Ekonomia — Wroclaw Economic Review 29/2 (2023)
Acta Universitatis Wratislaviensis
No 4180

https://doi.org/10.19195/2658-1310.29.2.2

Katarzyna Podhorodecka
ORCID: 0000-0003-3075-7453
University of Warsaw
kpodhorodecka@uw.edu.pl

Sharon C. Cobb
ORCID: 0000-0002-7063-9091
University of North Florida
scobb@unf.edu

The impact of the COVID-19 pandemic and the war in Ukraine on tourism economy development in Cyprus and Croatia

JEL classification: L83

Keywords: Cyprus, Croatia, crisis, war in Ukraine, COVID-19, postpandemic situation

Abstract

In the years 2020–2021, the global tourism economy faced a huge crisis related to the COVID-19 pandemic and its particular waves. The year 2022 was supposed to be the beginning of the reconstruction of the inbound tourism sector in the world. However, for Cyprus and Croatia, the events of February 24, 2022, called into question the continued functioning of a large part of the inbound tourism sector. The aim of this article is to answer the question: what was the impact of the COVID-19 pandemic on the size and structure of foreign inbound tourism to Cyprus and Croatia? The second aim of the article is to answer the question: what is the expected impact of the war in Ukraine on the tourism sector of the Cypriot and Croatian economies? The methods used in the article were: the analysis of statistical data and the analysis of literature.

Introduction

The COVID-19 pandemic, which lasted for two years, had a significant negative impact on the level of international tourist movement. According to UNWTO data, in 2020 the number of international travels decreased by about 70–80% worldwide, and in 2021 the number of international tourist travels decreased by 70–75% compared to 2019 (www.unwto.org).

The main purpose of this article is to answer the question: what was the impact of the COVID-19 pandemic on the tourism sectors in Cyprus and Croatia? The second goal is to answer the question: what is the foreseeable impact of the war in Ukraine on inbound tourism to Cyprus and Croatia in 2022 and what are the mechanisms used to mitigate its effects?

Tourism is an economic sector that reacts strongly to various types of global crises (health, political and economic crises are also important for individual tourist decisions). The largest crises in the tourism sector in Cyprus since 2000 include the attacks on the World Trade Center in 2001 (a significant decrease in the number of tourists in 2002 compared to 2001), the global economic crisis (a significant decrease in the number of foreign tourists in 2009), and the COVID-19 pandemic (a drastic decrease in the number of foreign arrivals). In 2010, the number of foreign tourists reached almost 2.5 million (see Figure 1). Arrivals continued to increase to over 4 million in 2019, but would drop to 2 million in 2020, due to the COVID-19 pandemic (a similar level was recorded in 1996). Figure 1 shows the number of foreign tourist' arrivals to Cyprus in the years 2000–2021. The reasons for choosing Cyprus and Croatia for the analysis in the article was that these countries had good rates of growth in the terms of international tourist arrivals after the global economic crisis. Comparing the years 2021 with the year 2019, the growth of international tourist arrivals for Cyprus was 68%, for Croatia 22% and the average growth of international arrivals for the European Union countries was 37% (www.worldbank.org). Moreover, these two destinations provide the development of the same types of tourism, however, the possible means of tourist transportation are different (Cyprus is mainly accessible by plane, while Croatia also by car for European markets).

When analyzing the data in Figure 1, it can be concluded that inbound tourism to Cyprus developed with certain fluctuations in the previously mentioned crisis situations. However, the greatest effect on the tourism economy was the COVID-19 pandemic and its consequences, which took the form of drastic restrictions on international travel by introducing restrictions on international arrivals and the operation of the hotel and catering industry. In Cyprus, the decline in international travel was over 85% in 2020 (a decrease from 4.1 million in 2019 to 650,000 in 2020 and 1.9 million in 2021).

Analyzing regional aspects it can be observed that tourists from nearby countries are choosing a Croatia as a tourism destination. The number of foreign tourists visiting Croatia was increasing steadily until 2020 except for the years 2005 and 2009. The year 2020 brought a huge drop in the number of tourist arrivals (-64%), similar to other countries in the world.

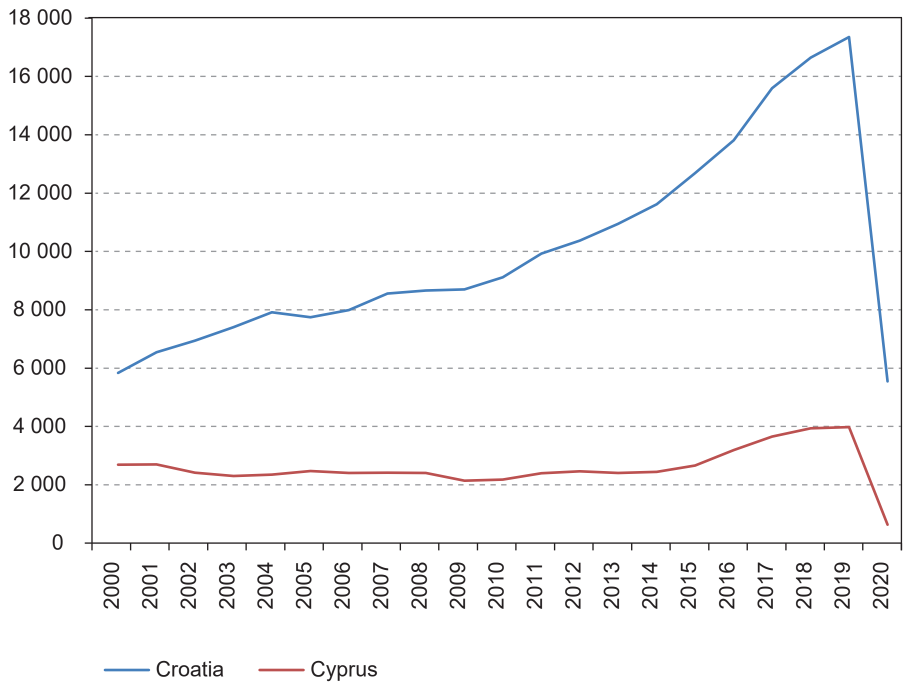

Figure 1. Number of foreign tourist arrivals in Cyprus and Croatia in the years 2000–2021 (in thousands)

Source: own elaboration based on data from: www.data.worldbank.org, www.cystat.gov.cy.

It was estimated that the HoReCa sector employed 50 thousand workers in Cyprus before the pandemic. The share of incoming tourism in GDP in 2019 was 13.2% (www.unwto.org), and the share of tourism revenues in Croatian GDP in 2019 was 21% (www.seenews.com). Tourism industries directly employed 86.6 thousand people (6.6% of total employment), and adding the multiplier effect (the tourism satellite account), tourism directly contributed almost 12% of GDP before the COVID-19 pandemic (www.oecd-ilibrary.org).

The method used in the article

The methods used in the article were: the analysis of statistical data from the United Nations World Tourism Organization database and the World Bank database. Another crucial method was the analysis of literature, especially strategic documents of the analyzed areas such as *Croatian Tourism Development Strategy until 2020* and *Cyprus Tourism Strategy 2030*, as well as the reports on tourism markets, such as *Cyprus Tourism Market Report*.

Previous literature

Previous literature shows that the study of islands involves many facets of analysis and that "Island Studies" continue to contribute theoretical and empirical advances to the body of knowledge (Baldacchino, Bertram, 2011; Randall, 2021). The economic and regional geography of the islands has been a contentious issue even before the COVID-19 pandemic and the recent political upheaval in Ukraine. One of the biggest tensions in the field of island studies is the debate over sustainability and development (Podhorodecka, Cobb, 2020; www.oneplanetnetwork.org).

This paper focuses, however, on a variety of geo-political and geo-economic issues and challenges within a nascent theoretical arena of economic geography (Sheppard, 2006), specifically applied to important tourism destinations (Stergiou, Airey, 2018). The analysis of the research will document previous literature addressing the numerous geographies applications, with a particular focus on the challenges posed for the tourism sector in Cyprus. The following analysis shows (1) the factors attracting tourists to Cyprus and Croatia; (2) the economic value-added of tourism and its contribution to local and regional development; and (3) the COVID-19 and geopolitical challenges facing the future of tourism in the Eastern Mediterranean. During COVID-19 it was confirmed that the recovery of domestic tourism in many European countries was much faster than that of foreign tourism (Korinth, 2022, 7–15). However, the crisis connected with the war in Ukraine hit countries such as Cyprus. Travel experts show that it was one of the destinations popular with Russian residents (*Cyprus tourism industry reeling from…*, 2022). However, for Croatia the biggest problem for the tourism sector is connected with the increase in oil, gas and food prices, which can also be easily seen in the prices of Croatian tourism products (www.china-cee.eu).

Cyprus as a tourist destination

This island is one of the largest in the Mediterranean Basin. It has ideal climatic conditions for the development of tourism. The number of hours with the sun here is almost 3.5 thousand during the year (www.moa.gov.cy) and an average of 300 days are registered here, allowing for relaxation in an optimal climate. Dry summers with temperatures around 40°C and winters during which snowfall can occur only in the mountainous parts of the island. Even in winter, the sea temperature in Cyprus is relatively high, up to 19°C (Willman, 2007, 284). Such conditions allow for the year-round development of tourism (Wiechecka, 2014, 14). Cyprus has excellent conditions in terms of location in relation to the emission markets in Western Europe. In addition, the island has excellent climatic conditions and copes well with the seasonality of tourist movement. The seasonality of tourism is not as great as in many other island territories. The tourist season may last from the beginning of May to the end of October.

Of all the small islands that have chosen to promote tourism as an economic development strategy, Cyprus has the most interesting history and geography with some positive attributes (for example, attractive Mediterranean climate), but also exhibits some challenging factors (for example, its geopolitical history with many invasions resulting in the current island partition). Often small islands have been powerless to resist larger and more powerful jurisdictions (Royal, 2001; Dunn, 2011). Frendo (1993) documents that Cyprus has been invaded at least thirteen times, leaving the island culturally, politically, and economically divided with political influence from Greece and Turkey.

The provision of small island tourism as a means of regional and economic development is often used in a small place lacking other value-added activities such as manufacturing (Seetanah, 2011). Tourist movement in the Eastern Mediterranean has increased as the regional political infrastructure has evolved with the growth of the European Union member states to its peak of 28 in 2015. The EU, like many other supranational entities, has a dynamic and flexible structure as shown by the growth to 28 members and the removal of one state (the United Kingdom) through the Brexit process in 2020 (www.bbc.com). Cyprus has an attractive Mediterranean climate for many members of the EU from cooler climates and the island's relative proximity to the whole of Europe means that the place is an important tourist destination for many Europeans (www.worlddata.info).

Prior to the pandemic, Cypriot tourism exhibited a steady number of tourist flows. Figure 2 shows the political division with a Turkish-influenced culture and economy in the northwest and a Greek-influenced culture and economy in the southeast.

Croatia as a tourist destination

Croatia has an ideal climate for the development of tourism. The seaside regions are among the sunniest in Europe. The Dalmatian coast has excellent conditions: high temperatures in the summer, many hours of sunshine (approx. 10 hours of sunshine per day) and a long bathing season in the Adriatic Sea (from June till October). Unfortunately, the beaches are not sandy, but pebbly and rocky (Kajfasz, 2008, 4–8). Along the coastline, there are 1,185 picturesque islets (www.chorwacja.lovetotravel.pl). Croatia has not only environmental conditions for tourism development but also cultural values (Split, Zagreb, Dubrovnik, Hvar, Rijeka). Croatia, which in the past 20 years has experienced several severe crises, including an armed conflict, is in the process of finding its position in the European tourism market (Rettinger, 2010, 451–461). The aim of the research by T. Škrinjarić (2018) was to empirically assess the sources and the level of effectiveness of the tourism industry in the Croatian regions. The author took into account economic and environmental conditions. For Croats, there is a nostalgia for a rich past and a beautiful country that they were proud of (Goulding, Domic, 2009, 85–102). In their research, M. Konecnik and W.C. Gartner (2007, 400–421) also found that Croatians perceived the image of Slovenia differently from the German market. Slovenia and Croatia, Bosnia and Herzegovina proclaimed their independence on March 1, 1992 (Causevic, Lynch, 2011). B. Algieri, A. Aquino, M. Succurro (2016) showed by a comparative study that the southern EU countries – Croatia and Greece have a greater competitive advantage in tourism than the northern and central EU countries (Algieri, Aquino, Succurro, 2016, 248). In the former Yugoslavia before the conflict, Bosniaks, Croats and Serbs lived together in many territories, especially in urban areas, and most of the marriages were mixed (Causevic, Lynch, 2011, 785, after Malcolm, 1994). According to I. Kožić (2019), Croatia is a small tourism-oriented Mediterranean region with extraordinary growth in the tourism sector before COVID-19 (Kožić, 2019, 168–170).

In 2002, Croatia started to become an emerging tourist destination, ranked 22nd in the top 25 countries with 20.3% of GDP spent on travel and tourism in 2010 (Randell, 2021). In addition, Cyprus was ranked 25th on the list with 14.3% of GDP spent on travel and tourism. The global economic crisis in 2009–2011 affected tourism activity in Croatia similarly to other Mediterranean tourist destinations. The years 2011–2016 brought a full recovery (Kožić, 2019, 169). For tourists from Western and Central Europe, Vienna and Budapest are important hubs for travel to Croatia (Kádár, Gede, 2021).

Figure 2. Cyprus-Turkish-influenced culture and economy in the northwest and a Greek-influenced culture and economy in the southeast. The location of Croatia

Source: Nations Online Project.

Economic value-added for the tourism sector and the impact of crises

The tourism economy is contested with many advantages and disadvantages for island nations, but its economic impact cannot be ignored (Comerio, Strozzi, 2019;

Blake, 2009). Many studies have illustrated the economic advantages of tourism (Bruglio, Archer, et. al., 1996; Lew, et. al., 2016). This paper addresses the impact of tourist flows to Cyprus due to the COVID-19 pandemic and the political uncertainties due to Russia's invasion of Ukraine.

The global COVID-19 pandemic from 2020–2023 was particularly brutal for the tourism sector of small islands and tourism-oriented countries (OECD, 2021; Georgieva, Gopinath, 2020). For a period of time, all jurisdictions shut their borders to travel and all other economic activity. Small islands were left with almost existential concerns about food, water, and fuel supplies (Cobb, 2022). Rebounding from the pandemic shutdown is still a work-in-progress for economies, tourism, and finance (Goodell, 2020; Sandbu, 2020; Wojcik, Ioannou, 2020).

The Russian-Ukrainian war is an international conflict between Russia and Ukraine, which began in February 2022, when Russia started an invasion of Ukraine. However, the beginning of the conflict could be observed in February 2014, when Russia annexed Crimea from Ukraine (Ray, 2023). All tourist markets, which were close to the area, recorded problems with rebuilding the tourism arrivals from far away markets. The problems occurred with the Russian tourists, who were not accepted in many tourist destinations. Cyprus has been impacted by the Russian invasion of Ukraine (Hadjicostis, 2022; www.apnews.com). The pandemic

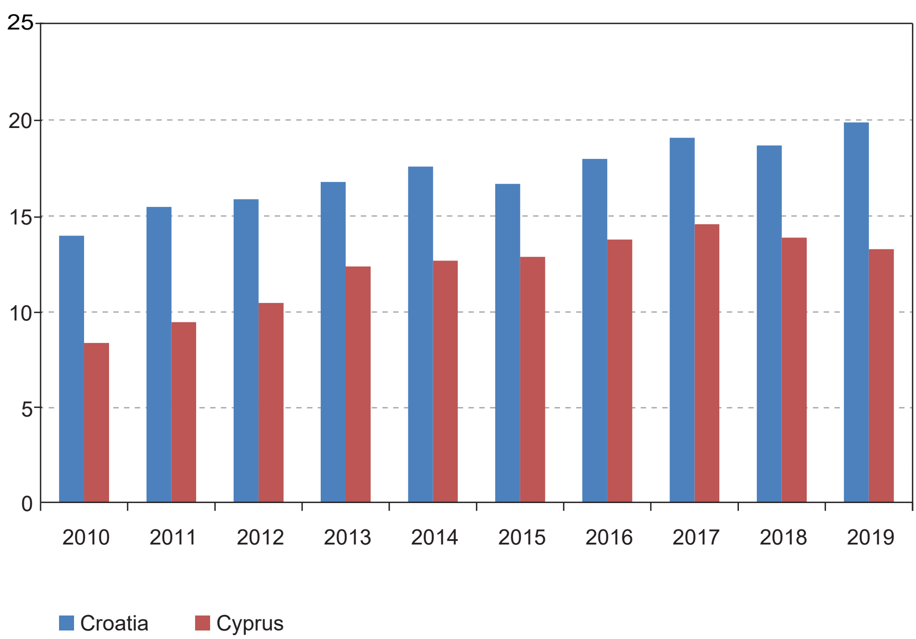

Figure 3. Inbound tourism expenditure in Cyprus and Croatia as a percentage of total GDP in 2020–2019 (in %)

Source: own elaboration based on UNWTO database (www.uwnto.org.).

has had an impact on tourist flows to Cyprus, where the revenue from tourism accounts for more than 10% of the economy. The invasion of Ukraine by Russia has only made the situation worse just as tourism was beginning to bounce back. In addition, the geopolitical repercussions of the invasion are impacting other nations that rely on Russian and Ukrainian visitors like Turkey, Cuba, and Egypt.

M. Hadjicostis (2022) reports that despite the Ukraine invasion, Cyprus, according to Cypriot government officials, expects more holidaymakers from other Scandinavian and Western European markets now (ibid.). Other European data show that a rebound is taking place (www.schengenvisainfo.com).

Inbound tourism in Cyprus

Mass tourism in Cyprus began to develop in the 1960s after the liberation of the island from British colonization. According to J. Waraszyńska (2001, 19), in 1965 foreign tourist traffic was estimated at approx. 33 thousand people. In 1972, the number of foreign tourists in Cyprus was already about 230 thousand (Wiechecka, 2017, 18 after Matras, 2005, 10). The main emission markets in Cyprus at the beginning of the first decade of the 20th century were the countries of Western Europe. The British were the most frequent visitors to Cyprus in 2013, followed by the citizens of Sweden and the Germans. In 2019, Great Britain was the most important source of tourism in Cyprus with 33.5% of the total tourist movement, followed by Russia with 19.7%, Israel with 7.4%, Greece with 4.3%, Germany with 3.8%, Sweden with 3.6%, Ukraine with 2.4%, Poland with 2% and Switzerland with 1.7% (*Tourism Statistics 2017–2019*, 2020). However, the share of tourists from Russia has been systematically increasing since 2010, while the tourist movement from Great Britain decreased significantly in 2008–2014 (from 1.2 million in 2008 to 900 thousand in 2014).

The accommodation base in Cyprus consists mainly of hotels, hostels, hotel apartments, agritourism and camping facilities, and guesthouses. In 2014, there were 798 facilities with 87.2 thousand accommodation places (*Cyprus Tourism Market Report,* 2015). In 2020, there were 814 hotels in Cyprus.

Figure 4 shows the revenues from incoming tourism in 2008–2021. It can be clearly observed that the period from 2017 to 2019 was record-breaking in terms of tourism revenues, which amounted to EUR 2.6–2.7 billion annually. The first pandemic year 2020 brought a drastic reduction in revenues to the level of EUR 400 million (a decrease of 85%). The second pandemic year has already brought a significant improvement in revenues from tourism, which amounted to EUR 1.5 billion (a decrease of 40% compared to 2019).

The average tourist expenditure in Cyprus before the pandemic was EUR 675. The highest average expenditure per person in 2019 was recorded in August at EUR 77, and the lowest in January at EUR 483 (*Tourism Statistics 2017–2019*, 2020). Figure 5 compares the number of tourist arrivals from Great Britain and Russia to Cyprus in the years 2002–2021. It is clearly visible that the inbound tourism from Great Britain was diminishing in importance, and this place was filled

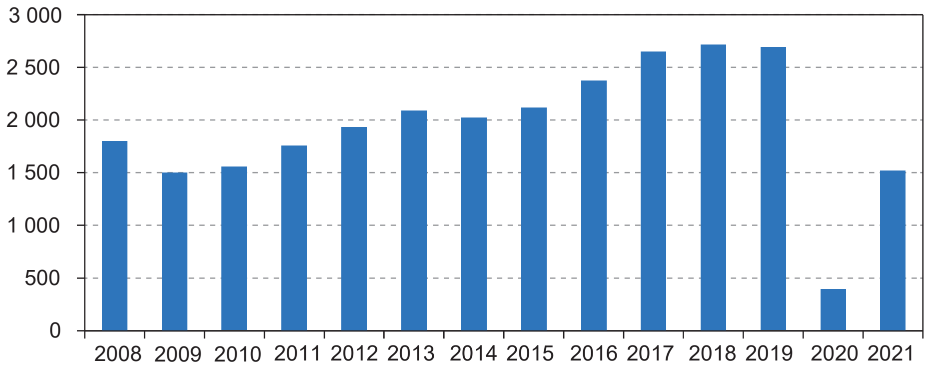

Figure 4. Proceeds from incoming tourism in 2008–2021 in Cyprus (in EUR thousand)

Source: own elaboration based on data from: www.cystat.gov.cy.

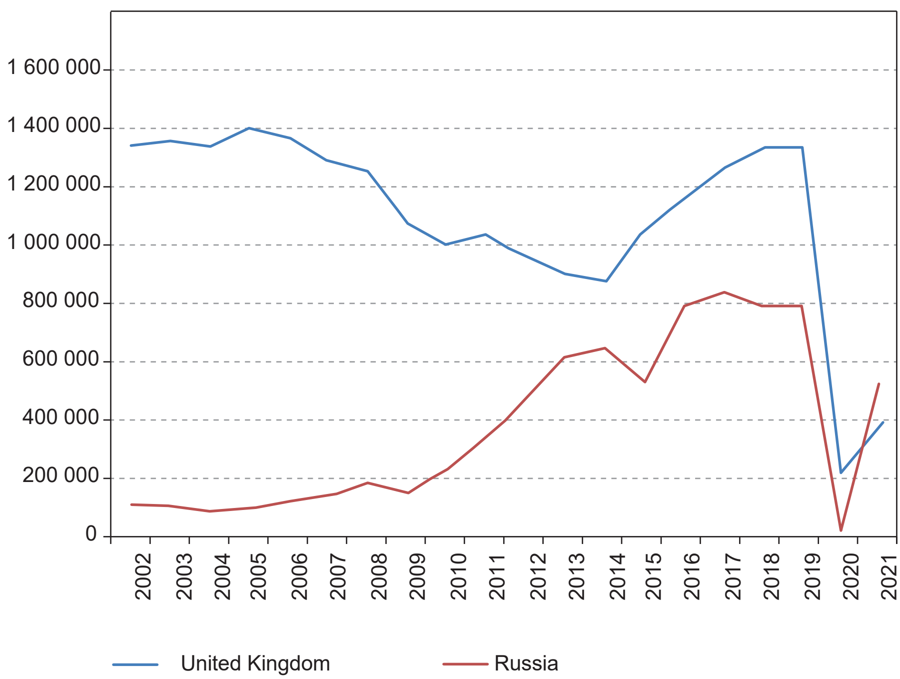

Figure 5. Comparison of the number of tourist arrivals from United Kingdom and Russia to Cyprus in 2002–2021

Source: own elaboration based on data from: www.cystat.gov.cy.

with the number of tourists from Russia. The number of arrivals from Great Britain in 2005 amounted to 1.4 million, and in 2014 it decreased to 900 thousand. In 2005, the number of arrivals from Russia was at the level of 100,000 and increased to over 800,000 in 2017 (Figure 5).

Cyprus tourism marketing

The Cypriot authorities perform appropriate market segmentation in the implementation of the promotion of foreign tourism. In the Central and Eastern European markets, they advertise Cyprus as a destination for families with children. In the Scandinavian markets, they focus on promotions among people going away for longer – 'long stayers', in Western Europe on people, who spend the most money on travel and on per day of stay, i.e. people in the age the age 50–59, known as the 'Golden 50'. On the other hand, in Southern Europe, the promotion is aimed at short-term tourism – 'short breakers' (*Cyprus Tourism Strategy 2030 – presentation*, n.d., 11).

The main types of tourism that have been mentioned in the strategic document are recreational tourism: "sun and sea", culinary tourism, "rural", wedding tourism, golf tourism, "casino entertainment", religious, "health/wellness", cruising, conferences, festivals, sports tournaments/training (*Cyprus Tourism Strategy 2030 – presentation*, n.d., 10).

According to the strategic document, the target to be achieved by 2030 is the average value of tourist expenditure per day of stay of EUR 87, the revenues from incoming tourism should increase to EUR 4.4 billion, and the number of overnight stays by foreign tourists should increase to 47.7 million, which will be 32% more than in 2018. Cyprus also hopes to extend the tourist season and increase the number of overnight stays in the period from November to April (a planned increase of 77% compared to 2018) (ibid., 7).

Importance of the COVID-19 pandemic for the Cyprus tourism market

A significant reduction in revenues of the hotel industry (85% decrease compared to 2019) was related to the cancellation of reservations and the suspension of hotel operations due to the lockdowns. The high fixed costs of hotels that did not serve customers hit their profitability. Hoteliers tried to save themselves by lowering room prices in order to stimulate demand in the domestic market segment. Hotels tried to cut costs by reducing staff costs, suspending advertising and promotional plans. They also tried to postpone investment plans in the form of renovation and expansion of facilities (Stylianou, 2021). Employment in tourism has decreased more than in other sectors of the economy. Thanks to measures to support temporary employment, this decline has been curbed so far. The number of employees in commerce, travel, and food services decreased by 13% in the second quarter of 2020 and by 9% for the whole of 2020 compared to 2019. A similar trend was observed for the self-employed. Working hours decreased in the second, third and fourth quarters of 2020 (15 to 20%) (*Tourism sector in Cyprus*, 2021). Cyprus is a country where not only the EMA-approved vaccines (Pfizer / NioNTech, Moderna, AstraZeneca, Johnson & Johnson) were recognized, but also the Russian Sputnik V vaccine. During the pandemic, Cyprus had its own public health policy. The Cypriot authorities divided countries as part of inbound tourism into three categories: green, yellow and red. In the case of the red category, i.e. a country in which the COVID-19 incidence rate was high, unvaccinated travelers were required to take a test before travel or at the airport, and then, three days after landing, to be isolated until the result of the second COVID-19 test (www.gov.pl).

Importance of the war in Ukraine for incoming tourism in Cyprus and Croatia

Tourists are reluctant to rest near those who indirectly contributed to the military intervention in Ukraine. Hoteliers from all over the world report the need to isolate Russian tourists from other hotel guests. This conclusion was reached, among others, by the RIU hotel chain, which closed for the Russian market. The cooperation ended on April 13, 2022 (www.podroze.radiozet.pl). Even Russian tour operators point out the need to separate hotel guests – separate hotels for Russians and citizens of the rest of the world, in order to ensure a peaceful holiday. In addition, as a result of the sanctions imposed on Russia and the closure of the airspace for Russian aircraft, the possibility of leaving Russia is very limited and the number of destinations available to Russians has decreased (www.podroze.radiozet.pl). At a time when trips to Spain and other EU countries have been severely limited for Russian citizens, there are still such destinations as Turkey, Egypt, Tunisia, Qatar, United Arab Emirates, Thailand, India, Vietnam, Maldives, Seychelles, Sri Lanka, Indonesia (Bali), Serbia, Armenia, and Azerbaijan (www.styl.pl/podroze; www.podroze.radiozet.pl). At the same time, it is not possible to travel directly from the territory of the Russian Federation to a Greek part of Cyprus. Of course, it is possible to travel via other countries, but for tourists who are going on a short break; this will not be a frequent option.

The Cypriot economy showed signs of growth in 2022, improving its performance compared to the previous year, but external factors are contributing to the loss of momentum, according to a report by the University of Cyprus's Center for Economic Research. The factor significantly limiting the pace of development of the Cypriot economy is the jump in oil prices in March 2022 to historically high levels (www.cyprus-mail.com). In addition, European restrictions on the Russian energy sector will be a huge problem, as they will make ticket prices to Cyprus uncompetitive with other tourist destinations. The Cypriot Deputy Minister of Tourism pointed out that in order to make up for the losses caused by the decrease in the number of tourists from Russia, it is necessary to increase the number of tourists from other countries, e.g. from Poland, Great Britain, France, and Switzerland in the 2022 tourist season. Thanks to this, it will be possible to make up for some of the financial losses related to the war in Ukraine (www.podroze.gazeta.pl).

Fuel prices, which have increased significantly since the beginning of the war in Ukraine, are the driving force behind the rising prices of foreign tourism. It is essential to replace the huge market share of Russian citizens with the market of other European destinations. In May 2022, only 2,052 tourists from Russia were recorded, and in June 3,028 (www.cytstat.gov.cy). So the share of the Russian market in total arrivals in May 2022 was only 0.6%, and in June 2022 was 0.8%. It is a huge drop compared to the whole year 2019, when tourists from Russia accounted for 19.7% of all tourist arrivals in Cyprus (ibid.).

Close regional impacts of the COVID-19 pandemic and the Russia-Ukraine war can be further analyzed by looking at the trajectories of tourist flows in Croatia (Table 1). In addition, Table 1 shows a small increase in arrivals from Russia to Croatia and Cyprus from 2020 to 2021. The Croatian tourism economy was not strictly dependent on Russian tourists (only 1% in 2021). This was also a hint to

Table 1. The tourist arrivals from Russia, annual change and the share of tourist arrivals from Russia in total tourist arrivals in Cyprus and Croatia in 2013–2021

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Cyprus									
Tourist arrivals from Russia (in thous.)	608.6	636.8	524.9	781.6	824.5	783.6	781.9	27.7	519.1
Total tourist arrivals (in thous.)	2 405.4	2 441.2	2 659.4	3 186.5	3 652.1	3 938.6	3 976.8	631.6	1 936.9
Share of tourists from Russia	25.3%	26.1%	19.7%	24.5%	22.6%	19.9%	19.7%	4.3%	26.8%
Croatia									
Tourist arrivals from Russia (in thous.)	151	133	101	101	120	123	139	23	133
Total tourists arrivals (in thous.)	10 948	11 622	12 683	13 808	17 431	18 667	19 566	7 001	12 776
Share of tourists from Russia	1.37%	1.14%	0.79%	0.73%	0.68%	0.65%	0.71%	0.32%	1.04%

Source: www.cytstat.gov.cy, www.web.dzs.hr/arhiva_e.htm.

welcome arrivals from Ukraine, because hotel owners gave feedback that combining tourists from Russia and Ukraine is problematic. For the Croatian economy, the enormous problem was the price of energy, which resulted in high inflationary pressure on tourism services (together with entering the EURO zone).

The Croatian tourism economy during the COVID-19 pandemic and the Recovery Resilience Facility for the tourism sector

Before the COVID-19 pandemic crisis, the Croatian economy was developing steadily. There has been an improvement in public finances, in particular a decline in public and private debt. Croatian companies became increasingly competitive. Both employment and investment levels increased, which showed the strength of the Croatian economy and its approach to EU standards (*Croatia 2022. Country Report*, 2022).

The Croatian economy has been hit hard by the crisis caused by the COVID-19 pandemic. However, data suggest that it is possible to revive the economy in the post-pandemic period. In 2020, despite unfavorable conditions and environmental challenges such as earthquake activity, Croatia achieved economic success (the earthquake was registered, among others, at the end of December 2020 in the central part of Croatia). Croatia's real GDP growth was estimated at 10.2% in 2021. Growth was mainly supported by better-than-expected performance in the tourism sector and high consumer spending (cited above).

The Croatian tourism economy and the impact of the crises

The tourism economy in Croatia is very important due to its significant share in employment and the creation of the country's GDP (Škrinjarić, 2018). The number of tourist arrivals to Croatia in the period 2006–2019 systematically increased from 9.4 million in 2006 to 19.6 million in 2019 (this is more than a twofold increase in the analyzed period).

According to the strategic document for the development of tourism in Croatia – *Croatian Tourism Development Strategy until 2020* tourism is of great importance for the Croatian economy and is a prerequisite for faster and more sensible development. The aim of the strategic activities was to ensure the future of tourism management and to encourage investors to implement their plans. The strategic document was also the basis for the creation of tourism development plans and spatial planning acts by lower administrative bodies, as well as the basis for gaining access to EU funds. The main goal of the strategic document is to achieve the first place in the ranking of the top 20 tourist destinations in the world in terms of competitiveness (*Croatian Tourism Development Strategy until 2020*).

However, now the biggest challenge for the development of tourism will be to combat the pressure connected with the prices of energy on the European market. Figure 6 shows the 2021 large increase of the inflation rate connected with the public expenses during particular phases of COVID-19. In 2022 the inflation rate is even greater due to the price of energy.

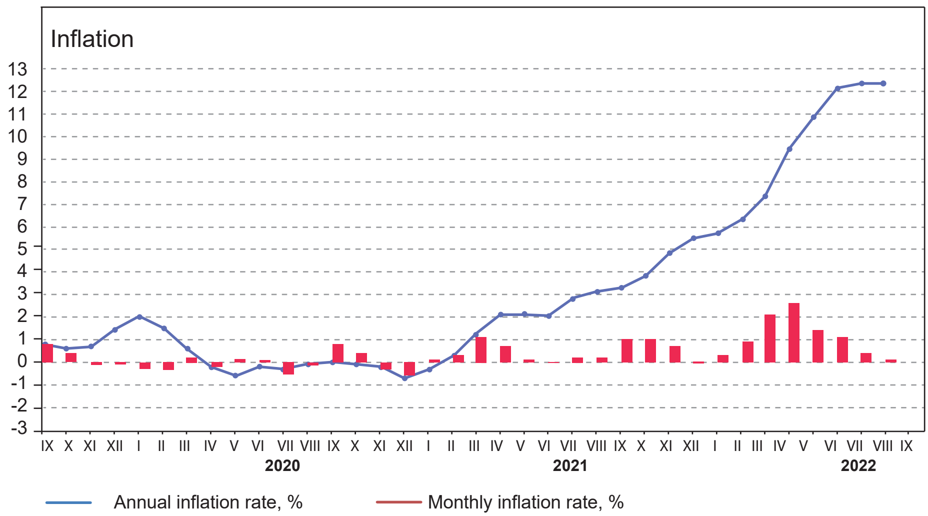

Figure 6. Inflation rate in Croatia in 2020–2022 (in %)

Source: podaci.dzs.hr/en.

Looking at tourist flows and activity from Russia to Croatia, the data from 2013 to 2021 show steady growth until 2019 followed by a decline in 2020, and then a small rebound in 2021 (Table 1). The Croatian tourism sector is smaller than the Cypriot one, but appears to be equally nimble in its post-pandemic recovery. The National Recovery and Resilience Plan (RRF) is a European Commission response program aimed at mitigating the economic and social impact of the COVID-19 pandemic. The implementation of the program also aims to ensure that the European economy and society are more sustainable, resilient and better prepared for crises (www.ec.europa.eu). Thanks to the RRF implementation, it will be possible to implement new investments, accelerate economic growth, and increase employment. Usually, Member States invest in economic development, innovation, environment, digitalization, education, and health (www.gov.pl).

Summary and conclusions

After analyzing the statistical data and the literature, especially the tourism strategic documents of selected areas, we can observe that Cyprus and Croatia are two significant tourist destinations in Southeast Europe (Randall, 2021). Cyprus is larger for the number of tourist flows, but both places have developed robust infrastructures to promote and sustain tourism-related value-added transactions. The impact of the COVID-19 pandemic on the size and structure of foreign inbound tourism to Cyprus and Croatia was huge. The drop in the number of foreign tourist arrivals in 2020 and 2021 (compared to 2019) was -84% and -51% in Cyprus, and -64% and -34% in Croatia, respectively. Before COVID-19 in 2010-2019, Cyprus recorded higher values of international arrivals (+68%) than Croatia (+22%). However, the total number of tourists before the COVID-19 pandemic was more than 4-times higher in Croatia than in Cyprus.

It needs to be mentioned that after the global economic crisis, Cyprus and Croatia were the two countries in Europe with the highest growth rates in international tourist arrivals (Cyprus above the EU average, Croatia – close to the average). The last health crisis affected all tourist destinations in the world. Cyprus was significantly affected by the COVID-19 pandemic and its waves. Even during the individual waves of the pandemic, inbound tourism from Russia was severely restricted due to COVID-19 passports. Cyprus was one of the countries that recognized the Russian Sputnik V vaccines, which also made it possible to serve foreign tourists from this market. The decline in tourism – in the number of foreign tourist arrivals – amounted to 85% in 2020 and was higher than the global average. Cyprus started to recover quite quickly in 2021. The number of foreign tourists on the island was only 40% lower than in 2019. Before the COVID-19 pandemic, the share of tourist arrivals from Russia was increasing. In 2000 it was 5%, while in 2010 it was more than 10%. The highest rate was in 2014 (26%) and almost 20% in 2019. After the beginning of the conflict in April 2022, the only available monthly data from May 2022 and June 2022 show a drastic decrease in the share of Russian tourists in Cyprus (the share was less than 1% compared to almost 20% in regular years). However, in 2021 the share of tourist arrivals from Russia was almost 27%.

Croatia was similarly affected by the COVID-19 pandemic and the tourist flows exhibited similar tourist temporal patterns. However, when analyzing the share of the Russian market in the years preceding the war in Ukraine, it can be observed that Croatia is independent of this market.

The war in Ukraine can have two consequences. Not only the decrease in the number of tourist arrivals from Russia (the European Union is closing the border for Russian residents, except for some important reasons of travel) but also huge inflationary pressure connected with the energy crisis. However, counting the share of Russian residents among tourists the situation in Croatia is different. The

Russian tourism market in inbound tourism has a share of about 1%. So the loss of this part of the market will not have a significant impact on the tourism economy of Croatia. However, the impact of the conflict and the energy crisis resulted in a significant increase of prices in the tourism sector of Croatia. In 2021, inflation in Croatia was 12.4% (www.podaci.dzs.hr/en).

The war in Ukraine has caused a huge increase in fuel prices, making foreign tourism by air more expensive. Moreover, the war is also causing enormous inflationary pressures in many countries due to the disruption of the supply chain. This is also a huge problem for the entire tourism industry in Cyprus and its international competitiveness.

References

Algieri, B., Aquino, A., Succurro, M. (2016). Drivers of comparative advantages in tourism: The EU-case, Research Notes. *Annals of Tourism Research*, 6(3), 213–267.

Baldacchino, G., Bertram, G. (2009). The Beak of the Finch: Insights into the Economic Development of Small Economies. *The Round Table: Commonwealth Journal of International Affairs*, 98(401), 141–160.

Bertram, G. (2011). Profiling Vulnerability and Resilience: A Manual for Small States. *Island Studies Journal,* 6, 99–102.

Blake, A. (2009). The dynamics of tourism's economic impact. *Tourism Economics*, 15(3), 615–628.

Bruglio, L., Archer, B., Jafari, J., Wall, G. (1996). *Sustainable Tourism in Islands and Small States: Issues and Policies.* Volume I. London: Casell.

Causevic, S., Lynch, P. (2011). Phoenix Tourism, Post-Conflict Tourism Role, *Annals of Tourism Research*, 38(3), 780–800.

Cobb, S.C. (2022). *Impacts of the COVID-19 pandemic on a small island: The Isle of Man case study* in *COVID-19 and an Emerging World of Ad Hoc Geographies.* S.D. Brunn, D. Gilbreath, (eds.), Section 2, Ch. 7, Forthcoming.

Comerio, N., Strozzi, F. (2019). Tourism and its economic impact. A literature review using bibliometric tools. *Tourism Economics*, 25(1), 109–131.

European Commission (2022). *Croatia 2022. Country Report*, Recommendation for a Council Recommendation on the 2022 National Reform Programme of Croatia and delivering a Council opinion on the 2022 Convergence Programme of Croatia, Brussels: European Commission.

Croatian Tourism Development Strategy until 2020 – presentation, Ministry of Tourism Republic of Croatia, Retrived July 25, 2022 from www.mint.gov.hr/UserDocsImages/arhiva/Strategy-tourism.present.pdf.

KPMG *Cyprus Tourism Market Report. A summary of the significant factors and major drivers of tourism in Cyprus*, 2015., Cyprus.

Cyprus tourism industry reeling from the impact of Russia-Ukraine conflict, 2022, China Daily, Europe. Retrieved from www.global.chinadaily.com.cn/a/202206/15/WS62a93bbda310fd2b29e62d11.html 10.07.2022.

Cyprus Tourism Strategy 2030 – presentation, n.d., Republic of Cyprus, Deputy Ministry of Tourism, Cyprus Retrieved from www.tourism.gov.cy/tourism/tourism.nsf/All/713F487F76D009F8C225850D0028059F/$file/Cyprus%20Tourism%20Strategy%202030%20-%20Presentation.pdf?OpenElement 20.07.2022.

Dunn, L. (2011). *The impact of political dependence on small island jurisdictions*. World Development 39, 2132–2146.

Frendo, H. (1993). The Legacy of Colonialism: The Experience of Malta and Cyprus. In D. Lockhart, D.D. Dukakis-Smith, P. Schembri (eds.), *The Development Process in Small Island States* (155–160). London: Routledge.
Georgieva, K., Gopinath G. (2020). *Emerging Stronger from the Great Lockdown: A Blueprint for Economic Recovery after the Coronavirus Pandemic,* International Monetary Fund*,* September 2020, Retrieved March, 2021 from www.foreignpolicy.com/2020/09/09/great-lockdown-economy-recovery-coronavirus.
Goodell, J.W. (2020). Covid-19 and finance: Agendas for future research. *Finance Research Letters*, 35, article 100512.
Goulding, C., Domic, D. (2009). Heritage, Identity and Ideological Manipulation: the case of Croatia. *Annals of Tourism Research*, 36, 85–102.
Hadjicostis, M. (2022). *Cyprus eyes rebound from loss of Russian, Ukrainian tourists.* AP News. Retrieved 20.07.2022 from www.apnews.com/article/russia-ukraine-covid-travel-health-087044d3d2696c5ac45b8976747d779b.
Kádár, B., Gede, M. (2021). Tourism flows in large-scale destination systems. *Annals of Tourism Research*, 87.
Kajfasz, M. (2008). *Rynek turystyczny Chorwacji*, AWF Kraków, Retrieved 20.07.2022 from ww.wtir.awf.krakow.pl/pdf/studenci/strony_st/projekty/chorwacja/marcelina_kajfasz.pdf
Konecnik, M., Gartner, W.C. (2007). Customer-based brand equity for a destination. *Annals of Tourism Research*, 34(2), 400–421.
Korinth, B. (2022). Regeneration of domestic and foreign tourism in selected European countries in COVID-19 pandemic time. *Geography and Tourism*, 10(1), 7–15.
Kožić, I. (2019). Can tourism development induce deterioration of human capital? *Annals of Tourism Research*, 77, 168-170.
Lew, A., Ng, P., Ni, C., Wu, T. (2016). Community Sustainability and Resilience: Similarities, Differences, and Indicators. *Tourism Geographies* 18 (1), 18–27.
Malcolm, N. (1994). *Bosnia: A short history.* Macmillan: London.
Matras, W. (2005). *Analiza rynku turystycznego Cypru*. Kraków: Proksenia.
Podhorodecka, K., Cobb, S.C., (2019). Development of Sustainable Tourism in Malta in the Aftermath of the Global Economic Recession. *Problemy Zarządzania – Management Issues*, 17(1), 159–178.
Randall, J.E. (2021). *An Introduction to Island Studies*. Roman and Littlefield, United States.
Ray, M. (2023). *Ukraine crisis. Ukrainian history [2013–2014],* History and Society, Retrieved: 20.08.2023 from www.britannica.com/topic/Ukraine-crisis
Rettinger, R. (2010). Turystyka jako czynnik aktywizacji gospodarki Chorwacji, Przedsiębiorczość – Edukacja, 6, 451–461.
Royal, S. (2001). *A Geography of Islands: Small Island Insularity,* London: Routledge.
Sandbu, M. (2020). *The Post-Pandemic Brave New World*. Finance and Development, International Monetary Fund, Retrieved 10.01.2021 from www.post-pandemic-brave-new-world-sandbu.pdf.
Seetanah, B. (2011). Assessing the Dynamic Economic Impact of Tourism for Island Economies. *Annals of Tourism Research,* 38(1), 291–308.
Shepherd, E. (2006). *The Economic Geography Project*, Routledge, United Kingdom.
Škrinjarić, T. (2018). Evaluation of environmentally conscious tourism industry: Case of Croatian counties. *Tourism*, 66(3), 254–268.
Stergiou, D., Airey D., (2018). Understandings of Tourism Theory. *Tourism Review*, 73(2), 156-168.
Stylianou, S. *(2021). Effect of COVID-19 on Tourism and Cypriot Industry.* Ministry of Finance, Cyprus.
IMF (2021). *Tourism sector in Cyprus*. Washington: International Monetary Fund.

Tourism Statistics 2017–2019, (2020). Republic of Cyprus Statistical Service, Ministry of Finance, Cyprus.

Warszyńska, J. (2001). *Regionalna geografia turystyczna świata*, cz. II. Warszawa: Wydawnictwo Naukowe PWN.

Wiechecka, A. (2017). *Rozwój funkcji turystycznej, a poziom życia mieszkańców na Cyprze w latach 2000-2014*, praca magisterska, Uniwersytet Warszawski, Warszawa.

Willman A., (ed.) (2007). *Podróże marzeń. Cypr*, Biblioteka Gazety Wyborczej, Warszawa.

Wojcik, D., Ioannou, S. (2020). Covid-19 and Finance: Market Developments so far and potential impacts on the financial sector and centres. *Tijdschrift voor Economische en Sociale Geographie – 2020*, 111(3), 387–400.

www.bbc.com/news/uk-politics-32810887 – Brexit. Retrieved: 10.07.2023.

The impact of the war in Ukraine on Croatia, Weekly Briefing, Vol. 49. No. 2 (HR) March 2022, Retrieved 10.07.2023 from www.china-cee.eu/2022/03/26/croatia-economy-briefing-the-impact-of-the-war-in-ukraine-on-croatia.

www.chorwacja.lovetotravel.pl. Retrieved: 30.09.2022.

www.cyprus-mail.com/2022/04/15/cypriot-economy-feeling-effects-of-ukraine-war. Retrieved: 11.06.2022.

www.cystat.gov.cy/en/SubthemeStatistics?s=51. Retrieved: 23.04.2022.

www.cytstat.gov.cy. Retrieved: 25.07.2022.

www.data.worldbank.org/indicator/ST.INT.ARVL Retrieved: 22.04.2022.

www.ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility_pl Retrieved: 26.07.2022.

www.gov.pl/web/dyplomacja/cypr. Retrieved: 13.06.2022.

www.gov.pl/web/planodbudowy/o-kpo. Retrieved: 26.07.2022.

www.moa.gov.cy. Retrieved: 23.04.2022.

www.mof.gov.cy/assets/modules/wnp/articles/202111/1016/docs/effect_covid_on_cy_tourism_industry.pdf Retrieved: 29.04.2022.

www.oecd-ilibrary.org/sites/e1fa2868-en/index.html?itemId=/content/component/e1fa2868-en Retrieved: 30.09.2022.

www.oneplanetnetwork.org/organisations/cyprus-sustainable-tourism-initiative#:~:text=The%20Cyprus%20Sustainable%20Tourism%20Initiative,economy%20and%20promotes%20local%20culture. Retrieved: 12.06.2022.

www.podroze.gazeta.pl/podroze/7,114158,28327887,cypr-zabiega-o-turystow-z-polski-i-pozostalych-krajow-ue-rosyjski.html. Retrieved: 12.06.2022.

www.podroze.radiozet.pl/News/Dokad-w-te-wakacje-pojada-turysci-z-Rosji-Powstala-lista-bezpiecznych-kierunkow-dla-Rosjan. Retrieved: 08.06.2022.

www.podroze.radiozet.pl/News/Znana-siec-hotelowa-zamyka-sie-na-Rosjan.-Trzeba-separowac-turystow Retrieved: 25.04.2022.

www.schengenvisainfo.com/news/cyprus-tourism-is-recovering-288-more-tourists-arrivals-were-registered-in-september-official-data-shows/

www.seenews.com/news/croatia-most-dependent-on-tourism-revenue-in-eu-think-tank-785136. Retrieved: 30.09.2022.

www.statista.com/statistics/413226/number-of-arrivals-spent-in-short-stay-accommodation-in-croatia. Retrieved: 26.07.2022.

www.styl.pl/podroze/news-rosjanie-szturmuja-te-kierunki-to-tu-spedza-tegoroczne-wakac,nId,5953159#utm_source=paste&utm_medium=paste&utm_campaign=firefox. Retrieved: 8.06.2022.

www.unwto.org – UNWTO. Retrieved: 28.04.2022.

www.web.dzs.hr/arhiva_e.htm. Retrieved: 30.09.2022.

www.worlddata.info/asia/cyprus/tourism.php. Retrieved: 30.09.2022.