmly embedded the tourism industry within their political economies as more than an economic tool. Through the tourism industry, the cultural heritage of Dubrovnik played a fundamental role, symbolically and economically, to the process of nation building. As an emblematic site of historic and national significance, Dubrovnik represented the freedom and cultural wealth that both Yugoslavia and Croatia as new unsteady political institutions sought to evoke. During the political and economic transition of both Yugoslavia and Croatia, they mobilized the tourism industry as a strong ideological tool representing prosperity and stability and used it to bolster their economies and generate revenues, whereas strong developed states tend rely less on the tourism industry for nation building but mainly for economic development and growth.

After World War II, the Federal People's Republic of Yugoslavia was established. It became the Socialist Federal Republic of Yugoslavia in 1963 and encompassed the state of Croatia. In 1991, the Republic of Croatia declared independence. Within their formative political histories, Yugoslavia and Croatia were faced with the formidable task of building a nation within the wake of war. The heritage industry in Dubrovnik was leveraged as a viable and profitable resource that played a central economic and symbolic role upon which the nations could coalesce and define themselves. The governments used the history ingrained within Dubrovnik as a foundation to substantiate their political state. The historic architecture in Dubrovnik's pristine setting on the Adriatic Coast was a ready resource to generate tourism.

In this sense, Yugoslavia and Croatia's use of Dubrovnik's cultural heritage was not unique as many nascent developing nations leverage historic sites within their process of nation building. Although within the case of Dubrovnik, the habitual, systematic development of tourism by Yugoslavia and Croatia resulted in Dubrovnik's path dependency in the industry and eventual lock-in. Yugoslavia laid the groundwork for the tourism industry along the Adriatic Coast, which the fledgling state of Croatia further developed in Dubrovnik and in doing so, firmly instituted the city's path dependency in the sector. Through the convergence of historical factors that established its path dependency, Dubrovnik is locked-in the industry. Consequently, the exploitation of Dubrovnik's heritage has been intensified, as its social and cultural assets have been systematically compromised within the process of political and economic transition.

Dubrovnik was recognized as a travel destination as early as the 16<sup>th</sup> century (Fox and Fox 1998). However, the industry was not formally developed by the State until under Yugoslavia. Building on Dubrovnik's inherent cultural and historic capital, Yugoslavia significantly developed the tourism industry in Dubrovnik by investing in the sector's productivity throughout the Adriatic Coast, constructing extensive transportation networks and tourism infrastructure, and using wide scale tourism marketing, alongside changing the perception of tourism in Yugoslavia. Within Croatia's postwar reconstruction, Croatia recognized the immense symbolism, economically and politically, of resurrecting Dubrovnik's tourism industry. However, I will show that contrary to the commonly accepted analysis of tourism as yet another sector to boost an economy, in the case of Dubrovnik, Croatia unintentionally created a mono-economy. Croatia's continued development and heavy investment in the industry further established Dubrovnik's trajectory of path dependence. Consequently, Dubrovnik today is a mono-economy.

Since the 1960's, the tourism industry has been widely embraced and encouraged as a path for the economic development of developing countries, and organizations such as the Organization of Economic Development and Cooperation (OECD) continue to tout the industry's merits (Lanfant 1994). Much of the existing literature on heritage does not recognize the extent that a lock-in the tourism industry can exist within a local economy and its pervasive effects within the macroeconomy of an area. Moreover, the literature on cultural tourism within the planning and preservation disciplines tends to view the state as merely the arbiter of symbolism and national identity through culture and not question the role of the State as needing to economically regulate the industry as a sector within a larger economy. However, this study will demonstrate the inherent, irrevocable danger posed to historic cities, such as Dubrovnik, that are completely dependent on the tourism industry without a diversified economy due to the State's lack of regulation. To be clear, the tourism industry can be a highly productive and inspirational symbolic sector as part of a diversified economy, but as this study of Dubrovnik will demonstrate, without long-term planning in an integrated framework, a complete reliance on tourism is highly unsustainable and detrimental to local heritage.

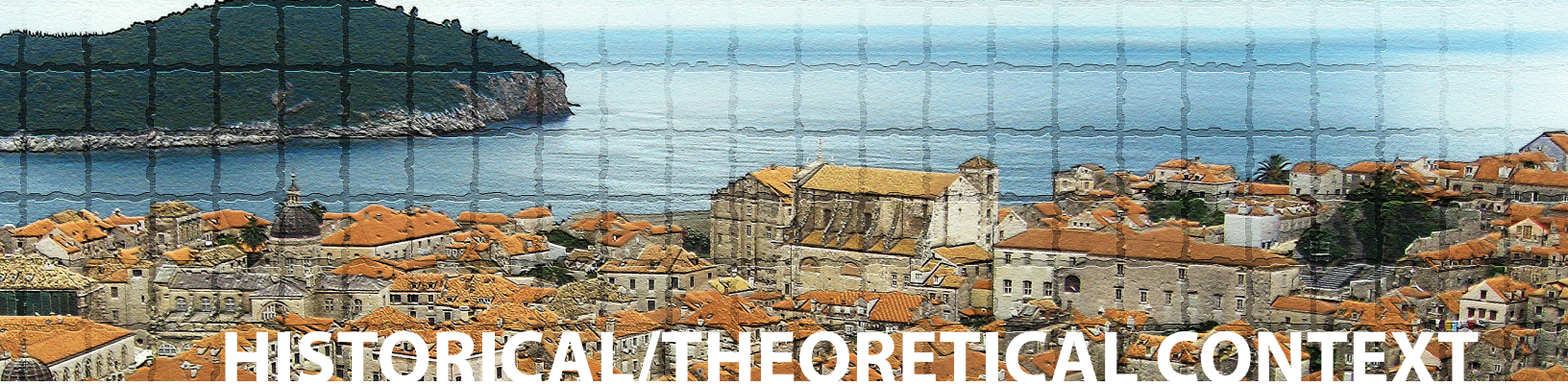
Dubrovnik represents a distinctive case that merits extensive study beyond that which this paper is able to provide, because it depicts the difficulties of a city to evolve beyond a certain path when tourism is deeply intertwined within its cultural and economic history. Moreover, Dubrovnik initially had other productive sectors such as its historic maritime industry, which will be discussed further in this paper, but those industries be-

came substantially less viable and competitive as the dominance of tourism grew. Unlike other historic cities in developing economies whose governments actively created a relatively inorganic international tourism industry such as in Angkor Wat and Mostar, Dubrovnik's early tourism arose outside of government intervention, which will be detailed later in this work. Yet within its late historic trajectory, Dubrovnik began to revolve around the industry and became representative of the ubiquitous story of globalization. Why? Was it inevitable? Through Yugoslavia and Croatia's strong shortsighted support of tourism in Dubrovnik, the tourism industry inundated its local economy, transforming its social fabric. Moreover, the distinctive position of the tourism sector as an economic and symbolic entity within Croatia's transition further positions Dubrovnik as an interesting case study from which to understand the role of a sector within nation building and transition, in addition to the potential of historical determinism creating a mono-economy. In contrast to other countries after postwar reconstruction and transition, such as the former German Democratic Republic after unification and Japan, Britain, and the Federal Republic of Germany after World War II, Croatia chose not to focus on developing new sectors but instead to concentrate on rebuilding the existing tourism sector. Was it due to path dependency? As planners and preservationists, Dubrovnik offers salient lessons to our professions about overprescribing tourism for economic development and how history can provide insight into the actions and decisions of contemporary political institutions, thereby helping us to understand them.

Within the confines of this paper, I refer to the Old City of Dubrovnik as the Old City or simply Dubrovnik and when referring to the larger confines of Dubrovnik whether city at large, municipality, or region, I specify the extended geographic territory that I am referencing. Additionally, references to cultural heritage are grounded in an understanding of the intrinsic relationship between local identity and built heritage. I have also adopted the following definition for path dependency as used by Paul A. David who laid the theoretical foundations of path dependency in economics: "a dynamical process whose evolution is governed by its own history" (David 2007, 92). My definition of lock-in is based on the multi-disciplinary works of Paul A. David, W. Brian Arthur, and James Mahoney, as when an institution cannot transition to another path despite better and more efficient options, because of its historical determinism within the path-dependent framework. Moreover to accommodate my unconventional application of a path dependency model within my study of Dubrovnik, my definition of regulation attempts to bridge various disciplines, and thus I view regulation as protective restrictions imposed by a political institution to control markets and economic systems in addition to the management of symbols and heritage. Conversely, I have identified failure as the inability of the State to control inefficiencies of the market and protect the erosion of its privileged cultural symbols and historic sites. Significantly, listed in the national register of historic monuments under Yugoslavia, the continued protection of Dubrovnik by the State is legally mandated. Finally, corruption relatedly is used to signify the mismanagement or exploitation by the State of culture and heritage for misaligned political or economic objectives.

This thesis attempts to contribute by recognizing that while cultural heritage sites are commonly manipulated to legitimize a political institution, reinforce a sense of national identity, and generate economic revenues, Dubrovnik represents a unique situation in which events within its historical development culminated in its lock-in the tourism industry, which has engendered a destructive environment for Dubrovnik's cultural heritage and its future sustainability. Within this, I want to explore the limits of the State during economic transformations and the State's need to build diversified economies without promoting tourism as the sole economic option. Dubrovnik's path dependency has distorted its cultural heritage, eroding its key social and cultural capital, which ultimately threatens its continued viability as an economic resource. Within my work, I will attempt to show the limits of literature that promote tourism without looking at its macroeffects on the economy. Thus through this research, I want to answer the following questions: How did the State's focus on the tourism industry as an economic and political engine potentially engender Dubrovnik's dependency in the sector? How did the State fail to regulate the industry, and how does its failure continue to facilitate the corruption of a site's cultural heritage?





# HISTORICAL/THEORETICAL CONTEXT

## **PATH DEPENDENCY and LOCK-IN as a THEORETICAL FRAMEWORK**

The following section presents the basic multi-disciplinary theories of path dependency and lock-in as developed by Paul A. David, W. Brian Arthur, and James Mahoney. Additionally, it presents how I have used their understandings of path dependency and lock-in to create a framework from which to analyze the historic trajectory of tourism in Dubrovnik.

The seminal works produced by Arthur and David largely established the foundational understanding of path dependency within economics and political science, respectively, and have greatly informed the understanding of path dependency within this paper: David 1985, Arthur 1987, Arthur 1989, Arthur 1990, David 1993, Arthur 1994, David 2007. Arthur, who additionally refers to path dependency as “positive feedbacks” and “increasing returns,” asserts that within path dependency once economic events ascertain a particular path they are then locked-in it and unable to change directions despite the advantages posed by the emergence of alternative paths (Arthur 1989, Arthur 1990). Insignificant or random events that impart an initial advantage to an increasing-return event can influence it to select a given path that results in it being ‘locked-in’ to an inferior choice (Arthur 1989). On a similar note according to David, path dependency is “a dynamical process whose evolution is governed by its own history,” and its force should serve as an integral facet to the understanding of the evolution of any technology, institution, firm’s strategy, and industry structure (David 2007, 92). Thereby, David emphasizes the importance of studying the present in relation to the series of historical occurrences that connect it with the past in order to elucidate “the historically imposed constraint upon the evolution of particular economies,” and on a more fundamental level, “it is not possible to uncover the logic (or illogic) of the world around us except by understanding how it got that way” (David 1993, 34, David 1985, 332). Consequently, within discussing the present condition of Dubrovnik’s tourism industry, this paper presents its analysis within the context of Dubrovnik’s deterministic industrial history.

Additionally, Mahoney’s comprehensive work on path dependency has served to inform the theoretical framework found within this paper (Mahoney 2000). Elaborating on path dependency within the context of historical sociology and historical research, Mahoney extends the theory of path dependency beyond its common application as ‘past events influence future events’ and ‘history matters’ and asserts a more rigorous understanding of the concept (Mahoney 2000 1, North 1998, Bernan 1998, David 1993). Mahoney defines path dependency as “those historical sequences in which contingent events set into motion institutional patterns or event chains that have deterministic properties” (Mahoney 2000, 507). Integral to a sequence being identified as path dependent, initial events need be related stochastically and/ or demonstrate the existence of other viable possibilities (Goldstone 1998, David 2007, Mahoney 2000).

Traditionally, path dependency has not been applied to the study of tourism and the role of the state, especially in the context of nation building and the exploitation of cultural heritage. I will attempt to apply the theoretical framework of path dependency to my research and evaluate its potential use as an ex-ante planning and preservation tool. Can we use it to predict whether a state is advancing towards an irreconcilable lock-in? What might we learn about the process, and how institutional change affects path dependency? How can we use

it to deter the potential exhaustive dependency of states on its finite cultural capital? To what extent can states learn from their mistakes and to what extent are they determined or conditioned by them?

I have chosen to examine the seeming path dependency of the tourism industry in Dubrovnik to understand how tourism became a foregone decision for its economic development. To the extent that even when Croatia attempted to disassociate itself from its Yugoslav and socialist economic legacy, tourism remained a tenet in its national reconstruction. How did the industry gain such a formative position in Dubrovnik's social, economic, and political landscape?

While path dependency ostensibly seems directly related to economic theory, recent scholarship such as that of Paul Pierson (2000) has extended it to explain politics, political development, and social outcomes, which makes path dependency additionally interesting as a complementary narrative to explicate the changes in the national governance surrounding Dubrovnik despite its political economy continuing to revolve around tourism. Pierson contends that small events can have large consequences that are nearly possible to reverse, and "political development is punctuated by critical moments or junctures that shape the basic contours of social life" (Pierson 2000, 251). Therefore, this study of Dubrovnik will attempt to elucidate the role of path dependency in shaping Dubrovnik's economy alongside its political actors and social fabric, which will help to explain the extent that tourism has pervaded throughout all spectrums of Dubrovnik's society and distorted its local heritage. Path dependency impedes meaningful intervention, because it increasingly diminishes the agency of political actors to switch paths. Therefore, as will be demonstrated, planners need to increase means for effective participatory planning to counter potential power asymmetries and lack of political will, which prevent developing alternative, more optimal paths. Furthermore, the study of the potential effects of path dependency in Dubrovnik will highlight the necessity for planners to continually reevaluate the reasoning behind a political institution's desire to retain the status quo and whether it is detrimental to an area's long-term livelihood.

As will be demonstrated within the case of Dubrovnik, its initial tourism was based on visitors touring the city en route to other destinations and transportation networks that were developed for industrial trade not to cultivate the tourism industry. The government did not pursue actively tourism as an economic activity for Dubrovnik until after initial contingent events had established a historical trajectory of dependence on the sector. Self-reinforcing sequences perpetuated Dubrovnik's increasing entrenchment in the industry, whereby establishing its path dependency. Additionally, the role of institutional change between Croatia and Yugoslavia altered the character of Dubrovnik's path dependency to that of a detrimental mono-economy.

As a result, Yugoslavia instituted the replication of the institutional pattern of tourism in Dubrovnik that Croatia advanced, which has made it exceedingly difficult for Dubrovnik to subsequently develop alternative industries, alongside the lack of government will and effective regulation to aid it doing so. Thereby, Dubrovnik is locked-in the sector.

Scholars generally define path dependency as the result of two types of sequences: reactive sequences and self-reinforcing sequences. While reactive sequences demonstrate a chain of chronologically, causally connected events that are 'reactive,' self-reinforcing sequences first produce 'increasing returns' that establish the replication of a long-term institutional pattern (Mahoney 2000, 508-509, Pierson 2000, Arthur 1987). Self-reinforcing sequences initially generate increasing returns that perpetuate an institutional pattern that becomes deeply ingrained within a system to the extent that it becomes difficult to transition from it despite the subsequent emergence of better and more efficient options (Mahoney 2000, Pierson 2000).

In self-reinforcing sequences, preliminary steps along a particular trajectory maintain a continued movement along the same path, which results in a lock-in, the difficulty or impossibility to change course (Mahoney 2000, Pierson 2000, David 1985). In addition to increasing returns, the appeal of power and control compels economic actors, such as the state, to habituate an institutional pattern, so there is little government will to pro-

mote alternative paths (Barnes 2004).

Path dependency is a significant factor within the allocation of resources and can result in ‘socially regrettable’ outcomes that factor into issues of equality and social justice (David 1993, David 2007). Thereby, it is important within the study of Dubrovnik to not merely recognize that the tourism industry is exploiting much of Dubrovnik’s cultural heritage, but to expound on the determinative role of path dependency in its social and urban structure. David and Arthur both recognize that, while costly, public intervention and policy can redirect path dependent markets along more optimal paths, and David strongly urges that it should be a fundamental role of public policy to correct the ills of path dependency (Arthur 1990, David 1997, David 2006). Thus, a more nuanced understanding of the nature of tourism within Dubrovnik will expound on more effective means for public policy.

Path dependency theory has its share of critics who contend that in the face of path dependency free markets provide the best solution to correct inefficient resource allocation and that it does not result in substantial inefficiencies (Liebowitz 1995). However, as I will demonstrate in the case of Dubrovnik, despite the evident erosion of Dubrovnik’s cultural heritage and quality of life of its residents, the market has continued to contribute to the situation rather than alleviate it, and the State has failed to duly regulate the industry. Without adequate market and planning interventions, Dubrovnik’s dependency in the tourism sector will continue to undermine its sustained economic wellbeing. By better understanding the nuances of path dependency in an economy, planners can better articulate policy to prevent and ameliorate its effects.

## **THE CONSTRUCTION of NATIONS**

I have framed my analysis of Dubrovnik’s path dependency from the national level to understand the relationship of states and institutional change to a local economy and its cultural heritage. More specifically, examining the from the national level, the nation’s changing relationship to tourism helped to expound on the sector’s role in nation building, symbolically and economically, and how the state sought to shape it. Notably, within examining tourism under Yugoslavia, my inquiry relates to the federal level and its policy towards tourism as enacted in Dubrovnik. Since Croatia’s independence, I focus on tourism policy as prescribed under Croatia, while I do mention local political figures, it is mainly to highlight their role within the larger national strategy.

Political and national boundaries are inherently porous, unstable, and dynamic conceptions that often are mediated via the resolutions of tensions and conflicts (Swyngedouw 2000). As a result, an integral part of postwar reconstruction is the use of symbolic gestures that bolster a political institution’s legitimacy, such as reviving the economy and privileging cultural sites.

The formation of a national image is critical to newly independent states, especially those addressing a formerly Socialist past (Hall 2001). Because the markets of formerly Socialist states are in transition, the states’ control of them is heavily vested with symbolism. They need to be controlled by the state and as a result are heavily imbued symbolism. Post transition societies are faced with a social and cultural crisis that has unsettled all existing values and conventions without providing a set of replacements (Golubović 1999), so the state’s role is critical for the “regulation and negotiation of social, economic, and cultural life” (Swyngedouw 2000).

## CULTURAL TOURISM as NATION BUILDING

There is a myriad of relevant literature surrounding tourism, exploring a range of issues including tourism and branding, identity, economic development, state building, heritage, and globalization. However, there is a decisive dearth of literature that explores tourism within the specific context of post-transition states and their markets, especially those countries emerging from the pronouncedly different form of Socialism in Yugoslavia. As a result, my thesis hopes to provide a discourse to the void.

Since the 1960's, tourism has been a leading directive for economic development in developing countries; as a result, countries have been advised to privilege tourism, encourage foreign capital, and make fiscal incentives to promote the industry (Lanfant 1994). Within this, tourism has been advocated for the sake of development without considering its effects on the macroeconomy. Moreover, experts from the Organization for Economic Development and Cooperation (OECD) shifted the classification of tourism from accessory to a primary economic activity (Lanfant 1994). Some of the often cited benefits of tourism include alleviating the foreign exchange gap, generating foreign currency, funding capital, providing additional tax revenues, and increasing employment, Gross Domestic Product (GDP), and wages. Some of its costs include constant infrastructure upgrading, skewed investments in physical and human capital, and deterioration of tourism sites. (Sinclair 1998, Ashworth 1990).

At the onset of Croatia's War of Independence in 1991, tourism was one of the world's most important, fastest growing economic activities (Hall 1991) and today continues to be a decisive economic sector (Pitchford 2008). Between 1998- 2008, tourism was among the fastest growing economic sectors, and it accounted for 9.1 percent of international GDP in 2011 (Bandarin 2011, World Travel 2011). Cultural tourism accounts for about forty percent of tourism revenue (Bandarin 2011).

Heritage sites are fast becoming the sole determinant for tourism visits (Kunst 2009). They are generally viewed as substantial resources to generate sustainable levels of market demand and revenues for private enterprises (Kunst 2009) and are pervasively accepted as capital to help generate larger economic growth (Bandarin 2011), although my discussion of Dubrovnik's cultural heritage will attempt to represent some of the heavy costs associated with the too often prescribed use of heritage as the widespread solution to economic development. Additionally, I will discuss the need for the specific intervention of the state not only to promote the industry as prevailing literate advocates but also to regulate it. The international tourism industry paired with globalization has the potential to reduce culture into a commodified good, as Lanfant confirms "culture, society, and identity become mass products when International Tourism enters a country" (Lanfant 1994, 97), therefore the state is needed to regulate the industry economically and maintain culture's preservation to ensure its continued vigor.

Within cultural tourism, identity intrinsically permeates the industry, and relatedly there is much discussion within the literature of its role in building a national identity. Most evidently within the definition of heritage tourism is heritage, which necessitates the designation of what constitutes it and is in the purview of a nation's historic and cultural identity, as Hall elaborates, " 'Heritage' is far from being a value-free concept: economic power and politics influence what is preserved and how it is interpreted" (Hall 2002, 325). Hall recognizes the predisposition of newly established states to utilize the "heritage industry" to reinforce national and ethnic values and that cultural tourism offers countries the ability to "[employ] the past an element of restructuring for the future" (Hall 2002, 325). Accordingly, tourism can be a highly politicized industry within its selective presentations of heritage, culture, and history that are seamlessly transmitted into historic sites (Pitchford 2008). It plays a pivotal role in the process of nation building for new states. Aside from symbolic considerations, historic cultural sites are profitable resources. From a profitability standpoint, Timothy argues that states select historic cultural sites for tourism based on an "economic filter" that determines their potential value as tourism products and their viability to realize an "economic function" in the industry (Timothy 2003, 7).

Recognizing the pervasive power of tourism to a nation, as expressed by MacCannell, “tourism is not just an aggregate of merely commercial activities; it is also an ideological framing of history, nature and tradition, a framing that has the power to reshape culture and nature to its own needs,” (MacCannell 1992, 1), Yugoslavia and Croatia supported the tourism industry within the process of nation building to attain larger economic and political objectives. Dubrovnik, as a significant tourism destination, was used as a means to attain those goals.

A report by the Council of Europe asserted that cultural heritage should be an integral factor in Croatia’s tourism marketing (Pickard 2008), implicitly posing the need for this study to demonstrate the costs of disproportionately leveraging cultural heritage within the tourism industry and to prevent the commonplace acceptance of the institution throughout Croatia without the necessary regulation by the State.

As discussed, much of the literature presents cultural tourism as a powerful means to shape representations of national identity and a growing means for economic growth but without reference to its dynamics within the macroeconomy. Within the case of Dubrovnik, it is evident that its emblematic status as a national icon was leveraged within its heritage tourism, but its heavy dependence on tourism and consequent corrosion of its heritage reveals that sectoral balance is imperative.

## **THE HISTORIC LEGACY of DUBROVNIK**

As a thriving center of art, culture, and commerce for much of its history, Dubrovnik has a tremendous amount of symbolic and cultural capital. The city assumes a prominent position, culturally, socially, and economically, within the former Yugoslavia and Croatia. Recognizing the standing of architectural heritage in Dubrovnik, its preservation was mandated by law under Yugoslavia in 1956 and continues to be under the protection of the State. The historic center, deemed a UNESCO World Heritage Site in 1975, traces its roots to being founded by the Romans in the seventh century. Heralded as the “Pearl of the Adriatic,” a limestone late Medieval-wall encircles a rich collection of Gothic, Renaissance, and Baroque architecture. Dubrovnik emerged as a cultural and economic center in the 15<sup>th</sup> century, prospering from maritime trade, alongside burgeoning artistic, literary, and scientific activity. Additionally, throughout its history, the vitality of its urban core has been lauded (Horvatić 1992, Novaković 1997).

Critical to the identity of Dubrovnik is its long history as an independent city-state, distinguishing it from much of the rest of Croatia and cities along the Adriatic Coast. Dubrovnik prides itself on its longstanding political sovereignty despite the changing reigns of imperial powers surrounding it. Tellingly, carved on the entrance of the fortress outside of the Old City, dating from 1050, is the motto: *Non bene pro toto libertas venditur auro* (Freedom is not sold for all the gold in the world) (Tomašević 1983, 144), although this freedom is challenged today through the decisive hold of the tourism industry on the city. It was not until the Napoleonic Wars in 1808 that Dubrovnik officially relinquished its independence. In 1815, it became part of the Austro-Hungarian Empire. Its geographic position in Dalmatia under the Empire can be seen in Figure 1. After World War I, Dubrovnik was formally integrated alongside the rest of Dalmatia into the Kingdom of Yugoslavia, and the city formally became recognized by its Slav name Dubrovnik in lieu of Ragusa.



Figure 1: Map of Dubrovnik (Ragusa) in the Austro-Hungarian Empire before 1918.

## YUGOSLAVIA: SELF-MANAGEMENT in a NATION of MANY STATES

The Yugoslavia that Marshal Josip Broz Tito orchestrated after World War II was comprised of an immense and highly diverse geographic and cultural terrain. Tito saw Yugoslavia as the necessary means for the unification of Southern Slavs (Banac 1995). Thus, Tito proclaimed after Zagreb was liberated in 1945, “The lines between the federated states in a federal Yugoslavia are not lines of separation, but of union” (Ramet 1984, 76).

The empire included six republics, five nations, four languages, three religions, and two alphabets (Mušič 1974). Figure 2 illustrates the republics included in the new country and Dubrovnik’s position in the new political configuration. Tellingly, Mušič commented in 1974, “There is hardly another country in the modern world that encompasses within its frontiers as many contrasts as those found in Yugoslavia” (Mušič 1974, 319). Banac described the federation as a state with many nations (Banac 1984).



Figure 2: Map of Dubrovnik in Yugoslavia after 1943.

The former Yugoslavia had various manifestations after World War II. Prior to 1948 as a member the Soviet Bloc, Yugoslavia was a highly centralized government. Beginning with reforms in the 1950s and 1960s that were formally instituted under its 1974 constitution, Yugoslavia became noted for its increasing decentralization of power to the individual federal republics and provinces. As a result, republics such as Croatia assumed jurisdiction over political, economic, and cultural issues and were involved in the central policymaking of Yugoslavia.

Known as “self-managing socialism,” Yugoslavia had a distinct brand of socialism from other Socialist countries. In self-management, the administrative functions of enterprises are decentralized to the elected bodies of employee representatives. Committees of workers controlled firms, which enabled them to have a high level of autonomy and operate within a more local framework. Firms ranging from factories and schools to financial and social services were self-managed, although some very small businesses with less than ten workers, such as hotels and restaurants, typically were privately owned (Allcock 1986). A criticism of Yugoslavia’s system of socially owned enterprises is that there is no real ownership of enterprises, so without a clear sense of responsibility, there is little maintenance and efficient use of assets (Bartlett 2003). As a result, when independent Croatia restructured the economy, it had to address residual issues from the Socialist system within the tourism industry.

The unique Yugoslav model engendered a fundamentally different tourism industry than tourism today under Croatia, so within understanding the historical trajectory of tourism and its development between the two states, it will elucidate how Dubrovnik became a mono-economy and completely dependent on the industry, as well as how Croatia failed to regulate the changes in the sector.

## **WAR OF INDEPENDENCE and the BEGINNING of a NEW STATE**

On June 25, 1991 the Parliament of Croatia adopted the Constitutional Declaration of the Sovereignty and Independence of the Republic of Croatia, and on October 8, 1991, it officially severed state and legal affiliations with the other republics and provinces that constituted Yugoslavia. Consequently war erupted as the Serb-dominated Yugoslav National Army (YNA) attempted to prevent Croatia from secession.

The War of Independence, or Homeland War as it is referred to in Croatia, waged from 1991-1995. Notably, Croatia’s use of “Homeland” reflects the government’s rigorous rhetorical campaign to foster a national consciousness and appropriate the contested territory as “Croatian”. The Dayton Accords officially ended the conflict in 1995. Figure 3 depicts Dubrovnik in the independent state of Croatia. The war’s devastation touched all spectrums of Croatian society and was marked by the widespread, targeted devastation of cultural heritage used as a means of warfare. By its conclusion, Croatia was faced with forty percent of its industrial capacity destroyed, a 28.5 percent reduction of its gross industrial product, a 66 percent increase in national unemployment, and over twenty billion dollars in war damages. (Ramet 2008a, Bartlett 2003, Katunarić 1999). Meanwhile, the tourism industry was decimated by more than eighty percent (Katunarić 1999). Katunarić and Cvjetičanin cite the interruption of Croatia’s tourism industry as the greatest long-term damage to the Croatian economy (Katunarić 1999). Likewise, Schönfelder describes tourism as the most glaring metaphorical “victim” of the war in Croatia (Schönfelder 2008).



Figure 3: Map of Dubrovnik in independent Croatia

Within the war, the siege upon the internationally renowned, cultural heritage site of Dubrovnik was sensationalized by Croatia alongside the compliance of the international media to gain the international community's sympathy and support during the nation's struggle for independence (Hall 2002, Bevan 2006, Pearson 2010). According to the Director of the Institute for Restoration in Dubrovnik, Dubravka Zvrko, seventy percent of the buildings in the Old City of Dubrovnik were damaged (Powell 2001), although the extent of the damage in the Old City has been debated by scholars as perhaps strategically inflated (Pearson 2010, Bevan 2006). As a result of the devastation, Croatia was faced with the immediate need to restore and rebuild a national icon. Because of Dubrovnik's established path dependency, tourism provided a ready fix.

### **POSTWAR RECOVERY and CROATIA'S NEED to REBUILD**

"Faced with economic and physical rubble, governments often seek to present an image of national prosperity, progress and glory... another driver of reconstruction is the need to re-create and promote new physical symbols and civic icons in a post-war society" (Charlesworth 2006, 10), therefore inherent to reconstruction is not just meeting the immediate physical needs of a community but the restoration of society, which is most readily through symbolic projections of stability and a return to normalcy. The resurrection of the international tourism industry allowed Croatia to symbolically portray itself as whole, in addition to serving as a needed economic generator.

However, foreign investment and assistance tends not to be readily available for countries immediately following or during conflicts when they most need it, because investors tend to emphasize stability, but stability only increases with investment (Hill 1996). This leaves fragile states in an even more precarious position during their recovery, so they need to make strategic decisions about how to most effectively resume a steady market environment (Hill 1996). Thereby, Croatia was motivated to rapidly portray itself as a stable institution to international audiences in addition to its own citizens. Moreover, a country's economy fundamentally figures into its identity (Jones 2005), emphasizing the intrinsic relationship between tourism and Croatia as encapsulated within Dubrovnik. Therefore, by restoring the heavily habituated tourism economy in Dubrovnik, Croatia was able to represent itself as having recovered from the war.



## **TRANSITION to a DEMOCRATIC CAPITALIST STATE**

Using the path dependency model will help to elucidate the role of institutional change, as exemplified by Yugoslavia and Croatia, to Dubrovnik's present economy. Central to Croatia's process of reconstruction was its need to restructure its economy from its socialist, self-management organization to that of a free market economy. As a symbolic, as well as political and economic gesture of its independence, Croatia immediately sought to transition into a market economy to create an "economic democracy" (Babić 1998, 145). At the time, privatization was seen as the panacea to resolve all of the structural issues in an economy (Babić 1998). However, transitions to a market economy are marked by the abrupt destruction of institutions that support Socialism, while the creation of replacement systems and institutions is a difficult, timely, and tenuous process (Beck 2006). These implementation of new institutions is essential to the functioning of any economy, because it creates the foundational rules that govern economic transactions (Beck 2006), nonetheless in Croatia's rush to privatize, it lacked the proper regulatory controls and critical institutional changes (Babić 1998), which invariably have contributed to some of the current economic and market difficulties with which Croatia is faced and have become manifest in Dubrovnik's local economy.

Within a transition economy, it is easier to generate short-term profits from natural resources, such as oil, than fixed assets such as manufacturing plants and machinery, because revenues from natural resources are more readily profitable and less dependent on the creation of new markets, training of human capital, and investments in research and development (Beck 2006). Within Croatia's tourism economy, it was easier for the government to develop the cultural capital in Dubrovnik as an accessible, natural resource, unlike other industries that would necessitate significantly more investment and capital. Moreover, most manufacturing plants in transition countries were in subpar condition compared to those in Western markets (Barlett 2003), so they required extensive upfront capital for modernization, which made them not as viable of an alternative for immediate economic development.

## **CROATIA as an EMERGING STATE**

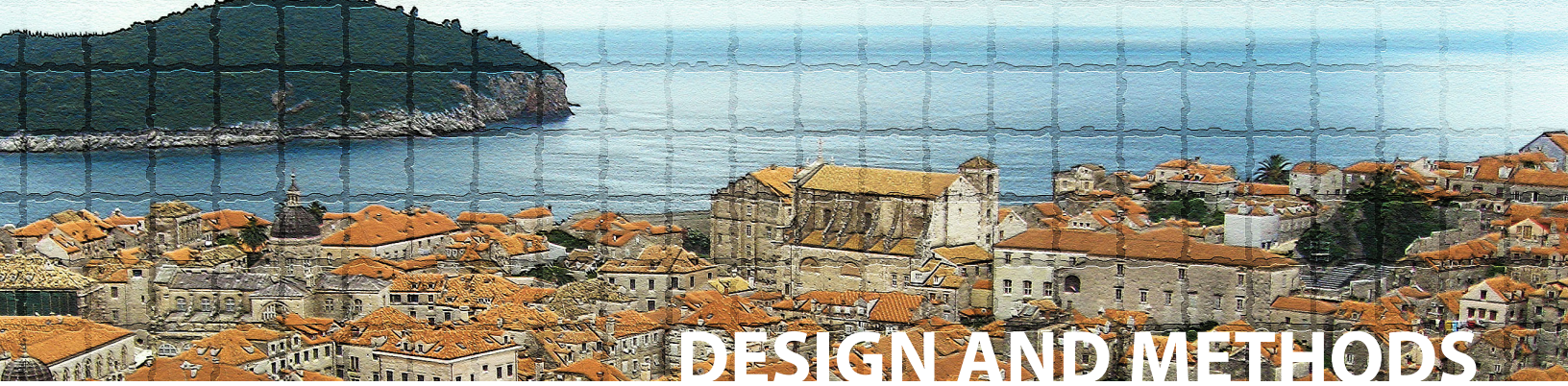
Due to the liberalization laws enacted in the late 1980s, the transition economy of Croatia was better positioned for development after the breakup of Yugoslavia, because some of Croatia's companies already devolved from State authority and were operating in a limited market capacity (Barlett 2003, Beck 2006). Nevertheless, the difficulty of transition for Croatia was heightened by its need to concurrently address democratization, state building, and the war (Søberg 2007, Babić 1998). Due to the pervasive corruption that marred Croatia's postwar politics, the process of privatization was fraught with mismanagement, insider trading, and political favoritism that have since undermined the efficiency of the country's postwar economy (Cvitanic 2011). Emblematic of which, former President Franjo Tudjman gave the property titles of prominent media companies and luxury hotels and restaurants to his key political allies and family members (Ramet 2008b). A 2003 study found 67.5 percent of Croatians had 'low or no trust' in the government (Cvitanic 2011, 57).

Croatia's political development and shifts in ideology, as an independent nation, have been decisive forces in determining the economic path of Dubrovnik. According to Søberg, Croatia's transition occurred in three phases (Søberg 2007). The first included Croatia's struggle for independence and Franjo Tudjman's accession into presidential power, as a member of the Croatian Democratic Community (HDZ) party. Søberg identified the next phase between the signing of the Dayton Accords in 1995 until Tudjman's death in 1999 as "the false dawn of democracy" in the nascent state of Croatia (Søberg 2007, 32). During which, the HDZ resisted a fully democratic framework and ignored human rights issues and reconciliation. The last phase was emblematic of a "second start" for Croatia (Søberg 2007, 34). The assumption of office by Prime Minister Ivica Račan, representing the opposing party to the HDZ, in 2000 introduced the revitalization of Croatian society and politics and instituted policy changes accompanied by a renewed focus on admission into the European Union (EU) (Søberg 2007, 34). Tellingly, the Freedom House index of democracy did not label Croatia as a satisfactory democracy

until 2001, shortly after the election of Račan and his administration (Søberg 2007).

The year 2000 marked a political shift in Croatia's development, and according to Ivanišin, the elections replaced Tudjman's postwar regime that had disappointed in providing its promised economic success or democratic standards with a new government that expressively pursued economic growth, democracy, 'Euro-Atlantic integrations,' and renewed tourism development (Ivanišin 2004, 43). Aside from structural reforms, the new administration focused once again on ingratiating themselves with the international community, distancing themselves from Tudjman's isolationist policies (Cvitanic 2011, Bartlett 2003). Delayed because of Tudjman's administration, Croatia finally was accepted into NATO's Partnership for Peace program and became an official EU candidate country in 2000 (Ramet 2008b). Under Prime Minister Ivo Sanader, Račan's successor, Croatia became a formal NATO member in 2009.

Next, I will discuss my design and methods to approach this study and how I have incorporated the path dependent model into my research framework.



## DESIGN AND METHODS

Building on Mahoney's theoretical work on path dependence, this study will utilize his suggested method for path dependency analyses (Mahoney 2000). The tourism industry in Dubrovnik has strong historical underpinnings, so the path dependency framework helps to elucidate the mechanics of history within the development of the tourism industry. Existing literature tends to overlook the important role of institutional path dependency within an economy, so this study of Dubrovnik can potentially provide insight about how path dependency analysis can be used as a planning tool to understand the process of lock-in and attempt to prevent it.

Recognizing the importance of the early stages to an overall historical sequence and the need, within a path-dependent sequence, for them to be contingent occurrences that are not determined by a particular set of fixed conditions (Arthur 1987, Goldstone 1998, Mahoney 2000, Pierson 2000), I will first detail the history of Dubrovnik's initial tourism and underscore its significance as comprised of contingent historical events outside of government or other formal institutional support, as well as the existence of other viable industrial paths.

Based on the theory, following the early contingent events, "path-dependent sequences are marked by relatively deterministic causal patterns or... 'inertia'... With self-reinforcing sequences, inertia involves mechanisms that *reproduce* a particular institutional pattern over time" (Mahoney 2000, 511). Therefore, I will then demonstrate that subsequent to the initial tourism occurrences, Yugoslavia increasingly pursued and developed the sector along the Adriatic Coast encouraged by the sector's growing returns. Finally, I will assert that as a result of the path-dependent sequence, Croatia continues to pursue the deterministic trajectory and aggressively advance Dubrovnik's tourism industry, which has resulted in Dubrovnik's lock-in in the industry despite the existence of better and more sustainable options for the city's future, cultural heritage, and well-being of its residents.

Given the pervasive ideological power of tourism in addition to its economic benefits, this study will trace the historical development of the tourism industry in Dubrovnik within its broad social and political context and expound on its ideological underpinnings to convey its formative role. I tracked the development of tourism in Dubrovnik beginning with the incidental tourists in Dubrovnik around the time of the Austro-Hungarian Empire, then its progression under Yugoslavia after World War II, and ended my analysis with tourism's current manifestation in Croatia.

This paper concludes demonstrating the failures of the State to regulate the tourism industry and promote other options. This section was largely informed by first-hand interviews and reports, because there is little contemporary literature available that discusses the topic.

Admittedly, a limitation to the use of a path-dependency analysis within this study is that it may have discounted the importance of outside economic factors, nontransparent political processes, external influences, and events that contributed to the historical trajectory of tourism in Dubrovnik. The final section of this paper discusses potential areas of future study based on the conclusions of this work.

Notably since the dissolution of Yugoslavia, there has been much academic discourse within English

publications regarding Serbia, Bosnia-Herzegovina, and Kosovo, while Croatia has remained comparatively overlooked by the English-speaking academic community (Ramet 2008c), so there is little contemporary literature available on the topic.

As a result of the lack of conventional literature on the topic, to understand the transformations that have taken place within the tourism industry, I utilized personal interviews, previous academic research and publications, newspapers, archival records, photography, government publications, state-sponsored tourism materials, industry reports, tourism marketing, travelogues and tourist guides. Bridging a variety of materials has helped to capture various perspectives about the development of the tourism industry. Additionally, my use of the travelogues alongside the path dependent framework likewise has helped to depict the manifest shifts within Dubrovnik's tourism and the palpable changes to its cultural heritage. Moreover without my timely site visit to Dubrovnik this past winter and earlier summer fieldwork, I would not have been able to witness the palpable changes in Dubrovnik's social and economic structure between the seasons that many of the locals in my interviews had described.

Admittedly, my overall research was inhibited by my lack of proficiency in Croatian. However, driven by my intrigue about the topic, I scoured an immense amount of literature and spoke to a wide range of professionals and scholars proficient on the topics at hand in an attempt to compensate for my weakness in the language. I greatly was aided by the tourism industry's focus on foreigners, which as result provided me with many accessible English-language publications.

To capture changes in the tourism sector and its influence on the overall country's economy, I utilized data sets from government publications, academic publications, census releases, newspaper articles, and trade journals. Furthermore, much of the available data is not broken down beyond the level of Dubrovnik city (some do not go beyond the municipality of Dubrovnik), so it has been difficult to specifically quantify changes within the Old City. As a result, I extrapolated from information that I gained from my interviews with locals, scholars, and professionals, academic studies, anecdotes, and theory to help mitigate the breaks in data.

Overwhelmingly, my in-depth interviews with various stakeholders served as a critical asset to my work. They included conversations with the Mayor of Dubrovnik, residents of Dubrovnik, the Croatian Ministry of Tourism, Croatian real estate professionals, Croatian tourism operators, founder of the Study Center for Reconstruction and Development in Dubrovnik, Consulate General of the Croatian Consulate in New York, scholars from Croatia and abroad, the City of Dubrovnik Development Agency, and European Bank for Reconstruction and Development,

Furthermore, I have created a map that charts historical changes in transportation networks to Dubrovnik by compiling information from a variety of sources including, guide books and travel narratives from various periods, historical atlases, and scholarly publications. This has helped to illustrate the changes in Dubrovnik's geographic position and connectivity based on shifts in national boundaries and transportation networks.



# FINDINGS AND ANALYSIS

## DUBROVNIK and the CONTINGENT BUILDING BLOCKS of TOURISM

Prior to Yugoslavia and Croatia's development of the tourism industry, Dubrovnik had other productive industrial sectors. The city received a fair amount of incidental travelers, because of its convenient location on travel and trade routes. Intended as means to transport trade, the Austro-Hungarian Empire inadvertently created a substantial amount of transportation infrastructure that facilitated tourism to Dubrovnik, on which Yugoslavia was able to subsequently build to increase tourism to the Adriatic Coast. Thus, this period saw much of the incidental historic tourism occurrences that laid the foundation for Dubrovnik's path dependency.

Dubrovnik's natural geographic position was an integral factor in its initial urban development. As a well-established port in the maritime trade, Dubrovnik had a long-standing tradition of being a stopping point for Greek and Italian ships (Hall 1991). Its convenient placement along popular routes for travel and trade helped to capture the city's early leisure travelers. Travelers along the Grand Tour used Dubrovnik as a layover given its convenient location along the route from Venice to Greece and Turkey (Johnson 1967). As early as the 16<sup>th</sup> century, British travelers en route to Levant would sojourn in Dubrovnik after traveling from Venice (Fox and Fox 1998). Thus, much of Dubrovnik's early tourism tradition was the incidental result of travelers finding respite in the city during a longer journey; such as evident from one traveler's 1926 travel memoir in which he recalled a chance daytrip to Dubrovnik en route to Egypt (Hielscher 1926).

The location of Dubrovnik on a rugged peninsula on the Adriatic Coast surrounded by Mount Srđ served as natural protection for the city that helped to preserve its initial sovereignty. It also established Dubrovnik as one of a series of isolated settlements along the coast that dominated communication and trade within the region (Violich 1998, Allcock 1983). As a result, Dubrovnik in its early history flourished as a point for trade between the interior of the Balkan and the sea (Allcock 1983). Whereas under the Austro-Hungarian Empire, trade and industry revolved around the industrial centers of western and central Europe, the economic prominence of Dubrovnik waned with less attention focused on maritime trade than inland activities (Allcock 1983). To the Austro-Hungarian Empire, Dalmatia was "an exotic wasteland," and the Empire exerted little resources to develop Dubrovnik (Violich 1972b, 246).

The majority of the vehicular transportation system that surrounded Dubrovnik prior to World War II was established in response to the military needs of the French during the first decade of the nineteenth century (Violich 1972b). Few improvements were made to Dubrovnik's roadways subsequently with the exception of some around World War I that were likewise spurred by the needs of military (Violich 1972b). It was not until after World War II under Yugoslavia that the Dalmatian road system was improved, which served as the "backbone of the new tourist movement" (Violich 1972b, 247, Kaser 2001).

The middle to end of the 19<sup>th</sup> century, saw many developments in transportation networks other than roadways to Dubrovnik, which facilitated increased travel to the city. This period established the essential infrastructure that was later improved upon by Yugoslavia to promote the travel industry. Railways were built in Dubrovnik to connect the city with Sarajevo and accommodate the increased inland trade, although Dubrovnik itself experienced little industrial development (Allcock 1983, Kaser 2001, Violich 1998). Figure 4 portrays

Dubrovnik's location within the railway network. As evident from the map, Dubrovnik is the only railway connection on the southern Adriatic Coast and is linked by Sarajevo to the immense network further north. As an unintended consequence, the railway helped to generate tourism in Dubrovnik, which is evident by the subsequent construction of Dubrovnik's first hotel in 1897 (Allcock 1983). According to a tourist in 1931 recounting his trip, the railway travelled through "some of the most beautiful mountain scenery in Europe" (Currey 1931, 6).



SOURCE: Great Britain.1945. "Economic geography, ports and communications."

Figure 4: Map with the railway line highlighted in red that connected Dubrovnik to Sarajevo, which was built under the Austro-Hungarian Empire.

Travel along the Adriatic Coast was popularized with the invention of the steamer in the late 1840s, and under the Austro-Hungarian's rule, direct connections were made between Dubrovnik's ports and those of Trieste and Rijeka (Allcock 1991, Violich 1998), foreshadowing the city's popularity today among cruise lines. By 1931, fast passenger ships could travel from Venice to Dubrovnik in 36 hours and from Trieste in 26 hours (Currey 1931). Alongside of which, Dubrovnik's first large port was built in its Gruž area (Violich 1998), which still functions as the main port for the city.

During the 19<sup>th</sup> century, Dubrovnik was predominantly a tourist destination for the growing European bourgeoisie (Vierda 1998). It was during this period under the Austro-Hungarian Empire that the first large regal hotels were built in Dubrovnik (Dennis-Jones 1963), including the Grand Hotel 'Imperial' in 1897, which is still one of Dubrovnik's most preminent hotels. De Windt in his 1907 travel memoir compared the Imperial Hotel to those found in Cannes or Monte Carlo and depicted it as so crowded with elite Europeans that he was unable to reserve a room for his stay (De Windt 1907).

Tourism primarily along the Adriatic Coast continued to grow after World War I but with little encouragement from the State (Allcock 1991). While a noted travel point, Dubrovnik was not one of the premier travel spots along the Adriatic during the period. Revealingly, the most popular tourist destination on the Adriatic Coast Opatija had more than 40,000 annual visitors by 1908, while in comparison Dubrovnik had only reached

23,260 annual visitors by 1925 (Allcock 1983, Kaser 2001). Before World War II, international tourism was largely relegated to the Adriatic Coast, and foreign tourists generally were wealthy Europeans (Allcock 1991).

Nonetheless prior to World War II, Dubrovnik continued to have other productive industries. Dubrovnik had a strong position in the forestry industry with one of the “finest” natural forests of Aleppo pine in the region, which was used for construction and natural by-products, and consequently, Dubrovnik’s port shipped the second highest volume of timber in the Yugoslav empire (Great Britain 1945, 134). Additionally, Dubrovnik had a significant presence in the fishery and agricultural industry. It shipped the third highest volume of fish in the empire, had a number of local fish preservation factories, and a substantial amount of vocational fishermen (Great Britain 1945). Dubrovnik also had factories for food manufacturing and soap (Great Britain 1945). Described as one of “the most important centres of the Yugoslav shipping industry,” Dubrovnik fittingly had a significant role in mercantile marine industry of the empire (Great Britain 1945, 287). The combined merchant companies registered in Dubrovnik had the second largest ocean-going fleet and long coasting trade vessels in Yugoslavia (Great Britain 1945). All of which evince that Dubrovnik had alternative industrial activities in its early history outside of tourism that could have been subsequently developed and proven to be viable paths.

Thus in this period, between its incidental tourists and location along popular trade and travel routes, Dubrovnik had many of the contingent historical events that precipitated its path dependence in tourism under Yugoslavia and later Croatia. The next section reveals how Yugoslavia initiated a path dependent sequence in tourism after its break with the Soviet Bloc and need to pursue alternative markets.

## **YUGOSLAVIA lays the BRICKWORK of TOURISM**

Prior to World War II, the limited tourist activity persisted in Yugoslavia in the absence of any direct government support, and in 1946, the country had just 77,707 visitors (Kaser 2001). However after the war, Yugoslavia adopted a decidedly different position than that of the Austro-Hungarian Empire regarding tourism, and in embracing the Soviet Union’s philosophies as a member of its Communist bloc, Yugoslavia actively dissuaded activities that were perceived as encouraging foreign leisure, and as a consequence elite foreign tourism waned (Allcock 1986, Hall 2001). Thus, tourism within the immediate postwar Yugoslavia was imbued with a strong political significance and bore little economic relevance. Foreign tourism dropped to one-fifth of its pre-war maximum by 1948 (Allcock 1983). Yugoslavia instead promoted domestic ‘social tourism’ for the working class (Allcock 1991, Hall 2001). Tourism was established as a reward for labor and “constituted part of the [nation’s] process of socialist reconstruction” (Allcock 1991, 238, Duda 2010, Taylor 2010), as demonstrated by a Yugoslav tourism publication from 1949:

“Tourism is no longer a privilege, neither is it the property of... the exploiting bourgeoisie, but it has become the property of the people, of the broad mass of our nation, which means that it has become fully democratized... Thus our new tourism serves principally to uplift and strengthen the working man who invests his own effort in the socialist construction of our country” (Allcock 1983, 41).

Consistent with the ideological reforms, the former grand hotels in Dubrovnik from the end of the 19<sup>th</sup> century were renamed: Excelsior to Dubrovnik, Argentina to Beograd, and Imperial to Moskva (Allcock 1991). Significantly, during this period the government did not directly invest in the domestic tourism sector, but instead viewed traditional industry as critical to the nation’s future and heavily infused capital into the economy’s industrialization (Allcock 1986). Therefore, it was plausible that Yugoslavia could have continued to pursue an economic path and policy very different than its later “selected path” of tourism for Dubrovnik.

In 1948, Yugoslavia broke with the Soviet Bloc, enabling the transformation of Yugoslavia’s political economy from its highly centralized inception to a progressive form of decentralization punctuated by an innovative system of self-management, which sharply distinguished it from other Socialist countries. Moreover, the

break allowed Yugoslavia the flexibility to reconsider its ideological position towards international tourism. It also caused the loss of important markets to Yugoslavia, such as the Czech and Hungarian, so Yugoslavia began to pursue Western markets on a very limited scale (Hall 1991, Allcock 1991).

Significantly in 1952, Yugoslavia devalued the dinar to a sixth of its value in an attempt to foster foreign exports, which had the important unintended consequence of increasing foreign tourism by 46 percent (Allcock 1991, Allcock 1986). As a result between 1952-1958, foreign tourism rose by 364 percent and reached 0.5 million by 1958, while domestic tourism only grew by 34 percent (Allcock, 1983, Weber 1991). By the late 1950s, Yugoslavia was thriving as one of the fastest growing economies in the world and experienced annual economic growth rates between ten and fifteen percent (Taylor 2010).

Referencing David's work on path dependence, the Five Year Plan in 1957 suggests a moment of "critical bifurcation" (David 2007), in which Yugoslavia, notably after it witnessed the chance increase in foreign travelers due to the devalued dinar, became cognizant of tourism's economic potential and first began to develop the industry, albeit on a very limited scale. Through the 1957 Five Year Plan, Yugoslavia allocated preferential loans to tourism that were increased in the 1960s (Allcock 1991). Although from 1947-1962, the government marginally invested in the sector and contributed at less than one percent of its total investments, it was not until the subsequent Five Year Plan that Yugoslavia began to make significant investments in the sector by annually increasing over twelve percent its initial investments (Institute for Trade... 1976, Yugoslavia. 1961).

In the early 1960's, Yugoslavia was confronted with an economic crisis and responded by considerably bolstering its tourism sector, revealing another instance in which Yugoslavia chose to pursue tourism among other paths. As part of the Five Year Plan of 1961-1965 that grew out of the recession, Yugoslavia aimed to have the capacity of its tourism accommodations grow by 75 percent growth (Allcock 1986). To expand its tourism industries, Yugoslavia introduced initiatives such as retention quotas, increased domestic investment to about 6.43 percent between 1967-1972, relaxed passport and visa regulations, and additionally devalued the dinar. A 1968 Yugoslav tourism publication praised the country as the first to open its borders to travel through the new reforms, proclaiming international tourism as "the passport to peace" (Tomašević 1968, 45, Institute for Trade... 1976), further demonstrating the importance of tourism symbolically and economically to the nation's development.

During the 1960's, Yugoslavia made significant investments in its transportation infrastructure. Figure 5 demonstrates the tremendous amount of construction and planning that Yugoslavia's major roadways were undergoing in 1965 to create a comprehensive network throughout the country, a visible improvement from the minimal transportation infrastructure previously in place. As evident from the map, subsequent to the completed construction, Dubrovnik clearly became better connected to the country and more accessible from inland.





Figure 5: Map demonstrating the fragmented system of major roadways in Yugoslavia prior to the completed construction of the Adriatic Highway in 1965.

The World Bank helped to finance the Adriatic highway, which was built from 1961-1965. The prized modern highway ran through Dubrovnik and spanned almost the entire length of Yugoslavia's Adriatic Coast connecting Rijeka, Croatia to Petrovac, Montenegro and further accelerated the growth of tourism on the southern coast of Croatia especially in Dubrovnik by further bolstering its connectivity (Tomašević 1968, Goldstein 1999).

Although the antiquated railway connecting Dubrovnik and Sarajevo closed in 1976, important travel improvements were made. Holiday bus travel grew in popularity (Duda 2010b). Dubrovnik's airport at Čilipi was built in 1960 (Kaser 2001, Violich 1998), to further Dubrovnik's connection with the rest of the world and encouraged the growth of its international tourism. Consequently, between 1960 and 1970, road passengers in Croatia grew from 29 to 112.5 million, air passengers increased from 0.1 million to 0.8 million, and by 1979, buses transported 155.8 million passengers (Duda 2010, 322-323). In touting the substantial travel improvements of the 1960's, a tourism publication produced by the State ascribed them as embodying the "modern branch of [the tourism] industry" found in Yugoslavia (Galić 1988).

By the end of 1965, foreign tourism grew to more than five million, and by 1972, Yugoslavia was considered a major resort area in Europe (Allcock 1986). Nevertheless foreign tourism revenues continued to be mostly generated from one-tenth of Yugoslavia's territory, its Adriatic Coast (Goasr 1989). Between 1960 and 1980, the prominence of tourism as a sector had grown from being tenth in order of foreign exchange earnings in Yugoslavia to second behind the metals industry (Weber 1991, 570).

The Five Year Plan of 1976 continued along the historic trajectory and emphasized investment in tourism, largely because of its potential to earn foreign currency (Allcock 1991). The 1970s included considerable development of large, upscale hotels coupled with the large-scale construction of “roads to the sea” that served as a key to Dubrovnik’s significant tourism growth (Goldstein 1999, 186). The period initiated such “a truly massive scale of recreational development” within Dalmatia and Dubrovnik that Violich accused the tourism development of “exploiting” cultural heritage for the sake of international tourism rather than using it to further local social and cultural growth (Violich 1972b, 147). Violich within his study of urban development in Dalmatia objected to the massive displacement of local residents to accommodate tourism infrastructure and asserted that the areas should not be drained of normal social activities in order to foster seasonal environments that are lively in the summer and ghost towns in the winter (Violich 1972), a prescient premonition that closely resembles Dubrovnik’s contemporary situation, which will be discussed subsequently.

The dramatic increase in foreign visitors during the 1960’s and 1970’s enabled Yugoslavia to “brand” itself to the international community (Hall 2002). As a result, tourism was the main interface for diplomatic relations between Western Europe and Yugoslavia (Irwin 1995). A 1976 Yugoslav publication described tourism as “one of the bridges linking Croatia and Yugoslavia with the whole world (Tomašević 1973, 80).

As just demonstrated, Yugoslavia actively developed the tourism industry through new policy measures, investment, and infrastructure improvements. The following section will discuss continued developments in the tourism industry and its ideological significance to Yugoslavia as means to portray itself as a modernized, industrial society with citizens who can enjoy the good life of travel.

## **YUGOSLAVIA sets the PATH of TOURISM**

Alongside the country’s newfound economic growth, Yugoslavia sought to cultivate a sense of patriotism for the nation in the form of ‘socialist Yugoslavism,’ which it used domestic tourism to help beget (Taylor 2010, 14, Yeomans 2010). Domestic tourism in Yugoslavia had been mainly relegated to the upper middle class and educated professionals before World War II (Taylor 2010). However as part of the administration’s ideological change, domestic tourism assumed an increasingly social role with a marked political agenda (Taylor 2010, Duda 2010). Taylor viewed postwar tourism in Yugoslavia as being particularly salient to cultivate a “new Yugoslav awareness among the population and thus transcend the national, political, and religious enmities” from World War II (Taylor 2010, 6), in turn strengthening Yugoslavia into a cohesive, socialist nation. Through State-sponsored holiday travels, Yugoslavia hoped that citizens would experience other parts of the country and foster a brotherhood among them, engendering a Yugoslav identity (Yeomans 2010). Collective holiday trips were organized for workers, which were at first unusual for a class of people not accustomed to them, but eventually were socially accepted and embraced (Taylor 2010, Duda 2010). Strongly backed by the State, holidays for workers were accompanied by pay and recreational activities. Tourism thus became the means to advance the intellectual and physical capital of individuals, emblematic of the new Yugoslav social order (Taylor 2010, Duda 2010, Yeomans 2010). Moreover, a tourism publication published by the State emphasized that there was “no tourism” in Croatia prior to 1945, and it attributed the subsequent success of the tourism industry in Croatia to its union with Yugoslavia to Croatia to enabling it to overcome the devastation of World War II (Galić 1988).

The growth of domestic tourism during the heyday of the socialist era in the 1960s and 1970s symbolized the Yugoslav ‘good life’ and the State’s desire to be recognized as a modernized, industrialized society (Taylor 2010, 2). Yugoslavia’s push for holiday vacations to be identified as an entitlement for the Yugoslav worker is evident from the photo, Figure 6 shown below, in a 1968 publication of girls sunbathing with a caption that reads: “Yugoslavs have a legally- guaranteed right to an annual vacation with pay. Many of them spend it on the numerous summer resorts along the Adriatic” (Tomašević 1968), although in reality by this time many Yugoslav citizens were unable to afford as a vacation destination.



Figure 6: Photograph taken from a 1968 Yugoslav tourism publication (Tomašević 1968) that showcases tourism as a legally guaranteed right in Yugoslavia to project the good life offered by Yugoslav Socialism.

The relatively fast transformation of Yugoslavia's travel industry can be evinced through travel writings from the period. Descriptions of Yugoslavia shifted from referring to it as a rough travel destination, in which one writer in 1956 warned tourists not to depart for Yugoslavia expecting Switzerland or Italy but to have a 'sporting' spirit (Normand 1956), to slightly more than ten years later describing it as a destination that could be experienced with "as much piece of mind as if one were in Spain or Italy" (Pillement 1969, 9). The 1969 traveler additionally praised Yugoslavia as having a "vocation for tourism" (Pillement 1969, 9). A later traveler in 1974 commented on the evident inextricable relationship between the Adriatic Coast and its tourism development: tourism had arrived, and its existence ensured the mainstay of the State's budget (Edwards 1974). Such declarations by travelers readily depict Yugoslavia's successfully embrace of the tourism industry.

Additionally travelogues from the period begin to note the cultural erosion in Yugoslavia and Dubrovnik from the increased tourism development. Within the preface to the second edition of a 1967 travel guide on Yugoslavia, its author laments the immense changes that had taken place in the country since his first edition in 1957; increased multi-story hotel construction and a higher standard of living had been met with the "loss of the picturesque," less instances of traditional dress and songs, and churches and monasteries becoming "museums" rather than functioning places of worship (Edwards 1967, IX). In 1974, the same writer cautioned to be weary of the young people in full costume in Dubrovnik, because they tend to be a tourist attraction (Edwards 1974, 235), depicting that Dubrovnik's local heritage had begun to be appropriated as a tourism commodity within the city's orientation towards its growing tourism economy. A 1967 narrative similarly affirmed Dubrovnik's transition into a "tourist town" that had become defined by the industry, "the new Dubrovnik is a city of, and for, tourists" (Johnson 1967, 63, 65). The author went so far as to suggest that the architecture of Dubrovnik had only been preserved and maintained for commercial reasons (Johnson 1967). However, tourism publications produced by the State in 1980's attributed the growth of tourism in Dubrovnik to the city's redemption and its rise once again to prosperity, experiencing another "economic and social renaissance" (Galić 1988, Beritić 1981). Tellingly, another Yugoslav tourism publication touted Dubrovnik's transformation as having all of the

“amenities of a modern tourist resort” (Foretić 1970, 3).

Dubrovnik was the most visited place in Yugoslavia (Hall 2001). It frequently was referred to as the “Athens of the Southern Slavs” (Galić 1988, Jelić 1965). A foreign tourist guide from 1969 called Dubrovnik the “most famous city” in Yugoslavia (Rossiter 1969, 188). Dubrovnik reached its tourism peak in the mid-1980s with over 3.5 million visitors and contributed about ten percent of Yugoslavia’s tourism revenues (Vierda 1998, Hall 2001, Euromonitor 1985). Still in 1971, close to 20 percent of the active population in Dubrovnik remained employed in agriculture, while by 1986, 30 percent of the labor in Dubrovnik was seasonal, largely because of its tourism activities (Gosar 1989, Allcock 1986).

The initial increasing returns from the tourism industry are evident in a study by Allcock in which he found Dubrovnik to be the leading tourist destination in 1981 based on the number of tourists (Allcock 1986). Within the study, Allcock traced Dubrovnik’s overall growth in affluence compared to other municipalities in the republic between 1961 and 1981. Dubrovnik was ranked as the 24<sup>th</sup> overall wealthiest municipality in 1961, and by 1981 had risen to the 15<sup>th</sup> wealthiest, which suggests the significance of the tourism industry to improve the area’s economic standing (Allcock 1986).

Moreover, Dubrovnik received increased international fame and attention in 1979 with the designation of its Old City by UNESCO as a World Heritage Site. Consequently, this period saw the most investment into Dubrovnik and conservation of its architectural heritage (Vierda 1998). Dubrovnik also was used as a pilot by the state to experiment with a new financing model to provide for its restoration and protection, which included using the state budget, tax on tourist consumption, and sightseeing admission fees (Vierda 1998). Yugoslavia, recognizing Dubrovnik’s heightened international attention from its tourism industry, attempted to represent Dubrovnik as the exemplary product of self-management (Vierda 1998, Vierda 2002). A tourism guide from the State explained that self-management sustains the cultural and historical monuments in Dubrovnik (Beritić 1981).

By the late 1980’s, tourism within the Former Yugoslavia was such a tremendous market that it generated more hard currency income than the rest of Communist Eastern Europe collectively (Hall 2002). Overnights from foreign tourists accounted for about a fifth of the country’s total foreign exchange earnings, and Croatia accounted for about 72 percent of all overnight stays by foreign tourists in Yugoslavia (Gosar 1989). Croatia generated about 4/5 of Yugoslavia’s tourism earnings, and largely as a result of the strength of its tourism industry, it received nearly the highest level of investment among the republics from the central Yugoslav bank (Jović 2011, Hall 2001, Gosar 1989).

The low cost of travel to Yugoslavia stimulated much of the tourism by Western visitors. Like the tourism dating from the Austro-Hungarian Empire and earlier periods, foreign travel mainly was relegated to the Adriatic Coast. Ninety-five percent of which was encompassed by Croatia (Weber 1991, 364). As a result, “[Yugoslavia’s] often rugged interior... was largely excluded from the tourist mental map,” (Hall 2002, 324) allowing Croatia’s postwar tourism marketing to establish itself as the familiar face to tourists, while symbolically distinguishing itself from the rest of the former Yugoslavia.

Shortly before the war, ninety percent of tourism revenues for all of Yugoslavia came Croatia’s Adriatic Coast (*Euromoney* 1992). In 1990 right before the war, Dubrovnik had almost 4.5 million overnight tourists, whereas in 1995 shortly after the war, Dubrovnik had little over 93,000 (Vierda 1998). Violich described the period of tourism initiatives preceding the war as witnessing even more intensified investment to the point of overdeveloping Dubrovnik and detracting from its landscape, “big-time hotel development, large-scale tourist promotion, and consequent new growth on the limited [Adriatic] coastline beyond [Dubrovnik’s] walls have exceeded a reasonable balance with environmental history and identity” (Violich 1998). Consequently, Dubrovnik’s neighborhoods of Babin Kuk and Lapad along the coast had become saturated with hotels (Violich

1998), displaying Dubrovnik's the moniker as the "Athens of the Southern Slavs" (Galić 1988, Jelić 1965).

By the end of the former Yugoslavia's administration, as tourism became more of an established economic industry and mode of commercialization, it lost much of its "initial utopian meaning" to people and instead became denigrated into merely an economic tool to substantiate the state (Taylor 2010, 20, Yeomans 2010). The success of tourism contributed to larger problems within Yugoslavia that grew within an independent Croatia, including exacerbating state, regional, and sectoral imbalances, diminishing the importance of agriculture to the national economy, restructuring the labor force to privilege tourism, and increasing vulnerabilities in the national economy as it being more reliant on tourism (Allcock 1989).

Furthermore, with the devalued dinar and intensified influx of more affluent foreign tourists, many domestic tourists began to feel ignored as the tourism market shifted to capture gains from foreign tourists, proving the successful execution of social tourism as more of a pale dream and making the tourism industry in Dubrovnik further alienate locals. Domestic tourists complained about service during their holidays as preferential to foreigners (Taylor 2010, Yeomans 2010). Moreover, as early as the 1960s, the prices of many tourist resorts especially on the Adriatic Coast rose steeply, which prevented the majority of domestic tourists from being able to patronize them (Yeomans 2010). Nevertheless, the higher prices were still considered "low cost" for foreign tourists (Yeomans 2010).

As shown, Yugoslavia significantly advanced the tourism industry in Dubrovnik and used it to portray itself as a modern nation. However, the increased tourism development under Yugoslavia began to reveal the negative externalities of the industry. Next, I will describe the continued path dependency in tourism cultivated under the newly independent Croatia despite the existence of other economic paths and how Croatia had to reconceive the institution of tourism by removing many of its Yugoslav Socialist constructs.

## **CROATIA'S DEPENDENT on TOURISM**

Croatia's postwar economic recovery economy was attributed to the rehabilitation of its fallen tourism industry (Ramet 2008b, Søberg 2007), suggesting the immense formative hold that the tourism industry had on Croatia's economy by the time of its independence. From 1990 to 1991, the number of foreign tourists dropped 85 percent in Dubrovnik (Bartlett 2003). Tourism was decimated in Dubrovnik during the War of Independence and did not begin to substantially recover until years after the conflict, at which point it still remained below its prewar levels (Vierda 1998). By the late nineties, tourism in Dubrovnik resumed to moderate prewar levels, and exemplary of which, a Croatian tourism publication from 1997 reaffirmed Dubrovnik's position as the "world's tourism center" and declared it as the "Croatian Athens" (Novaković 1997, 5, 7). Thus the nascent state of Croatia's decision to resurrect the industry within Dubrovnik was heavily saturated with symbolism, in addition to economic import, and represented a means of proving itself by rebuilding the emblematic cultural site of Dubrovnik in the face of adversity, a phoenix emerging from the ashes of war and destruction.

Notably, Croatia had economic options outside of tourism in Dubrovnik and had the opportunity to develop them during its postwar reconstruction. The Study Center for Reconstruction and Development based in Dubrovnik published a manual of investment possibilities in Dubrovnik outside of tourism (SCRD 1996). The publication attributed the concentration of tourism in Dubrovnik under Yugoslavia and the city's lack of economic diversity to "a compulsory economic strategy" mandated by the State that negated entrepreneurship and economic initiative and independence (SCRD 1996, 4). It expounded on potential paths of economic development for the Dubrovnik area including tourism in addition to other sectors such as education with an international college, technical schools, scientific institutions, and conferences, health with a rehabilitation clinic, and commercial with offices and shopping centers (SCRD 1996). Significantly, various administrative and governmental levels supported the proposal: the Municipality of Dubrovnik, Dubrovnik-Neretva County, and Ministry of Development of Reconstruction and Development. The Mayor of Dubrovnik Nikola Obuljen even had an

open letter of endorsement. Yet the proposal remained largely ignored and not actuated outside of the recommendations for tourism. The evident dichotomy between the government's ostensible endorsement of projects aside from tourism and its lack of execution is emblematic the State's unwillingness to actually venture beyond its dependency on tourism despite the existence of potential productive sectors in Dubrovnik. Croatia's independence and transition should have been the means to liberate Dubrovnik's economy rather than further stifling it under tourism as the State chose to do. However, Croatia had so much symbolism vested in tourism that it was essentially a forgone decision that it had to resurrect the industry, and Dubrovnik's subsequent mono-economy was representative of being a victim of its own success.

By 1997, tourism within Croatia improved to the extent of becoming a "stunning success" (Schönfelder 2008, 178). From 1960 to 1990 under Yugoslavia, the number of tourists grew at an annual rate of about five percent, whereas after the war from 1996 to 2002, the rate more than doubled and grew at twelve percent annually and per capita tourist spending dramatically increased (Currie 2004). Reflective of the significance associated with the restoration of Croatia's tourism industry, 35.5 percent of the loans that the Croatian Bank for Reconstruction and Development (CBRD) distributed in 1996 went to the "Tourism and Catering" sector, receiving the second highest amount of funding with "Waterworks" receiving the most. In 1997, tourism once again received the second highest allocation of funding from the CBRD (Ott 1999).

Within establishing the postwar tourism industry, Croatia adopted a strategy to conscientiously depart from the low cost, foreign tourism synonymous with Yugoslavia (Hall 2002). Emblematic of which, Croatian tour guides from 1996 and 1997 attributed Croatia's tourism as being able to "satisfy even the most refined guests," detailing "luxurious" hotels and suites, "top" restaurants, and other amenities that would appeal to a higher market segment (Nazor 1996, Nazor 1997, 25). Croatia also emphasized in its tourism marketing the unique attributes of its cultural and natural resources, which while intentionally serving to distance Croatia from its past under Yugoslavia, also demonstrated Croatia's increasing shift to directly exploit its cultural heritage through tourism. Hall stressed the close alignment of Croatia's tourism marketing after the war with that of its nation-building rhetoric: "clearly differentiate the country from its neighbors; reassure former markets that quality and value had been restored; [and] secure long-term competitive advantage through the country's major tourism attributes" (Hall 2002, 330), thus in the newly independent Croatia, the role of tourism was critical to the formation of the nation, economically and symbolically, and Croatia devoted extensive resources to developing tourism beyond its limited growth under Yugoslavia. Forecasts assert that Croatia's continued promotion of its natural and historic sites for tourists will be its "number one priority" (Euromonitor 2011c).

Further departing from tourism under Yugoslavia, Croatia's new government attempted to completely restructure the institution: it dispelled self-management, strengthened the labor force, and encouraged privatization and private enterprises (Schönfelder 1998). Within restructuring its economy, Croatia also heavily encouraged foreign investment in tourism. Reflecting the push and increased foreign interest to invest in Croatia's tourism industry, a *Financial Times* article from 2006 described the tourism industry as "swell[ing]" with private capital and that investors identified it as the country's growth sector particularly along the Adriatic Coast (Jansson 2006). Between 1993-2010, hotels and restaurants in Croatia received 2.6 percent of Foreign Direct Investment (FDI), and from 2001 to 2008, FDI in hotels and restaurants increased 136 percent (Ivanovic 2011). Overall FDI in Croatia grew at a compound annual rate of 15.5 percent between 2002 and 2006, and notably in 2006 it increased almost twofold from the 2005 figure (Oehmichen 2007). According to a study by Ivanovic, an increase by just one percent in FDI increases Croatia's GDP by almost 8 percent (Ivanovic 2011).

Tourism's potential under Socialism was inherently limited, because the system's rigid bureaucratic institutions, inadequate economic tools, and comparatively poor infrastructure (Hall 1991). Due to Yugoslavia's relatively limited investment in the tourism industry and supporting infrastructure, Croatia had to substantially invest in upgrading and modernizing existing tourism facilities to establish a competitive position in the larger market. Hotels under the Yugoslavia were heavily subsidized and generally operated at a loss, especially given

the State's proclivity for trade diversion and the lack of motivation by firms to yield profits under the system (Schönfelder 1998). Trade diversion was common in the Yugoslav economy, because the state tended to cultivate and perpetuate unproductive industries rather than let them fail. Thus, the removal of the Socialist institutions allowed higher standards to be implemented without much capital investment and for the production of higher quality goods, which resulted in commodities sold at higher prices (Schönfelder 2008).

Although by removing the Socialist institutions, many Croatsians have been prevented from participating in the tourism industry as they had under the former administration, especially given the longer work hours and decreased financial support for holidays (Cvitanic 2011). Revealingly, as compared to the time under Yugoslavia, foreign tourists increasingly dominated the tourism industry in Croatia, although importantly the domestic tourism market was considerably smaller without the other republics of the former Yugoslavia. Nonetheless in 2010, 92 percent of tourists in Croatia were foreign (Čavlek 2010).

As discussed, Croatia continued along the trajectory of path dependency in tourism despite the presence of other viable economic paths such as education and health in Dubrovnik. Croatia had to reconstitute tourism within its transition and rebuild the sector. Continuing the discussion, I will explain the significance of tourism to Croatia for it to portray itself as a "Croatian" nation and align with the European Union, in addition to how the State continued to aggressively advance the industry.

### **CROATIA follows the YELLOW BRICK ROAD of TOURISM**

After the war, the state prioritized the restoration of Croatian cultural symbols, infrastructure, and reviving its economy (Pusich 1996). Therefore tourism under postwar Croatia increasingly stressed the importance of cultural symbols, and the State embraced cultural tourism, which was not as prominent under Yugoslavia. During the 1990s, Croatia increased investment into its cultural heritage, especially to preserve damaged sites from the war (Kunst 2009). A strong basis for which was the use of preservation to promote Croatia's cultural identity (Kunst 2009). Undeniably, the desire to bolster cultural tourism played a role in Dubrovnik's historic preservation after the war. Croatia's largely successful restoration of Dubrovnik, its cherished national asset and World Heritage Site, was symbolic on many levels as means to establish national pride and vigor alongside its formidable tourism economy (Hall 2002). Marija Kojakovic, a local architect and founder of the Study Center for Reconstruction and Development in Dubrovnik, described the reconstruction effort in Dubrovnik as having "brought life back" to the Old City (Kojakovic 2012). Further attesting to the successful restoration of the Old City, the Old City was removed from UNESCO's List of World Heritage in Danger in 1998 and was one of just cultural two sites to be taken off the list as of 2000.

Tudjman sought to foster a 'Croatia for Croatsian' and used its heritage to convey the message (Cvitanic 2011, 53, Rivera 2011). Tellingly in a study by Goulding and Domic, Renata, a twenty-one year old Croatian student, was interviewed about the State's use of heritage, and she commented, "Today is about what WE [Croatsians] have achieved... we use our heritage to reinforce our nationalism" (Goulding 2009, 92). In an introduction to a Croatian tourism publication from 1992, Tudjman stated, "culture is recorded in the stone and the written monuments" (Mohorovičić 1992), revealing his awareness of the symbolic power of cultural heritage to articulate a national narrative. The cultural standing of Dubrovnik to the Croatian nation was evident in a post-war Croatian tourist guide, "[Dubrovnik has the] essential role... in the creation of Croatian cultural identity and political sovereignty" (Radovinovic 1998, 345).

Moreover, the fledgling Croatia leveraged its strong history of tourism as platform from which to integrate itself within the international community and earn its support, as evident in Croatia's tourism marketing campaign 'an old friend with a new name,' from the period. The Ministry of Tourism saw Dubrovnik's celebrity as a tourism destination among foreign tourists as a means to establish Croatia's standing as a country and gain its credibility within the international community (Ministry 2012). Through its tourism marketing, Croatia

has tried to promoting itself as a democratic and stable country (Ministry 2012). Notably, Croatia's successful branding of itself within the tourism industry has been well received by the international community: in 2009, Croatia was rated third for the "top country brand of Central/Eastern Europe;" between 2005-2007 was noted as a "rising star" for travel and consistently improved its ranking until it was ranked first in 2007; and in 2008, Croatia was celebrated as the "Most Authentic Destination" per its marketing slogan "The Mediterranean as it Once Was" (FutureBrand 2009, FutureBrand 2008, FutureBrand 2007, FutureBrand 2006, FutureBrand 2005).

Croatia's political aspiration for membership into the EU unmistakably has factored into its tourism rhetoric. Croatia's foreign policy since 2000 has emphasized greater Euro-Atlantic integration, and it was not until after Tudjman's administration that Croatia formally began the process of integration into the European Union (Barlett 2003, B&D 2011). By embracing a "European" identity, Croatia has sought to closely integrate itself with Western Europe (Barlett 2003), which it uses tourism to convey. Tourism as an industry is intrinsically linked to international relations, and as Croatia's primary export, it is the dominant means by which Croatia communicates and associates with the outside world (Brown 1998, Rivera 2011). Perhaps representative of the weary attitude of locals regarding the potential increase in foreigners with Croatia's admission into the EU, two predominant counties on the Adriatic Coast with some of the highest levels of tourism, Dubrovnik- Neretva and Split-Dalmatia, have the lowest support for the country's accession into the EU ("Lowest support for EU..." 2012).

Tourism has risen steadily since Croatia's independence and remains a key driver of the Croatian economy and was ranked sixth within Europe based on revenues per an arrival in 2006 (Roland Berger 2007). Former Prime Minister Račan affirmed tourism as being the key to Croatia's economic future, alongside the country's successful privatization (Fox 2002). Significantly, widespread privatization without a careful balance of public ownership perpetuates disparities in wealth, income, power, and standards of living (Iatridis 1998), which perhaps suggests in the later discussion of Dubrovnik today that the State should own more property in Dubrovnik to help alleviate some of the aforementioned negative issues associated with it.

Tourism while continuing to provide many opportunities within Croatia's economy has many of its exacerbated existing, historical problems. Regional and sectoral disparities that were present under the former Yugoslavia have become worse in Croatia. Strong local tourism economies have continued to expand the economic and social divide, making areas significantly more prosperous than others (Dragicevic 1998). Dubrovnik is characteristic of the continued regional and economic imbalances with its large allocation of economic prosperity and capital. Within restructuring its economy, Croatia removed many the agricultural subsidies provided under Yugoslavia that supported the wealth of regions such as Slavonia (Dragicevic 2008). As a result, those regions are now some of the most disadvantaged within Croatia. Croatia's acceptance of the EU's standards for its regional policy has given Croatia access to the EU's financial and technical support to aid in ameliorating the country's inequities (Dragicevic 2008). The transition of Croatia's economy additionally has intensified the disparity in wealth between individuals, whereby a highly elite class emerged from the war and gained ownership of many of Croatia's most lucrative enterprises (Katunarić 1999, Jeffries 2002).

Today, tourism is the most competitive sector in Croatia's economy (*PVInternational* 2011) and has succeeded in becoming what the Ministry of Tourism termed "a tourism oriented country" (Ministry 2003, i), clearly demonstrating the centrality of tourism to the State. In 2011, tourism experienced an eight percent increase from the year before and represented eighteen percent of Croatia's GDP. Furthermore, as of this past year, tourism is more important for Croatia than any other state in the European Union based on its proportion of GDP ("Tourism more important..." 2012).

In 2010, Dubrovnik had the highest intensity in tourist traffic of any Croatian municipality and about 983,000 tourist arrivals (Ministry 2011). Additionally, Dubrovnik had the most visitors to chief tourist sights of any Croatian county in 2010 (CBS 2011c). Cruise tourism has continued to grow to the point of overwhelming



Dubrovnik, a point that will be discussed in more detail subsequently. In 2007, the number of cruise passenger arrivals had grown threefold since 2001 (Đukić 2008b). Signaling a transformation in Dubrovnik's tourism structure, between 2002-2007 the amount of cruise ship tourists had exceeded that of overnight tourists with 678,000 cruise ship tourists in 2007 (Đukić 2008b, Đukić 2008a).

As I have just established, Croatia substantially grew the tourism industry into a prominent sector of its economy and used it to articulate its national identity and desire to be part of the EU. Next, I will begin my in-depth analysis of Dubrovnik's contemporary lock-in tourism as a result of its well-established path dependency in the sector. This section will look at the lack of regulation by the State to curtail the industry in Dubrovnik.

## **DUBROVNIK LOCKED-IN TOURSIM**

Today, Dubrovnik is essentially a mono-economy, and the manifestation of the tourism industry in Dubrovnik represents what Ashworth terms the 'heritage industry,' in which Dubrovnik's heritage is employed as a commodity (Ashworth 1990). The 'heritage industry' has a decisive influence on the city's development, as explained by Ashworth: "History has become heritage, heritage has become an urban resource, and this resource supplies a major 'heritage industry,' which shapes not merely the form but the functioning and purpose of the 'commodified' city," (Ashworth 1990, 2). Thereby, in the process Dubrovnik itself has become commodified through its economic and cultural function in Croatia's tourism industry. Consistent with Ashworth, Dubrovnik can be classified as a "tourist-historic city," which he defines as a city that serves both a "form" and a "function" through the use of heritage as a tourism resource, which in turn serves to maintain the city and establish its importance (Ashworth 1990, 3).

Dubrovnik's manifestation as a tourist-historic city is emblematic of its lock-in the industry. Thus, tourism has consequently shaped its urban activity and exploited its heritage, transfiguring the city into a commodity. The State's complacency with Dubrovnik's commodification in the heritage industry was evident in my discussion with Mayor Vlahusic of Dubrovnik who repeatedly labeled Dubrovnik as a "brand," attributing it as "the strongest brand" in the world (Vlahusic 2012), effectively positioning and appraising the value of Dubrovnik as commodity within the international market, affirming it as a global good. Notably, the reference to Dubrovnik as a "brand" was made by many of the people during my interviews, clearly indicating a pervasive perception of the city as a marketable commodity (Josic 2012, Jelinčić 2012, Subasic 2012, Mandic 2012).

Skepticism about the State's general treatment of cultural heritage was evident under Yugoslavia and stemmed from the development spurred in part by the tourism industry. The Director of the Regional Institute for the Protection of Cultural Monuments in Split, Josko Belamaric, suggested that the War of Independence provided a needed respite from Yugoslavia's development of historic cities such as Dubrovnik, "For the moment, the war has stopped the new dangerous trends: the commercialization of historic centres and the aggress of rich private and public users to which attractive historic buildings and sites are exposed" (Barakat 1993, 8). Reflecting the peril of the situation that has since become worse, Belamaric equated the destruction of Dubrovnik's architecture in the war to the general devastation of Croatia's historic and cultural heritage from economic exploitation (Barakat 1993, 8). Since Belamaric's comments, the increased pressures from tourism in Dubrovnik have further intensified the commercialization and decline of its heritage. Mladen Josic, Professor of Architecture at the University of Zagreb, alluded to a contemporary conflict in Dubrovnik one in which the wellbeing of the locals is in opposition against the profitability of tourism, but cited that the locals have lost and therefore moved to the outskirts of the Dubrovnik area (Josic 2012).

Dubrovnik and the whole country lack adequate regulations and guidelines for physical planning and development, which is evident from the accelerated, unsympathetic pace of development in Dubrovnik, a subject that was repeatedly reiterated by local professionals and scholars alike in my conversations with them: Kojakovic 2012, Mandic 2012, Subasic 2012, Josic 2012. Tourism development in particular poses a salient, imme-

diate threat, yet similarly there is a void of government policies to address its negative externalities (Dragicevic 2008, Mihaljek 2005). In fact, no formal tourism strategy exists (Josic 2012). Generally, long-term planning occurs in the final phase of postwar reconstruction, as explained by Warren, ‘After disaster comes rescue; next, first aid and shelter; then, short-term measures; and finally long-term planning and rebuilding’ (Cunliffe 1994, 34). However within the case of Dubrovnik, a long-term, sustainable plan for its postwar development has yet to be formally implemented, and planning initiatives remain inadequate to protect the historic and cultural assets found within Dubrovnik. Josic attributed the State’s lack of organization as contributing to its inability to create a comprehensive tourism strategy (Josic 2012). Additionally, he said that the local administration in Dubrovnik constantly changes, so they only focus on the short term (Josic 2012). Alan Mandic who owns a travel agency in Croatia blamed the government’s lack of will for the State not preventing overdevelopment. He named past policy proposals intended to alleviate the some of the negative externalities caused by tourism, such as subsidizing local firms that produce handicrafts, but said that the proposals almost never are actualized due to lengthy bureaucracy and government inactivity (Mandic 2012).

In my conversation with the Ministry of Tourism, the representative exclaimed the merits of tourism while glossing over its costs, “If you make life nicer for the tourists, you make life better for yourself,” (Ministry 2012), which exemplifies the naive approach with which government has managed tourism by myopically focusing on its benefits without heeding its drawbacks and attending towards their mitigation. Many cite the State’s shortsighted focus on tourism as being responsible for diminishing the cultural value of Dubrovnik and its potential for tourism in the long run (Jelinčić 2012, Subasic 2012, Nodari 2007). Kojakovic sees tourism as “a blessing and a blight” and blames politicians for endangering Dubrovnik’s cultural and natural heritage by encouraging misled development that destroys the nation’s core values (Kojakovic 2012). Amir Subasic, the owner of a real estate firm in Dubrovnik, reiterated a similar position attributing the government as being inadequately equipped for globalization and not knowing what it was doing, in addition to working towards its own objectives, not those of Dubrovnik (Subasic 2012). Subasic’s feelings reflect an awareness of the State as insignificant in comparison to the formidable market forces, which further highlights that Dubrovnik’s continued lock-in is the result of the transitioning State being unable to effectively regulate the market. Moreover, Subasic and Kojakovic both indicate the lingering vestiges of distrust that stem from the initial rampant corruption of the State.

Some of the changes that have taken place in Dubrovnik are representative of Croatia not being adequately prepared to restructure its markets, open its economy for foreign investment, and the forces of privatization. As portrayed by Kojakovic who ascribed the transition after the war as the cause of Croatia suffering the “brutalities of capitalism” that were exacerbated by Dubrovnik’s tourism industry: escalating real estate prices, increased development pressures, less State benefits, and increased economic disparities (Kojakovic 2012), which represents Croatia not properly regulating the market and allocating resources to mitigate the disparities. The adverse effects of which have been intensified by the pervasiveness of Dubrovnik’s tourism industry in its mono-economy. Moreover, Iatridis conjectures that the process of privatization permeates throughout all spectrums of society, because it fundamentally reconfigures central institutions, such as government, property and ownership, and legal system (Iatridis 1998). Notably, stigmas against privatization continue to be pervasive in Croatia because of the corruption that accompanied it during Tudjman’s administration, so a considerable distrust of political institutions still remains. Additionally, as the markets continue to transition to be more “free” and subscribe to a capitalist model with increased development and foreign involvement, the State has less direct control and therefore necessitates different means to regulate its markets. The international market was cited by professionals in Croatia as the cause of the exorbitant prices in Dubrovnik, using it as a scapegoat to assert Croatia’s lack of culpability for the effects of the “free market” system (Minister 2012, Colliers 2012). However within a transition, the State’s means of regulating the market changes. It does not lose its ability. The “regulation and negotiation of social, economic, and cultural life” still remains a paramount role for Croatia even in a “free market” (Beck 2006, Swyngedouw 2000).

Real estate properties in Dubrovnik increasingly are sold to foreigners as secondary homes, which likewise has been attributed to the effects of the international real estate market. Many locals in Dubrovnik have sold their homes to foreigners because of the incentive behind their property's enormous real estate value, a pressure that was nonexistent under the system of social ownership and has arisen with the transition and privatization (Đukić 2008b). Consequently, foreigners own many of the properties in Dubrovnik and use them for vacation homes, which they only inhabit them part of the year. Subasic estimates that around 65 percent of the properties in Dubrovnik are owned by foreigners in Dubrovnik (Subasic 2012), so their collective absence is acutely noticed in the off-season when the majority of them do not use their vacation homes in Dubrovnik. As of 2004, prices for housing and land in Dubrovnik had risen by fifty to a hundred percent in just two years (Mihaljek 2005). Apartments in the Dubrovnik area remain those with the highest real estate property values in Croatia (Prohaska 2012). Consequently, many locals are priced out of their own market (Jansson 2007). Significantly, Croatia had a law that allowed the government first bid on properties before foreigners, but Mandić explained that the government generally could not afford the high-priced real estate, so the regulation proved ineffective to prevent foreigners from saturating the market and acquiring many of the historic buildings (Mandić 2012). Current Croatian legislation has little measures to protect the market from speculation (Mihaljek 2005).

Emblematic of its lock-in, Dubrovnik has limited productive sectors aside from tourism. In comparison to other cities along the Adriatic Coast, Dubrovnik is highly constrained, because of its awkward geographic position and negligible industrial development. In other prominent historic cities along the coast such as Split, Yugoslavia cultivated industrial activities in addition to their cultural and historic resources, which was not the case with Dubrovnik (Kaser 2001). With the heightened privileging of tourism to industrial activities, Dubrovnik and Croatia at large have a growing dependence on foreign imports (Jansson 2007). As a result, Croatia imports more than twice as much as it exports, importing goods ranging from food to labor (Jansson 2007). Recent figures suggest that thirty percent of what tourists consume in Croatia is imported (Jansson 2007). Jansson challenges the overall benefits of tourism to Croatian economy because of the substantial amount of imports that it drives (Jansson 2007). As of 2011, the Dubrovnik area imported 93 percent what it exported, demonstrating the heightened trade imbalance in an economy that is exclusively centered on tourism (CBS 2012).

However, Dubrovnik does have alternative economic options that the government acknowledges but the alternatives are not as actively developed and cultivated as tourism, suggesting Dubrovnik's deeply entrenched path dependency. Mayor Vlahusić and Consulate General Gubić both described the potential of Dubrovnik to become a university and conference center (Vlahusić 2012, Gubić 2012). Therefore, the State needs to better regulate and heavily invest in such sectors to help them offset tourism's dominance on Dubrovnik's local economy for a more sustainable and integrated development.

As I have just demonstrated, the State has inadequately regulated the tourism industry in Dubrovnik after its transition and has demonstrated little political will to do so. The following portion will discuss the detrimental effects of Dubrovnik's mono-economy on its social fabric, local identity, and cultural heritage and the viable threat that a continued lock-in the tourism industry poses to its future.

## **DUBROVNIK and the NEED for ALTERNATIVE PATHS**

Tourism has greatly determined Dubrovnik's larger social and economic landscape. Since the mid-1980's, the production of crafts in Dubrovnik has steadily decreased, and from just 2001-2006, the sector shrank another thirty percent, in contrast to the service sectors in Dubrovnik, which have continued to grow (Đukić 2008b). Additionally, Dubrovnik and the city at large have seen an enormous increase in tourism-related firms to accommodate the sector's increased demand (Đukić 2008b). Between 2001 and 2006, there was a four-fold increase in tourism accommodations (Đukić 2008b). Notably, within my survey of tourism publications published by the State, a tourist guide from 1970 noted nine tourist agencies in the Dubrovnik area, and in 1997 the same publication, but produced by Croatia, noted twenty tourist agencies in the Dubrovnik area, a 122 percent

increase (Foretić 1970, Novaković 1997). In a similar survey that I conducted, a hotel directory produced by Yugoslavia in 1973 listed 27 hotels in the Dubrovnik area as compared to a 2011 edition of the same hotel directory now produced by Croatia that listed 41 hotels in the Dubrovnik area, about a 52 percent increase (Protić 1973, Obratov 2011). Both of which reflect Dubrovnik's significant increase in tourism infrastructure and firms since the period under Yugoslavia.

Historically, Dubrovnik was an administrative and commercial center, as well as social and residential hub, but now its urban function has changed with many of its former activities shifting outside of Dubrovnik to the larger region (Prohaska 2011). During the 1960's Dubrovnik held many of the region's political-administrative functions, but today, the presence of such institutions is negligible in Dubrovnik, and since around 2000, the overwhelming majority of its businesses and employment are either directly or indirectly related to tourism (Đukić 2008b). Alongside of which, as many of the businesses related to the daily activities of local citizens have moved outside of Dubrovnik, it has dramatically increased the cost of living in the Old City, in addition to increasing its inconvenience as a place of residence (Prohaska 2011). As Subasic recalls before the War of Independence, "everything" for local residents could be found in Dubrovnik and that it was the "center" of the Dubrovnik area, but according to him, the remaining firms in Dubrovnik strictly cater to tourists (Subasic 2012), revealing the increasing alienation of locals from their own market. My conversation with the City of Dubrovnik Development Agency revealed a similar awareness in the shift of locals to outside of the Old City. The representative described the diffusion of locals from the Old City into the larger Dubrovnik area as creating a new "Old City" (City 2012). As of 2006, the number of firms in the Old City that were directly related to the tourism sector tripled from the figure in 1961 under Yugoslavia when slightly less than ten percent of the firms were directly related sector (Đukić 2008a).

The substantial number of firms in Dubrovnik's tourism industry is additionally problematic, because tourism employment in Dubrovnik is highly seasonal. The high seasonality of tourism in Croatia is cited as one of the biggest problems of the industry. In addition to contributing to fluctuations in the economy, its highly seasonal nature causes an acute concentration of strain on infrastructure (Euromonitor 2011f). A study in 2007 on the daily visits of tourists, excluding those from cruise ships, to Dubrovnik found that close to 99 percent of their visits to Dubrovnik were during the summer season (Đukić 2008a). Emblematic of the country as a whole, Croatia had 94 percent of its total overnight tourism solely between the months of April and September in 2009 (Čavlek 2010). Dubrovnik is placed in an extremely precarious and vulnerable position with an economy that is essentially completely reliant on tourism, an industry that in itself is exceedingly unstable and volatile given its close relationship to the swings in the global economy.

Tourism dominates Dubrovnik's economy. Between the high and low tourist seasons, there is a 47 percent change in Dubrovnik's tourism employment and nearly a 67 percent change in its overall employment according to 2007 figures (Đukić 2008b). Consequently, Dubrovnik is dependent on revenues generated from a very limited span of the year. As of 2008, there were about twice as many jobs in Dubrovnik during the summer season than residents, and in the winter, there were about one and a half more jobs than residents (Đukić 2008a). As a result, there is a daily migrant population during the high tourism season (Đukić 2008b). The seasonal labor market is further complicated within Dubrovnik's skewed economy, because most of the seasonal workers cannot afford the high apartment rents in Dubrovnik (Jansson 2007). Andreas Jersabeck, general manager at the Hilton Imperial Dubrovnik, attributed the high cost of living in Dubrovnik to an undersupply of cooks, waiters, and housekeepers during the high tourist season, but in the low season, there is an oversupply of labor and not enough positions to accommodate them (Jansson 2007).

The most recently released figures of Croatia's gross investments in fixed capital formation during 2009 (CBS 2011a) are highly illustrative of Dubrovnik's systematically reinforced lock-in. The county of Dubrovnik had the sixth highest amount of fixed capital formation among the twenty counties in Croatia, and the county of Dubrovnik received forty percent of the total national fixed capital formation in "accommodation and food ser-

vices,” which largely denotes the tourism sector. Within the county of Dubrovnik, the overwhelming majority of realized gross fixed capital, about fifty percent, was invested in “accommodation and food activities,” whereas the country as a whole had about eleven percent of total investment in “accommodation and food activities,” which shows the heightened tourism market in Dubrovnik in comparison to the rest of the country. As a point of comparison in 1982, tourism represented about five percent of gross fixed investment at the onset of the height of tourism under Yugoslavia, (OECD 1984). Moreover, the second and third largest amount of capital in Dubrovnik county were in “construction” at thirteen percent and “transportation and storage” at eleven percent, which are supportive sectors of tourism. Their relatively low percentages in comparison to tourism additionally highlight the substantial allocation of resources to tourism within Dubrovnik’s local economy. Notably foundational institutions for sustained growth and a healthy society, “education” and “human health and social work activities” received slightly more than one percent and less than one percent, respectively, in capital investments, yet again demonstrating the skewed priorities within Dubrovnik’s economy. Interestingly, Mayor Vlahusic cited education as a potential sector for Dubrovnik’s development (Vlahusic 2012), yet it clearly is receiving little investment especially in comparison to tourism. Other potential industrial activities were likewise ignored within capital allocation, such as agriculture and manufacturing, which received less than two percent and one percent of investments, respectively. Furthermore, developing supportive sectors to tourism such as agriculture, aside from diversifying Dubrovnik’s industries, would help to offset the huge trade deficit in Dubrovnik by locally producing some of the goods that tourists consume (CBS 2011a).

Tourism additionally has profoundly transformed Dubrovnik’s the social fabric. Dubrovnik is no longer the thriving, vital core that it historically had been. Tellingly, the Old City had a population of 5,439 in 1961, and by 2006, the population had dramatically dwindled to 1,241 as depicted in Figure 7 below (Đukić 2008a). Due to the exodus of locals from Dubrovnik such as Mandic characterize it as “dead” now (Mandic 2012).

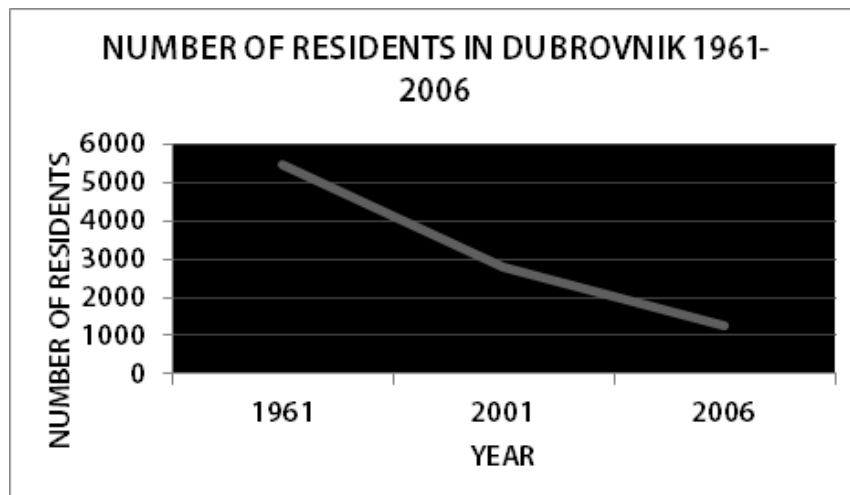


Figure 7: Graph demonstrates the substantial exodus of residents from the Old City (Đukić 2008a).

Figures 8 and 9 below reveal a recent study about the principal reasons that people visit Dubrovnik during the summer and winter. Unsurprisingly tourists dominate it during the summer, while in the winter, few tourists go to Old City, and locals visit it mainly for socio-economic purposes, while many students use it for thru-transit (Đukić 2008a), a shocking departure from Dubrovnik’s noted vitality as an urban, social center. Alan who owns a local travel agency in Dubrovnik suggested that locals have become so accustomed to avoiding Dubrovnik during the summer that by winter most people continue to avoid it out of habit (Mandic 2012). Subasic remembered that before the war, Dubrovnik was the place for walking, meeting people, being with friends. He labeled it as “our Champs-Élysées,” but stated that now no one “promenades” in the Old City (Subasic 2012). Mandic attributed the high prices to in part why locals tend to avoid Dubrovnik, because they considered it “expensive and crowded” (Mandic 2012). The high rates of tourism in Dubrovnik have substantially factored into the city’s high prices that have made the city greatly more expensive for many locals (Colliers 2012). As a sym-

bolic gesture, the Catholic Bishop has expressed the intention to move back to the Church’s historic residence in the Old City as a means of signaling to locals the need to reclaim the historic core from foreigners (City 2012), representing the attempt by a strong, firmly ingrained, symbolic national institution to save a waning cultural symbol.

**REASONS FOR DAILY VISITS TO DUBROVNIK DURING THE SUMMER OF 2007**

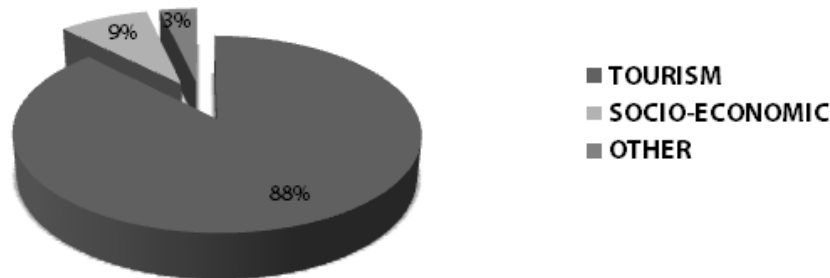


Figure 8: Based on a 2007 study, the graph reveals tourism was the overwhelmingly reason for visits to Dubrovnik during the summer (Đukić 2008a).

**REASONS FOR DAILY VISITS TO DUBROVNIK DURING THE WINTER OF 2007**

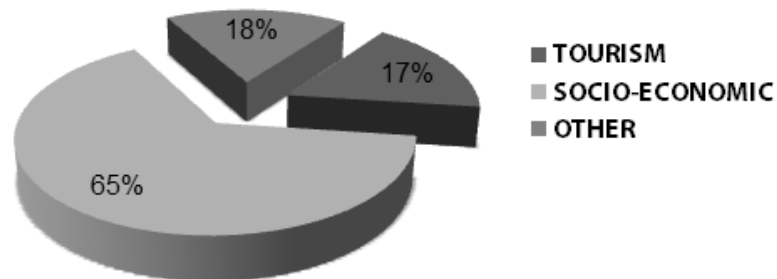


Figure 9: According to the same 2007 study, the graph shows that even without the substantial presence of tourists, locals still tended to avoid Dubrovnik and mainly visited it for business purposes during the winter (Đukić 2008a).

Because the physical architecture of the Old City is protected by Croatia in accordance with its World Heritage status and national designation, the change to Dubrovnik’s heritage is not acutely visible in its built form but instead within the characteristics of its intangible heritage: Dubrovnik’s local culture and identity. The high concentration of tourism within the finite confines of Dubrovnik has severely deteriorated the quality of life for local inhabitants and altered the city’s character. A woman from Dubrovnik quoted in a national newspaper voiced similar complaints about the flood of tourists in the summer, ‘We have no room in our city any more’ (“Too many cruise-ship tourists...” 2008). According to Đukić, the function of the Old City has “completely changed” within its transformation to accommodate the tourism industry to the extent that Đukić labeled Dubrovnik as ‘hostage’ to its tourism development (Đukić 2008a, 212, 223). Nodari similarly decried the changes that have taken place in Dubrovnik: “Its population is diminishing, and today one can barely hear the local dialect, which in fact endangers its material and non-material heritage, the identification code of the living City” (Nodari 2007, 69). Nodari’s depiction of the manifest erosion of Dubrovnik’s quintessential cultural heritage and local identity explicitly challenges its designation as a living historic city and intrinsically relates the local population with Dubrovnik’s sustained vitality. Similarly, Subasic described Dubrovnik as having “no soul, nothing left,” because there is no local culture that remains in it with the departure of most local people from the Old City (Subasic 2012). Thus, it is not enough for the State to just protect the architectural heritage of Dubrovnik, but it must also maintain its non-material heritage by ensuring the viability of Dubrovnik as a place that locals can still reside.

To the dismay of its locals, Dubrovnik’s prime position on the Adriatic Coast along the highly trafficked Eastern Mediterranean travel route has established the city as a standard day stop for cruises, as shown in Figure 10. Cruise ships are frequently criticized for much of Dubrovnik’s blight (Jelinčić 2012, Đukić 2008a, Đukić 2008b, Prohaska 2011, Kojakovic 2012). Angelina Jelinčić, Professor of Culture and Communication at the University of Zagreb, contends that the cruise ships bring more tourists to Dubrovnik than its carrying capacity, which result in crowds, physical bottlenecks in the streets of the city, and increased resentment towards tourists from local residents (Jelinčić 2012). In 2010, Dubrovnik received 1.1 million visitors through its port at Gruz (“Dubrovnik receives...” 2010). Dubrovnik is currently the most popular cruise ship port in Croatia, the fourth in the Mediterranean, and the tenth in the world (“Kosor opens...” 2011). Additionally, there are investment plans to make Dubrovnik’s port even bigger to accommodate the cruise ships, which emphasizes the State’s misaligned plans to further expand the sector and continue Dubrovnik’s dependency on it.



Figure 10: Map of some of the well-traversed international cruise routes that feature Dubrovnik as a destination.

Mayor Vlahusic of Dubrovnik however contends that Dubrovnik’s intrinsic identity has not changed with the influx of foreigners, but that the city instead is embracing its historic roots of being an international hub and the center of the Mediterranean (Vlahusic 2012). Accordingly, Vlahusic maintains that Dubrovnik has always been a part of the European union within its history and views Croatia’s accession into the EU as continuing Dubrovnik’s historic legacy, thereby dismissing the critique that there are too many European tourists in Dubrovnik, because to him, European visitors are an essential part of Dubrovnik’s history (Vlahusic 2012).

Illustrative of Dubrovnik’s two different social and economic structures that shift according to its tourist season (Đukić 2008a), most of the people who I interviewed commonly identified Dubrovnik as a “ghost town” during the low tourist seasons (Kojakovic 2012, City 2012, Jelinčić 2012, Subasic 2012, Mandic 2012). The palpable change in Dubrovnik’s urban fabric between tourist seasons is clearly visible in Figure 11, which is a collage of photographs collected from my site visits during the summer and winter. Dubrovnik’s evident manifestation as a “ghost town” during the winter vividly depicts how the city is precariously hinged on the industry and the profound erosion of the city’s local identity and urban character that its dependency has caused. Mandic characterized Dubrovnik as a vacuous shell, a “beautiful movie set” enjoyed by tourists (Mandic 2012), revealing the appropriation of Dubrovnik’s architectural heritage by the tourism industry and the city’s subsequent transformation into a piece of tourism infrastructure, a physical means to support tourism. The evident corruption of the Old City’s formative position as the symbolic “heart” of Croatian identity (Ministry 2012, Gubic

2012, Mandić 2012) additionally represents the State's inability to regulate Dubrovnik's local symbolism in the face of tourism.



Figure 11: Photograph collage from the author's site visits comparing high and low tourist seasons in Dubrovnik.

The noted loss of local presence and identity within Dubrovnik certainly jeopardizes its standing within the tourism industry. Aware of the lack of appeal of a “ghost town” to tourists and perhaps its effect on the local economy, the Ministry of Tourism has introduced a marketing campaign in Dubrovnik ironically entitled “a city for all seasons” to incentivize more than one active tourist season in Dubrovnik and make Dubrovnik an appealing winter destination (Žlof 2011/2012, 66). The tourism authority's recent initiative was highlighted in an article from a national newspaper fittingly entitled “Dubrovnik offers fun in wintertime” (“Dubrovnik offers...” 2011).

Scholars to a greater extent are stressing the significance of marketing a unique product to successful tourism campaigns (Pavlić and Kesić, 2011, Salazar 2010), therefore the value of Dubrovnik's unique cultural attributes will continue to diminish the more that the State allows Dubrovnik to be shaped by economic and market forces and not regulate them. The current levels of tourism are exhausting Dubrovnik as a cultural resource. As evident from a journalist's comments, the seasonal hoards of visitors have devalued the quality of Dubrovnik's former offer as a destination, “The... tourism offer looks less and less like its former self. ‘The Mediterranean as it once was,’ the national tourism board's slogan, evokes unhurried tranquility, not crowds” (Jansson 2007).



This section has explained how Dubrovnik’s lock-in has intensified the effects of tourism and as a result distorted its urban landscape and eroded its cultural heritage, which has made it an inhospitable environment for locals. Next, I will portray how the State has actively continued to perpetuate Dubrovnik’s unsustainable tourism industry through infrastructure improvements that are catered to higher market segments and have alienated everyday locals from Dubrovnik as a travel destination.

### DUBROVNIK is an INACCESSIBLE PATH for MANY CROATIANS

Within Croatia’s contemporary reorientation towards Europe, its tourism industry has become focused on higher income segments and international markets, as a result Dubrovnik has become a fragmented local symbol unattainable to many Croats because of economic or geographic challenges, despite Dubrovnik’s standing as a national symbol. Dubrovnik’s heightened prices from its inflated tourism industry have made it an inaccessible holiday destination for many Croatian households (Curtis 2010). Revealingly, the Dubrovnik region has by far and away the most five star hotels, twelve compared to Opatija and Zagreb both with the second largest number of three (Euromonitor 2011e). Revealingly, fifty percent of Croatia’s tourism was domestic in 1988 as compared to 2010 in which fourteen percent of its tourism was domestic (Galić 1988, CBS 2011c). Moreover, per capita tourist expenditure has dramatically increased with the high proportion of foreign tourists (Currie 2004). Dubrovnik recently reported flat growth in its domestic tourism (Euromonitor 2011a), while Figure 12 illustrates that domestic tourism had been a substantial market under Yugoslavia but since the war has significantly diminished based on tourism arrivals.

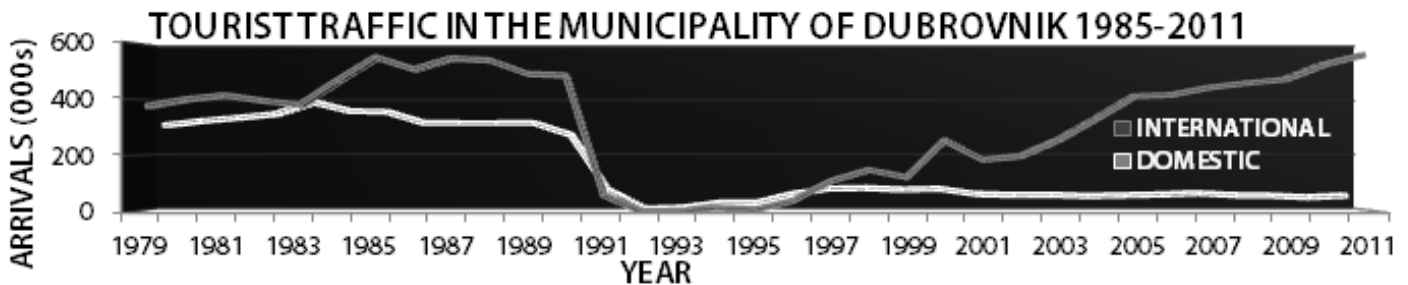


Figure 12: As Evident from the graph, since the War of Independence, international tourism has substantially grown while domestic tourism has stagnated (Vrtiprah 2003, CBS 2001, CBS 2002, CBS 2003, CBS 2004, CBS 2005, CBS 2006, CBS 2007, CBS 2008, CBS 2009, CBS 2010, CBS 2011b, CBS 2012b).

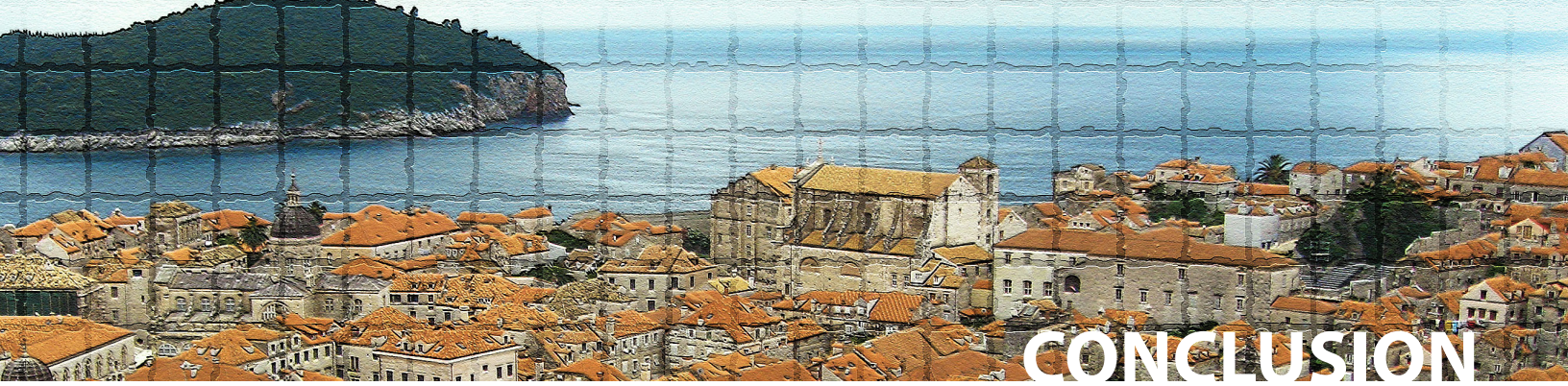
It is forecasted that the evident socioeconomic differentiation in Dubrovnik will be heightened in the future with Croatia’s concentration on the luxury tourist market for the city (Euromonitor 2011b). Dubrovnik’s latest marketing slogan “The Mediterranean as it once was,” (Ministry 2012) evokes a nostalgia for the past’s elite tourists that once flocked to Dubrovnik’s coast, the days prior to Yugoslavia’s emphasis on domestic tourism. Recently, Dubrovnik increased air connections to other coastal cities via private air taxis (“Dubrovnik has better connections...” 2008), catering to a higher segment of travelers. Also highlighting an emphasis on wealthy travelers, the State-owned ACI chain of marinas plans to improve its marinas along the Adriatic Coast including the one in Dubrovnik to accommodate the influx of “mega-yachts” (“ACI to invest...” 2008). Likewise, the 2010 reconstruction of Dubrovnik’s waterfront in Gruz included twenty more berths for small tourist yachts (“Reconstructed Gruz...” 2010).

Since the war, Dubrovnik has been literally severed from the rest of Croatia due to the reconstitution of borders under the Dayton Accords. While the border of Bosnia-Herzegovina historically has run along a very small portion of the southern Adriatic Coast and separated Dubrovnik from the rest of Croatia, the republics had been united under common governance so the disjuncture was not as palpable. Notably, Croatia currently is attempting to improve its infrastructure and transportation connections with Bosnia-Herzegovina (“Mayors

of Dubrovnik... 2010). However, Dubrovnik's relatively constrained geographic position becomes ever more conspicuous as Croatia attempts to integrate itself with Western Europe and reference itself in relation to it. Dubrovnik is much further distanced from Western Europe than the rest of Croatia and remains in closest proximity to the former republics of Yugoslavia: while the Bosnian-Herzegovina and Montenegrin borders are only ten and forty kilometers away, respectively, Graz, Austria, near Croatia's northern border, is 750 kilometers away. Moreover, despite attempts to market the city as a winter destination, services to Dubrovnik's airport during the winter are unreliable and often interrupted because of unpredictable local weather conditions (Jelinčić 2012, Singleton 1982), further marking Dubrovnik's separation from the rest of the nation and inherently capping its tourism potential, which once again demonstrates the implicit need for other economic sectors. Located relatively far from Croatia's other main cities, Dubrovnik is unable to position itself as a site that is for convenient day trips from other Croatian destinations. Returning to the issue of Dubrovnik's exorbitant trade imbalance, Dubrovnik's distant location from the rest of Croatia seemingly makes it more convenient for Dubrovnik to import goods from closer regions in neighboring countries than Croatian regions that are further located, which further incentivizes the need for Dubrovnik to cultivate industries that make it more self-sufficient.

While travel to Dubrovnik is being improved and made more convenient for wealthy travelers, affordable domestic travel to Dubrovnik remains difficult, as succinctly stated in an interview, "Dubrovnik is isolated from rest of country, but not from the world" (City 2012). Lacking a railway connection, domestic transportation, aside from car travel, is possible by air, ferry, or bus to Dubrovnik. While bus service is by far the most affordable option, it is synonymous with being unreliable and takes considerable amounts of time between Dubrovnik and the majority of other Croatian cities. Importantly, 89 percent of domestic tourists used land travel for their trips (Euromonitor 2011d). Croatia has been working to improve motorway connections to Dubrovnik since the War of Independence, but the construction has yet to be completed, which makes land travel to Dubrovnik more timely and inconvenient (Euromonitor 2011d). This contrasts sharply to Yugoslavia's description in 1979 of Dubrovnik as an accessible destination for nationals and internationals alike: "the point of departure and terminus of a large network of sea and land routes which joined it to all of the centres of economic life in the Balkans and the Mediterranean sea" (Socialist Republic of Yugoslavia 1979). Strikingly, eighty percent of Croatians have not visited Dubrovnik, the city that the Croatian Ministry of Tourism professed to be the "heart" of Croatian identity during my interview (Euromonitor 2011a, Ministry 2012). Today, the city boasts little connectivity to the larger nation but instead to its international markets.

As just shown, the State has had an active role in bolstering rather than alleviating Dubrovnik's path dependency through infrastructure investments that are aimed at wealthy foreigners and have made Dubrovnik a progressively unattainable tourist destination for locals. Finally in the next section, I will conclude by briefly recapitulating my aforementioned analysis of the role of the State in establishing Dubrovnik's path dependency in tourism and expound on the detrimental effects of the city's lock-in on its cultural heritage and local population.



## UNLOCKING the KEY to DUBROVNIK

Croatia helped Dubrovnik to recover from its siege in the 1990's, but today the State is perpetuating another siege that has eroded Dubrovnik's prized cultural landscape. The tourism industry can be a viable, sustainable option for economic development if it is one among other options. However as demonstrated by Dubrovnik's lock-in, when there is a mono-economy with tourism as the sole, foundational industry, tourism can decidedly reconfigure the economic, cultural, and social fabric of an area to the extent that its own residents feel alienated from it.

Unfortunately, due to the confines of this project, there are still many areas that merit further study to better understand Dubrovnik's relationship with the tourism industry. A comparison of Dubrovnik's tourism development in relation to that of other historic cities in Croatia such as Split, Hvar, and Zadar would provide a better foundation from which to understand how the State treated tourism differently in each city and how that has affected their local economies today. Additionally, further work needs to address the changing dynamic between the Old City and the larger Dubrovnik area and how tourism has affected it. Also, understanding civil society's transformation within the transition and how locals have responded to the development in Dubrovnik deserves more attention.

Cultural heritage is pervasively accepted as a ready resource for cultural tourism, a sector that is gaining momentum and generally embraced as a means for economic growth. The World Bank describes culture as "a resource for economic and social development" and recommends cultural tourism for developing economies, ascribing it with the sweeping possibilities that it "[generates] income... creates employment, reduces poverty, stimulates enterprise development by the poor, fosters private investment and generates resources for environmental and cultural conservation" (World Bank 2011), which cultural tourism can undeniably provide, but in moderation. Evans describes the tendency to prescribe "uniform institutional blueprints" for development in the global South, which he calls "institutional monocropping" and asserts that it inherently fails (Evans 2004, 31-23). Evans suggests that the most successful means for development is "deliberative development," the engagement of locals in public discussion and interchange to inform the development within their specific context, which in turn facilitates their engagement, inclination to invest in public goods, and encourage the provision of those goods (Evans 2004). Tourism is emblematic of an institutional blueprint and monocropping. Many developing countries do not have stable enough economies or political institutions to properly regulate the tourism industry, as was the case with Croatia having just arisen from the war as an unsteady nation. Consequently, readily adapting to the tourism industry ultimately can prove detrimental to an economy if the State does not engage in "deliberative development" and encourage other economic options. However, Josic contends that despite Croatia having educated citizens who want to be engaged, locals are unable to influence the State's strategies on any level, including tourism (Josic 2012). Inherently for Croatia to ultimately realize its transition into a democratic state, it necessitates the meaningful participation of Croatian citizens.

Based on my conversations with locals in Dubrovnik, they all freely proposed ideas for new policies and regulations to mitigate the effects of tourism in the city, so there evidently is no shortage of ideas, but the prob-

lem stems from the intentional lack of will and implementation by the State to enact consequential legislation to curtail tourism. Instead the State conditioned by its dependency encourages and perpetuates the industry and its destructive characteristics within Dubrovnik. This begs another question within the study of Dubrovnik's path dependency that merits further study. At what point does a political institution, and not just an economic sector, become path dependent? Within the case of Dubrovnik, perhaps Croatia partly lacks the will to diversify its economy beyond tourism, because the State has developed a path dependency within its political system to only promote the industry. Returning to Evans, this suggests the possibility of an institutional monocropping of the state. Developed countries aside from advocating industrial blueprints, such as tourism, for developing countries also can cause a monocropping of larger political and economic institutions by uniformly promoting democratic systems and transitions into "free open" markets, which may not be the best solution for every state and one that each state may not have the capacity to implement and properly regulate. In light of Dubrovnik's contemporary development, many locals articulated nostalgia for Socialism and ways of life in Yugoslavia, which further highlights the need for deliberative development, because institutional blueprints for development inherently distort the specificity of culture and society.

Tourism initially helped Croatia recover its shaken economy after the war. Moreover Croatia, continuing along the trajectory that Yugoslavia instituted, viewed tourism as a viable means to aid its larger economic and political transition. In doing so, Croatia's economic policy was pivoted on tourism in Dubrovnik and thereby skewed the industrial development of the city into a mono-economy, effectuating its lock-in. Yet today despite Croatia's general economic recovery, it still perpetuates Dubrovnik's stifling mono-economy that is siphoning the city's cultural livelihood and creating a "ghost town." As shown by the weaknesses of Dubrovnik's lock-in, for a successful sustainable transition, States need to open up an economy and diversify it, not just make one sector successful. Croatia must promote and invest in other industrial paths for sustainable development and economic growth in Dubrovnik. The presence of additional sectors in Dubrovnik also would help to alleviate the current exhaustive use of Dubrovnik's cultural capital, which would help to reinvigorate its waning symbolic standing. A diversified local economy would additionally help to offset Dubrovnik's significant trade imbalance. The State should be investing in Dubrovnik's human capital as a foundational institution for growth and future productivity by ensuring that Dubrovnik receives substantially more than the one percent evident of fixed capital formation from 2009, especially in lieu of continuing to advance and allocate resources to an industry that many of its citizens cannot afford (CBS 2011a). As discussed earlier, the Mayor of Dubrovnik acknowledges Dubrovnik's viability as an education and conference center (Vlahusic 2012). Therefore, it is the role of planners to recognize the potential of historical determinism to render viable economic sectors uncompetitive against an instituted path dependency like tourism. Planners can help government institutions to ameliorate market inefficiencies by allocating resources and creating policy that develop sectors, such as education and business, in Dubrovnik to help foster a diversified economy for its sustainable future.

A representative from Colliers International emphasized that many people rely on the force of the "Pearl of the Adriatic" to sustain itself but countered that in free markets that logic does not work (Colliers 2012). Markets inherently are imperfect, so it is the implicit role of the State to regulate their inefficiencies, which include a lock-in. Thus as the State has been integral to developing tourism in Dubrovnik, so too is the State necessary to control it. However, Dubrovnik's political bodies remain reluctant to curtail the flows of tourism into Dubrovnik, as shown by the recent dismissal of Dubrovnik's former Minister of Tourism Pave Župan Rusković from her position for purportedly vocalizing the need to limit Dubrovnik's tourism, while citing its deterioration of the city and creation of an inhospitable environment for locals, a stance contrary to the administration (Pavičić 2012). Her dismissal highlights the internal conflict in the State regarding tourism and the State's inability and lack of desire to control it. It also represents the pervasive entrenchment of the industry within Dubrovnik's political economy that even the discussion of curtailing the industry is grounds for the discharge of a public official. Individual actors seem to have lost any agency in the face of tourism, which suggests the inability of the market to correct itself and the need for better policy to ensure transparent economic strategies that elicit differences in opinion rather than quell them.

The use of a path dependency framework has helped to extrapolate the formative position of the tourism industry in Dubrovnik by demonstrating the importance of history to economic development. It has demonstrated that despite the presence of alternative viable economic paths a state has a tendency to build on foregone choices that may not be optimal or sustainable. Moreover, because of its historical trajectory, Croatia has become complacent promoting tourism in Dubrovnik and building on short-term gains that endanger its future development rather than investing in alternative sectors for Dubrovnik's long-term sustainability. Admittedly, it is easiest to retrospectively ascribe the responsibility of history for Dubrovnik's contemporary lock-in, yet it is only through understanding the formative grip of the past that Dubrovnik can progress into a sustainable future. This current position of tourism in Dubrovnik's political economy supports Pierson's assertion that economic institutions can incentivize political actors to become locked-in to a particular behavior (Pierson 2000) and therefore further establishes the need to reevaluate political policy mindful of potential historical determinism. As Dubrovnik has shown transition and postwar reconstruction do not inherently mean that institutions have become liberated from previous behavior or dependency. This study emphatically reveals the importance of long-term planning to prevent short-term aims from dictating a limited future. By remaining without a strategic plan for its future, Dubrovnik will pursue the same problematic trajectory. To avoid a lock-in, planners need to assiduously maintain diversified economies despite the costs of long-term initiatives with few immediate gains.

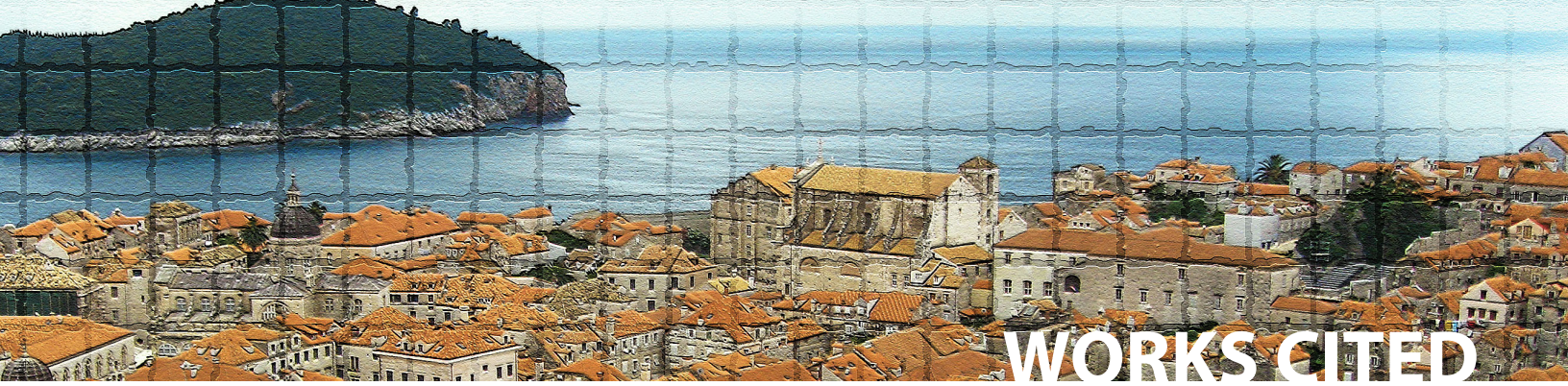
Dubrovnik inherently needs the aid of State and local political officials to balance its stature as the "center of the world" (Novaković 1997, Subasic 2012, Vlahusic 2012) and viability as a marketable brand, while maintaining its position as a thriving center of urban and cultural life. Dubrovnik has lost its pristine cultural symbolism and is no longer highly emblematic of a bastion for thriving local heritage, but instead has become widely recognized as a commodified good with a strong brand in the global tourism market, as depicted in Figure 13 of the work "Dubrovnik on Sale" by a local artist. The artwork reflects the new symbolism that the State unintentionally has cultivated of Dubrovnik, one that is marked by heritage appropriated by the tourism industry and sold as an international commodity, which evokes the extent that tourism has permeated and distorted society in Dubrovnik.



Figure 13: Photograph of the work of a local artist depicting "Dubrovnik on Sale" (Jelinčić 2012).

Culture is not a renewable resource. It necessitates the State to protect it in addition to its use of it as an economic asset. Aside from Dubrovnik's unparalleled architectural heritage, Dubrovnik is set against a stunning natural backdrop that is firmly ingrained within the city's identity. An environment that heightened tourism decidedly erodes representing perhaps a more insidious, silent siege on the city. The escalated construction of

hotels along the local coast blots out the Adriatic Sea; hordes of tourists invariably detract from the appreciation of its natural setting; and the potential development of a golf course planned to top the emblematic Mount Srdj, once described as the city's "geographical and mythical patron" (Novaković 1997, 5), looms precariously in Dubrovnik's future.



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