

Holiday Houses Hill

Seaside Architecture and Urbanism
in Bulgaria and Croatia

Edited by Elke Beyer, Anke Hagemann and Michael Zinganel

Each summer season, the sun-drenched coasts of Bulgaria and Croatia turn into densely inhabited, intensively exploited tourism industry hot spots. This book traces the various architectural and urban planning strategies that have been pursued there since the mid 1950s—first in order to create, and then to further develop, modern holiday destinations. It portrays (late) modern resorts of remarkable architectural quality and typological diversity that have lasted for decades: as anchors of the socialist states' 'social tourism', as playground for domestic publics in search of recreation and as a viable product on the international holidays market. Finally, it shows how individual resorts and outstanding buildings have been restructured both economically and physically since the fall of state socialism, and explores the present-day conflicts triggered by coastal development in the name of tourism.

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A Thorny Thicket.

The singular case of workers' self-management and long-drawn-out privatization in Croatian tourism

Norbert Mappes-Niediek

Often, nowadays, the history of real socialism is recounted as a version of Sleeping Beauty: a wicked curse puts a spirited society in a state of shock or paralysis. And, just like in the fairy tale, once state socialism collapsed in Yugoslavia, in the early 1990s, all the country's ethnic groups resumed the violent battles they had previously been prevented from waging.

This new historical myth of Sleeping Beauty, today more commonly called the freeze theory, has been the object of much (although mostly vain) criticism—courtesy of the Slovenian sociologist Rastko Močnik, for example, who asserts that it rests on a questionable anthropological postulate, namely that 'to not indulge in bad habits does not mean one is rid of them.'¹ But, where rationalism fails, nothing dispels a myth more successfully than another myth in a surprising new guise. The Adriatic—which Croats speak of allegorically as Jadranka—epitomizes this type of Sleeping Beauty. But she has not yet been awakened from the slumber to which the Wicked Fairy condemned her.

The Adriatic Sea or, more precisely, its coastline, was one of former Yugoslavia's major resources. Today, it has probably more development potential than any other part of the Mediterranean region, and currently keeps the new nation state of Croatia afloat. Every fourth kuna the country earns derives from incoming tourism. Moreover, this revenue is registered in the national accounts as 'export' revenue, so tourism—at least on paper—effectively helps buoy up an otherwise catastrophic foreign trade balance. Tourism is a notoriously difficult sector however, subject to seasonal fluctuations as well as to sudden bad press, for example in the wake of events beyond the control of the state or investors,

such as a terrorist attack or a natural disaster. Croatian industry, meanwhile, would count itself lucky to be facing only the problems that plague the tourism sector: it is

¹ Rastko Močnik, 'Der 18. Brumaire des östlichen Frühlings', in Johann Gaisbacher et al. (eds), *Krieg in Europa. Analysen aus dem ehemaligen Jugoslawien*, Linz and Frankfurt a. M.: Difa, 1992, pp. 31–48, here p. 37.

presently not so much slumbering as writhing in agony, has still to attain pre-war productivity levels and following EU accession in July 2013, will be obliged to close down unprofitable docks. For Croatians make their money from tourism, on the whole, and spend it on imports.

There is no shortage of princes who would like to awaken Sleeping Beauty with a kiss. Yet for want of scythes, sickles and shears, none of them is prepared to clear the brambles that have sprung up around her over the last twenty years. There is nonetheless a great deal of activity in the wilderness around Sleeping Beauty: since 2006, the number of visitors to Croatia has regularly exceeded pre-war figures. Yet the Adriatic still only makes a fraction of what it might. Around 40 percent of tourist beds are in private properties: a European record. This is also a cause for complaint, however, and has been at least since the 1980s,² because a 'Room To Let' sign is practically synonymous with tax evasion. Yet although the tax office is out of pocket, no political party wants to address the problem and thereby risk the wrath of the many people who let rooms. The season is short, in any case; even for hotels it lasts only two months. For the few guests who arrive outside of July and August, there is little on offer. Günter Ihlau, a manager with TUI and Director of the German Travel Association's Foreign Department, believes tourist infrastructure is inadequate: there are neither congress centres and theme parks enough, nor opportunities for sports, hiking

and sightseeing, except perhaps in the niche sector aimed at adventurers, who are in any case more interested in exploring remote 'virgin' destinations. Large sections of the coast and certainly the islands cannot be reached easily, and a short, off-season break is therefore generally out of the question.³

But it is investors with an interest in remedying these ills that are most conspicuous by their absence on the Adriatic coast. The state has neither the know-how nor (given all else it has to do), the resources to tackle tourism infrastructure. One major achievement of public spending in recent years (despite considerable controversy regarding the award of tenders) was the new Zagreb–Rijeka–Split motorway, now being extended southwards to Dubrovnik. Yet even in richer countries, construction of a shorefront promenade, a golf course or a local

airport requires the commitment of private investors and it is they, ultimately, who profit most from such ventures. To understand why there are so few private investors in Croatia, one must take a look at the country's history.

Social ownership—from success story to stumbling block

Yugoslavia was a socialist country, but the centrally planned economy did not predominate. When European mass tourism began in the 1960s, the system under development there was a combination of a social market economy and workers' self-management. The socialist feature of this system—hammered out on paper in 1950, but established at the institutional level only gradually⁴—was the absence of private ownership of the means of production or, in the case of tourism, of the means of reproduction. The competition between economic players was similar to that under capitalism, but not so deregulated as to end in bankruptcy and mass redundancy. The Communist Party under Tito's leadership strove to limit competition by pursuing social objectives, such as full employment and social equality. Further brakes on competition were the Communist Party's monopoly on recruitment—largely of personnel who were themselves Party members—and, first and foremost, the fact that banks had been nationalized. Democratically elected managers could apply solely to nationalized banks for the credit necessary to expand an enterprise. Their success therefore depended on staying in favour with the banks and policymakers, as well as with the employees in a position to vote them out of office.⁵

Yugoslavia was a socialist country, and large enterprises could therefore not be privately run. Given that competition between companies owned by one and the same person is patently absurd, the Party under Tito came up with a third category of ownership. In addition to the categories of 'nationalized' property and 'private' property, such as existed in Yugoslavia already, they came up with 'socialized property'. What this concept strictly implied in judicial terms was never clarified; the term 'socialized' denotes neither a legal entity nor a legal person. In practice, such companies operated with a certain degree of autonomy under elected management. The managers therefore wielded considerable power. Party politicians had little leverage with which to oust unwelcome or over-powerful managers. They therefore mostly took judicial recourse, using corruption charges to rid themselves of those who had fallen from grace. Many a bad habit common in present-day ex-Yugoslavia is modelled on this well-rehearsed spiel.

leisure activities

² See Karin Taylor, 'Fishing for tourists. Tourism and Household Enterprise in Biograd na Moru', in Hannes Grandits and Karin Taylor (eds), *Yugoslavia's Sunny Side. A History of Tourism in Socialism (1950s to 1980s)*, Budapest: Central European UP, 2010, pp. 241–78.

³ For more details, see Norbert Mappes-Niediek, *Kroatien. Das Land hinter der Adria-Kulisse*, Berlin: Ch. Links, 2009, pp. 102–13.

⁴ The Atlas agency in Dubrovnik, a successor to Putnik (the former state travel agency steered by Belgrade), is a perfect example of this. Atlas became an independent company in the course of the general decentralization process of 1964, then bought up the capacities of other 'socialized companies' and went on to become a renowned international market player.

⁵ For more details, see Peter Jordan, 'The Impact of Foreign and Indigenous Capital in Rebuilding Croatia's Tourism Industry', in David Turnock (ed.), *Foreign Direct Investment and Regional Development in East Central Europe and the Former Soviet Union*, Aldershot: Ashgate, 2005, pp. 243–66, here p. 243, 256.

Today's employees have inherited from the former workers' councils a high level of personal identification with 'their' company, as well as an awareness of their bargaining power vis-à-vis prospective employers. The latter has scared off many a potential foreign investor.

'Civic society' lacked the means to found companies so, generally speaking, 'socialized companies' denoted either nationalized private businesses or those newly founded by the state or its regional corporations. Mass tourism set in on most parts of the Adriatic coast only after 1960, following construction of the Adriatic motorway. The coastal counties (općine) founded 'socialized catering and hospitality companies' (društvena ugostiteljska poduzeća), which bore responsibility also for future development, hence for the creation of everything from accommodation and restaurants to bus companies. All such businesses always fostered close links with the local population and local Party-identified groups. Local 'socialized companies' in the tourist sector initially adopted the name of the location in which they operated yet, as their confidence grew, they opted for more illustrious names such as Kaštelanska Rivijera in Kaštel, Valalta in Rovinj, Anita in Vrsar or Zlatni Otok—Golden Isle—on Krk. They became competent market players, invested carefully in training personnel, and fielded hotel managers as attentive and critical as can be found today in any larger resort of any worth. Competition for custom grew rife, not so much between various companies in one location but, rather, between entire towns or small regions. Generally, the hotels, restaurants and other tourist facilities in a place belonged to the 'socialized companies', which endeavoured to maintain a harmonious balance.

The Croatian Privatization Fund

When the Croatian Democratic Community (HDZ) emerged triumphant from the first free elections in 1990, state socialism met its end, also on the Adriatic coast. As in all ex-socialist states, privatization began. However, given that 'socialized companies' basically belonged to nobody, nobody was able to sell them. First they had to be nationalized, a step facilitated by new legislation on the transfer of socialized property (Zakon o pretvorbi društvenih poduzeća), passed expressly for this purpose on 18 April 1991, actually prior to Croatia's declaration of independence. From then on, local tourist sector companies were back in the hands of the state and under the management of the Croatian Privatization Fund (CPF), a Zagreb-based body modelled on the German Treuhand (the Trust to which the privatization of East German

⁶ Ibid, pp. 256–262. See also Pamela Ballinger, *Selling Croatia or Selling Out Croatia? Tourism, Privatization, and Coastal Development Issues in a 'New' Democracy*, Washington D.C.: The National Council for Eurasian and East European Research, 2003.

⁷ There was hardly a large hotel not requisitioned to accommodate refugees, whereby the new apartment hotels on the islands were particularly popular. For instance, the Croatian population of the town of Ilok, which was held by Serbs, was accommodated on Krk.

⁸ See 'The Case of Sol Melia' in Ballinger 2003, pp. 16–18.

enterprises and state assets was assigned in 1990).⁶ Few among the experienced managers, the local staff or the general public in coastal resorts were enthusiastic about this wave of re-nationalization. Protest was limited however, for the outbreak of war only a few months later brought the entire tourist sector to a halt, and privatization too, was mostly put on hold. Foreign tourists, previously the majority on the coast, now stayed away; hotels were used instead to house refugees,⁷ and staff took

off—either to seek refuge in the West, to fight as soldiers or (particularly in the case of those from central Dalmatia), to live as 'foreigners' in their Bosnian homeland.

Only Istria, the lance-shaped peninsula tucked under the arm of the Adriatic coast, managed to hold onto its stock of loyal, predominantly German and Austrian holidaymakers throughout the war years. Under the distrustful gaze of the government in Zagreb, whose loyalties were to central government, the locals touted the delights of 'Istria' rather than of 'Croatia' in Germany's major package-deal brochures—for it was no easy matter to market a country featured daily in the news as a war zone. Luckily, the largest town in the region, Pula, was in the hands of a regional party that took pride in its partisan traditions and consciously distanced itself from the central government in Zagreb, a city where the fascist Ustascha movement was gradually being rehabilitated. As its name clearly indicates, the Istrian Democratic Assembly (Istarski Demokratski Sabor—IDS) saw itself as a regional party that, while not lacking direction, remained less interested in ideology than a monopoly claim to local assets. Prominent tourism managers in the region gave the IDS significant support. Cooperation with Tuđman's Zagreb-based nationalist party was difficult and conflict-ridden. At that early date, any attempts to sell off the region's cash cows would have doubtless met with fierce resistance.

Like the Treuhand in Germany, the Croatian Privatization Fund was overwhelmed by its role as a strategic proprietor in the coastal region and therefore put entire former 'socialized companies' on the market. The market showed little interest. While war raged, there was a dearth both of tourists and buyers. Likewise, in the first years following the Peace Accords of 1995 powerful foreign investors either showed little interest in buying entire villages, bays or islands, or were beaten to it by chary locals.⁸ The newly elected powers' aspiration, to privatize the

locality is power?

communist-era's 'socialized property', was thwarted also by their markedly nationalist ambitions: Croatians in a position to buy such valuable properties were unfortunately still a rare breed. One among the first cases of privatization—and the cause of much perplexed head-shaking throughout the tourism sector—was that of the Hotel Argentina in Dubrovnik, which went to multi-millionaire Andronico Lukšić (1926–2005), a Chilean who knew nothing about the hospitality sector, but was at least of Croatian descent.⁹ The major German operator TUI was probably not alone, at the time, in fretting over the fact that Zagreb was consciously seeking 'native' investors, albeit in the broader sense of the term, instead of fishing for major international players.

Capital was welcome; foreign control was not. Under pressure both from the region and the Croatian Democratic Community (HDZ, the governing party in Dalmatia), the CPF either gave minority (non-controlling) interests to local authorities or held onto them itself. Thus both an interest in, and the responsibility for, local properties remained in local hands—much to investors' annoyance. A classic example of the conflict inherent to such constellations was the sale of the Sunčani Hvar (Sunny Hvar) chain to the Luxembourg-based Orco Property Group, in 2005. After Orco had gradually acquired a majority stake, the townspeople of Hvar claimed it had failed to respect contractual agreements. The conflict came to a head in the summer of 2010, when local authorities took the offensive, inspected the Group's taxes and froze its accounts.¹⁰ Who is right and who is wrong in such a dispute—whether local inhabitants are simply defending their territory against greedy investors or whether wily local managers have short changed well-meaning investors—can be decided only by carefully examining each individual case. And perhaps even then, it remains simply a matter of personal viewpoints.

Until recently, in any case, such investment risks caused the international hospitality sector to give Croatia a wide berth. One of the few prominent projects to date is the Radisson Hotel Sun Gardens in Orašac. [→ 237] That international capital did not flood into the region's Gold Coast, market observers now claim, was partly a consequence of the

strict building regulations put in place by local authorities; put in place, some say, precisely in order to frighten off foreign investors.

Another factor was the extreme protectionism advocated by government quarters in Zagreb. State president Franjo Tuđman (1922–99) hung onto the idea that the land

should be lead economically by '200 families', among whom there ought also be a 'Croatian Rockefeller'. The '200 families' did indeed do very nicely out of privatization, acquiring industrial, service and retail companies that they ultimately cannibalized or milked to the hilt. Fortunately, the coast was largely spared this treatment; for one, because of concerted local opposition to the tycoons and, secondly, because privatization profiteers were not particularly interested in the tourism sector, initially. The only impact Tuđman's policy had on the coast was to hone opposition there to powerful foreign investors and certain native ones.

As of the mid 1990s, privatization deals favoured not so much princes as the region's home-grown rural aristocracy, in other words the owners of small to medium-sized businesses who did not intend to be pushed out of the picture: successful restaurant owners, for example, who were tempted to try their hand at hospitality. For instance, one such duo from Međugorje in Herzegovina bought the Osejava Hotel in Makarska. This pattern was advantageous insofar as the new owners not only had a genuine interest in seeing their properties prosper, but also brought to the task some knowledge of the sector and the region. A major disadvantage was that they lacked the means to make necessary investments in the broader tourism infrastructure.

The pros and cons of post-war privatization

When a new, pro-European government was elected in 2000, following Tuđman's death, there was a significant and steady rise in visitor numbers and overnights. Only then did nouveau riche tycoons begin to take a serious interest in the hidden economic potential of the Croatian tourism sector. Their interest raised people's hopes: perhaps the long-awaited investments might finally transpire. Clearly, only investors with solid backing could afford to make long-term investments. Yet Miroslav Dragičević, CEO of the Zagreb office of the consultancy Horwath HTL, and one of the country's best-known tourism experts, told us in 2010, that investors were still playing safe.

In terms of overnights, employee numbers and turnover, the largest investor on the Adriatic coast today is Valamar Hotels & Resorts. Active solely on the Adriatic, it operates seventeen hotels and apartment houses in Poreč, a further ten objects in Rabac, Istria, five hotels on the Babin Kuk peninsula in Dubrovnik, and one on each of the islands, Krk and Pag, with a total capacity in 2012 of more than 20,000 units in hotels and apartments and another 20,000 on camping sites.

9 In 2000, the Lukšić Group also acquired the major property Plava Laguna in Poreč.

10 Lenka Ponikelska and Jasmina Kuzmanovic, 'Orco, Croatia Seek to Resolve Fight Over Hotel Resort', New York: Businessweek.com, 11 August 2010, www.businessweek.com/news/2010-08-11/orco-croatia-seek-to-resolve-fight-over-hotel-resort.html (accessed 12 October 2010).

The history of the Valamar Group can be traced back to the so-called 'coupon' or 'voucher privatization' program that took place in 1998. The government in Zagreb pursued a Czech model, namely by awarding shares in nationalized companies to veterans of the 'Home-land War'. An investment fund with the familiar name 'Dom' (meaning 'home'), acquired the majority of these shares. The veterans in question each received a letter from Dom, personally signed by Georg, Count Eltz of Vukovar, a man who shares his name with a martyred town on the Danube. Many people therefore found the name sounded rather patriotic and trustworthy. Media reports then suggested the government's gift of bonds was practically worthless. This was a lie, yet it fell on fertile ground: the population was inexperienced in economic affairs, and the late Tuđman government notoriously corrupt.¹¹

The Dom Fund had been founded just one year earlier by five businesspeople, among whom ranked nouveau riche businessman Darko Ostojica (born 1952) and Count Eltz (born 1956). After acquiring vouchers respectively shares in the country's most important companies, Eltz and Ostojica also purchased the SN Fonds from Dejan Košutić, Tuđman's son-in-law. In 2001, Eltz and Ostojica launched their portfolio of former 'socialized companies'—the Hotels Rivijera Poreč, Rabac, Zlatni otok, Vrboska and Babin Kuk—under the single brand name Riviera Hotels & Resorts, then under the name Valamar, after ceding the majority holding in 2004 to EPIC, the Vienna-based European Privatization & Investment Corporation co-founded by Count Eltz in 1996. Now EPIC holds a major stake in the real estate portfolio and is the sole owner of the management company.¹²

Setting up the Valamar Group was the Dom founders' second attempt to professionalize hotel management. One stab at doing so in cooperation with tourism expert Dragičević had failed, owing to differences of opinion regarding the necessary level of investment. The Group did at least launch one project, however, namely the extension and refurbishment of the Hotel Lacroma, on the Babin Kuk peninsula in Dubrovnik, re-opened in 2009. [→ 234]

The second biggest player among the Croatian hotel groups is Maistra Inc., a subsidiary of the Adris Group, which has acquired properties, hotels and holiday camps in Istria, Rovinj and Vrsar. Maistra Inc. numbers among the holdings of the tobacco company Tvornica Duhana Rovinj (TDR), one of Croatia's major industrial enterprises, the largest under Croatian ownership, and the most profitable in the whole country. As an old established company, TDR still enjoys a

11 Marina Biluš, 'Privatization Epilogue. Heroes of the greatest Croatian plundering', Zagreb: Nacional.hr, no. 509, 15 August 2005, www.nacional.hr/en/clanak/19979/heroes-of-the-greatest-croatian-plundering (accessed 10 October 2010).

12 The Viennese financial services group 'European Privatization & Investment Corporation' (EPIC) ensued from the merger of several state-controlled Austrian banks in 1990 and the subsequent management buyout of the Länderbank's department for East European investments. The latter had been involved in managing voucher privatization on behalf of the Czech Republic and Bulgaria before being called in by the Croatian government to oversee a similar scheme. Interview by Michael Zinganel with Franz Lanschützer, CEO of Valamar and managing partner of EPIC, Vienna, 21 August 2012.

13 Mislav Šimatović, 'Croatia's 50 Wealthiest', Zagreb: Nacional.hr, no. 597, 24 April 2007, www.nacional.hr/en/clanak/33809/croatias-50-wealthiest (accessed 10 October 2010).

14 Sina Karli, 'Hotel Magnate to Open New Hotel in Dubrovnik', Zagreb: Nacional.hr, no. 442, 4 May 2004, www.nacional.hr/en/clanak/18362/goran-strok-i-am-going-to-open-the-best-hotel-on-the-mediterranean (accessed 12 October 2010).

reputation for acting some-how in the public interest, despite having been privatized.

The largest individual shareholder and executive director of the company is Ante Vlahović. With a fortune estimated at 480 million EUR, he is held to be Croatia's second most wealthy man.¹³ The influence of TDR extends beyond its own sector and throughout the entire region. For instance, following years of dispute with Vlahović, Wilfried Holleis, an Austrian hotelier and early investor in Croatia, found himself obliged to sell the island of Sveta Katarina (which lies off Rovinj), to Maistra Inc., his joint-venture partner. The Adris Group's flagship project is the new Lone hotel on Mount Mulini, near Rovinj, a 5-star design-hotel intended primarily for businesspeople. [→ 242]

The Adriatic Luxury Hotels Management Company in Dubrovnik was ranked third among the hotel groups. Its owner, Goran Štrok, who emigrated to the UK at one point and still

owns hotels in England and Scotland, saw his chance in Croatia in 1999, within weeks of Tuđman's death and the collapse of the government. Štrok was a friend of the late Social Democrat Prime Minister, Ivica Račan, and also maintained business relations with the influential Minister of Finance, Slavko Linić. Štrok prides himself on having at least extensively renovated the objects he acquired, whereby he turned them into true flagships of the tourism revival.¹⁴ But he failed to pay back his loans and, in 2011, the banks forced him to sell his hotel chain to the Chilean Lukšić Group, which has owned and operated Laguna Poreč since 2000—the largest resort in Croatia, comprised of 12 hotels, 9 apartment villages and 6 camping sites. Another major player is the Austrian Falkensteiner Michaeler Tourism Group (FMTG), sole or executive manager and/or shareholder in seven objects at the Croatian coast, with a total of 3,000 beds that opened a brand new 5-star top hotel in 2012. [→ 240]

But many former 'socialized companies' in the tourism sector are still up for sale today. Most of them are located on the lovely Makarska Riviera, to the south of Split, and are therefore not easily reached for a short break.

AESTHETIC CONCEPTION
TRUST, CORRUPTION
ECONOMIC AFFAIRS

Alternatives to gradual privatization would have been either to attract powerful foreign tourism operators with the necessary know-how to purchase the big 'socialized companies' or to break them up and sell off their various hotels and restaurants individually, to small-scale, local investors or former employees. In the first case, investment volume would have been no cause for concern, and any investor worth his salt would also have come up with a viable plan for the redesign and expansion of the coastal resort in question. In the second case, one may safely assume that competition would have been livelier had the hotels been sold off individually—and this may in turn have attracted larger investment volumes. As it is, neither option was pursued.

One of the few positive examples of a management-buyout is the Jadranka Group, based on the island of Mali Lošinj. The former staff members who acquired the company brought to the project not only their know-how and experience, but also a genuine interest in the sustainable, organic development of their locality. Hospitality experts often maintain, however, that only larger, professionally-run coastal chains are strong enough to maintain Croatian tourism's competitive edge. The European Bank for Reconstruction and Development (EBRD) also plans and operates on this premise, and thus financed the ten objects in the Jadranka Group's portfolio to the tune of 24 million EUR.

Yet the political will to hand over companies to former staff was decidedly lacking in Zagreb in the 1990s, and a management buy-out was only rarely carried out. And former employees have since scattered far and wide, and are no longer available as potential buyers.

In the quest for whoever might awaken Sleeping Beauty with a kiss, one's gaze quite naturally turns first to the 'princely court' of Zagreb. Yet the Ministry of Tourism is hard put to do more than the highly professional—and successful—international agencies do, in marketing this 'small country for a big holiday'. Nor does the Ministry have much say when it comes to privatization and regional development. Tax breaks for the so-called family hotels have at least partly cemented the success of the government in Zagreb. And visitors increasingly prefer to discover such small hotels under their own steam, than to reserve rooms in larger hotels with dining rooms, pompous foyers and endless corridors. Some 150 of the former have been opened, in fact, almost half of them newly built: the Apartment Hotel Bellevue in Trogir, the Mahora on Mali Lošinj or the Bella Vista in Drvenik, for example. Yet

political interests have also thwarted Zagreb's plans for other, similar cases. It has not yet proved possible to reduce the number of beds available for rent in private homes, but a motion on the issue pops up in every development proposal, with charming regularity.

An Austrian intermezzo

It was some years before another prince cast a covetous eye on the Sleeping Beauty. In August 1999, Jörg Haider, the newly elected governor of the Austrian state of Kärnten (Carinthia), paid a surprise visit to the town of Pula, seat of the Istrian regional government, to meet his counterpart there, Stevo Žufić. The Istrian public initially regarded Haider as more of a frog than a prince. Žufić and his party spent months justifying their meeting with 'the biggest neo-Nazi alive'. Then, before the dust had settled on Haider's visit, his bank drove into town: the Hypo Alpe-Adria, which has close ties with the Austrian state and makes no bones about its imperial claim to the Mediterranean. The former house bank of the state of Kärnten has since then not only financed all major real estate deals in Istria but also headhunted the most influential staff in town—including Žufić, Haider's first host. The Hypo Alpe-Adria logo, prominently displayed on the imposing Poreč branch, which the locals have nicknamed 'the fortress' could easily be mistaken for the town's coat-of-arms.

The bank secured a position that was not lost on a local population schooled in socialism. It became the spider holding the purse strings in a web of regional development: without credit, nothing new could happen. The focus at the time was on so-called greenfield developments. The more established beaches were in the hands of the older state companies and new, smaller investors, so newcomers turned their attention to the long stretches of coast formerly owned by the Yugoslav National Army. These large, undeveloped and isolated areas could be found both in Istria and Dalmatia—around Pula's old fortified port, for example, or near Zadar. As in the socialist era, politics and finance shaped the bank's decisions and transparency was not assured. The Hypo agents had been invited in though the front door and could count on the powerful support of regional and national politicians—and, thanks to Hypo credit, former government officials became major property magnates overnight. The bank's favourite customer when it came to coastal projects was Croatia's former deputy Defence Minister, General Vladimir Zagorec, who moved to Austria after the change in government in early 2000 and, according to

Zagreb, took with him a part of the military budget—a deed for which he was finally sentenced, in early 2010, to seven years in a Zagreb prison.

The first mysterious sales followed shortly on the heels of the Hypo Alpe-Adria's arrival on the Croatian market. In December 2000, the elected council of the rural community of Vodnjan sold 374,000 m² of unspoilt Mediterranean coastline to a hitherto unknown company, at the bargain rate of 5.12 EUR per m². The Hypo Alpe-Adria financed the transaction—only the first in a long string of deals with obscure investors. The chairwoman of the board of the real estate company was the local Hypo manager. The company was registered in the names of a Klagenfurt-based lawyer, previously unheard of in the world of real estate, and a Viennese real estate speculator, former financial consultant to Haider's radical right-wing Freedom Party of Austria (FPÖ), and an FPÖ Member of Parliament at the time of the Vodnjan deal. The purchase of an equally choice yet twice as large strip of the country followed a few months later, this time for the paltry price of 7.35 EUR per m².

Before the ink on the contract was dry, the council voted to classify the hastily sold nature reserve as a perfect place for tourism development. The land there, dubbed 'Brioni Riviera' for marketing purposes, rose in value by 200 percent overnight. The buyers did not even blush. Chatting to the local paper *Glas Istre*, Wolfgang Kulterer, then still a director of Hypo, said revision of the land's status had been promised, prior to the sale. Haider's colleague Stevo Žufić, in the meantime president of the regional parliament, became director of one of the two companies. With Austrian support, a prince had at last been found for Istria: not a handsome prince, it is true, but a wily and powerful one.

Following its sale to the German Bayerische Landesbank (Bayern LB) in spring 2007, the Hypo Alpe-Adria became a victim of its dubious business deals in Croatia. Projects initiated by local real estate sharks—the Skipper residence in Savudrija, for example, on the Slovenian border—have now ground to a halt. Investors have proved too weak to withstand the recent crisis, dwindling tourist numbers and, above all, stagnation on the apartments market. Fortunately, the Hypo adventure on the Adriatic coast has left behind only a limited number of ruins. Some of them already went to the bank—to balance unpaid loans—and more will probably follow. Nowadays, barely anyone believes that the battered bastion of credit is in a position to invest wisely and create a blossoming landscape.

The last property reserves

The Zagreb office of the international consultants Horwath HTL, seat of the greatest tourism development expertise in the region, is likewise disillusioned: now, nobody reckons with a knight in shining armour. Director Miroslav Dragičević recommends that a state development fund be set up, in order to at least develop the few remaining military properties with a measure of vision and strategic foresight, even though failure to prevent privatization of the tourism sector has already wrought widespread and irreparable damage.

The Croatian Ministry of Defence does in fact still have as many as twenty-eight large and valuable properties at its disposal. These previously belonged to the Yugoslav National Army, which used them both for military purposes and as holiday resorts solely for army personnel and its families. The government has estimated the value of these properties, twenty-six of which are on the coast or on islands, at circa three billion Kuna (412 million EUR). Most of them are situated near the fortified town of Pula or on the island of Vis, formerly a restricted zone. However, disputed property rights often delay the privatization process. After World War II, there was no tourism and such properties were therefore of little immediate value. The army often simply requisitioned them. A further hindrance to investment on Župa Dubrovačka, a former military site near Dubrovnik, is the existence of three derelict hotels, the Kupari, the Goričina and the Pelegrin. [→ 226] Investors can be found for many objects, and ideas for others are plentiful. Yet no comprehensive master plan exists.

In any case, setting up a fund to develop former military sites is highly unlikely to fulfil the fairy-tale promise, that a spectacular kiss might save the enchanted castle. Yet Sleeping Beauty has not aged during her long years of slumber: her beauty is there still, to be enjoyed by all. Dragičević has therefore pinned his hopes not only on the fund, but also on solvent German pensioners who may choose to settle permanently on the islands and the coast, Mallorca-style, persuade their children and grandchildren to join them there for holidays, and ultimately spend all their savings in his pensioners' paradise. That would be a novel yet fitting end for the fairy tale. For when they die, they magically grow back again, and live forever and ever.