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Trends in Tourism in North Cyprus: A Historical Perspective

Tourism is a fast growing industry in the world and will continue to be a major source of foreign exchange for the countries. North Cyprus has its own state, Turkish Republic of Northern Cyprus (TRNC), which is not internationally recognized other than mainland, the Republic of Turkey. Improving tourism industry was also at the agenda of the economic targets that have been set by “Five Year Development Plans” (FYDP) in North Cyprus since 1978. But, these programs were not successful to bring an improvement and achieve sustainable development in the sector over the years. The study aims to put forward the developments in the tourism industry of North Cyprus since 1974. It seems that a solution to the Cyprus problem will be a sole remedy for Turkish Cypriots in achieving their economic welfare.

Key words: Political Isolation, Non-recognition, Five Year Development Plans, Tourism Master Plan, North Cyprus.

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1. INTRODUCTION

International tourism industry experienced a steady increase all over the world during the 20th century and has clearly become one of the most prominent economic trends for many countries in the past few decades. Tourism is one of the most dynamic and fastest growing sectors of the economy of many destinations (Goh and Law, 2002). Therefore, tourism planning is crucial for development of tourism which will contribute the destinations' economic development. Political relationships among countries are one of the important determinant of tourism patterns thus have strong effect on tourism planning. This is especially true in small island states' case where tourism is the leading economic activity in many small island states (Ayres, 2000).

Mehmet and Tahiroglu (2002) stated that several economic and political factors have resulted in the break up of multi-ethnic states into smaller units, sometimes peacefully (e.g. Czechoslovakia), but more often with conflict and violence (e.g. Yugoslavia) in some cases creating small states without formal international recognition. Bartman (1998) estimated that there were in excess of 30 microstates around the world which can be described as "states in waiting or lacking formal recognition". Political risk and/or international non-recognition would negatively affect tourist flows into the countries. International tourism development has been successful for some small economies; one good example is Bermuda which emerged as a popular tourism destination. Bermuda successfully exploited the ability to take advantage of favorable climate and location. On the other hand, Hong Kong and Singapore have also successfully and rapidly expanded tourism sector in the Asia Pacific region (Bar-On, 1999). Other small islands in the Pacific, such as the Northern Mariana Islands, have also capitalized on their favorable climatic and location advantages to launch tourism based sustainable development (Kakazu, 1994).

The island of Cyprus was divided in 1974 following Turkey's peace operation and Turkish Cypriots formed their own state in the north of Cyprus, namely Turkish Republic of Northern Cyprus (TRNC). TRNC was founded in November 15, 1983 and is a non-recognized state having a considerably small economy with limited natural resources, a small internal market, and is widely vulnerable to external economic changes. The political and economic isolation of the TRNC created a substantial burden in terms of its foreign trade with countries other than mainland Turkey and its tourism sector.

This study puts forward the performance of tourism industry in North Cyprus by evaluating structural developments in the sector during the planning periods. Section 2 discusses the development, problems and policies of the sector in the planned programs. And section 3 concludes the study by making implications.

2. TOURISM DEVELOPMENT IN NORTH CYPRUS

North Cyprus is a typical small island state in the Mediterranean Sea. It has a population of over 200,000 inhabitants, 3,355 km² land area, 4,610 US \$ per capita income, 982.9 million US\$ GDP, limited natural resources and limited workforce efficiency. It possesses the typical characteristics of a small island economy. The statistical data concerning North Cyprus has been recorded since 1975, shortly after the Turkish Cypriots started to establish their own economic and political regime. It is an extremely closed state that can not develop any political and economic relations with countries other than Turkey because of political non-recognition and South Cyprus imposed embargoes. Although, State Planning Organization (SPO) was established in 1968 to create planned economic programs, which are the tools of development and were missed by Turkish Cypriots before 1974, it was not possible to make a wide plan due to the inability in controlling economic indicators because of the struggles between two communities. The share of Turkish Cypriot production in total GNP (Gross National Product) of Cyprus was around 5% before 1974 (SPO, 2002a). Turkish Community seemed to be pessimistic only trying to defend its rights against Greek Cypriots and an agricultural community migrating to the outside.

Turkish Cypriots started to live on the North, created their own regulations and lives after 1974. The First Transition Program was prepared in 1977 to achieve economic development and arrive at economic targets. Since the First Transition Program in 1977, North Cyprus has experienced 3 Five Year Development Plans to reach economic targets (SPO, 1978; 1988; 1993; 2002a);

- a. Transition Period (1977)
- b. First Five Year Development Plan Period (1978 – 1982)
- c. Inter – Period (1983 – 1987)
- d. Second Five Year Development Plan Period (1988 – 1992)
- e. Third Five Year Development Plan Period (1993 – 1997)
- f. Transition Period (1998 -)

Tourism is a basic priority sector for the economic development of North Cyprus. The tourism industry is one of the main generators of income for North Cyprus. In 2005, the tourism industry contributed \$145.6 million (3.3 per cent) to the GDP of North Cyprus and created 8.004 jobs. The North Cyprus tourism industry hosted 589.549 tourists, with its bed capacity of 12.222, with an annual occupancy was 40.7% in 2005. Moreover, 395.4 million US dollar is the value added in tourism sector in 2005 (Statistical Yearbook of Tourism, 2005). Net tourism revenue has the greatest share in invisible account and is especially used for compensating trade deficit. Unrecognition of TRNC gave damages to the tourism sector over the years. Although there are two airports in TRNC, in spite of the fact that, Ercan and Gecitkale Airports have not yet been recognized as international airports for political reasons. All the flights are done via Turkey to other foreign countries by public and private airline companies.

Table 1 gives the growth rate of tourism indicators in North Cyprus during each FYDP period. SFYDP was a period in which tourist numbers grew at most by 9.8% per annum on average. The average annual share of the number of hotels in total volume was 42.6% during 1977 – 2002. And the average annual bed capacity was 61.4% in the same period. As can be seen from the table there is a significant decline in the average growth rates of net tourism revenues over each period in parallel to a decline in tourist numbers both from Turkey and other countries, whereas there are increases in the growth rates of fixed capital investments and number of establishments in the tourism industry.

Having a potential tourism with the geographical location, favorable climate, history and natural beauties in the island, the policies for improving capacity further determining marketing targets have taken place in the FFYDP period. Among the other important targets regarding tourism development in this plan are; attracting more tourists from abroad, prolonging average stay periods in tourist foundations, preventing seasonal fluctuations in tourism sector, increasing tourism revenues, improving internal tourism, adopting mass tourism, implementing effective marketing and recognition activities, arranging education programs on tourism and increasing bed capacity.

A solution for transportation problem was targeted during 1982 - 1987 period. But it did not reach success. Among the other targets of this inter-period were; increasing personnel standards, increasing marketing activities in potential countries, encouraging foreign entrepreneurs to make investment on tourism industry and regulating legal arrangements about tourism sector.

The first attempt to increase service quality in tourism industry has taken place in the SFYDP period. Among the other targets are; establishing a strong cooperation between domestic tourism foundations and foreign travel agencies and improving tourism incentives, increasing the number of tourists from the third countries, speeding up recognition activities and setting up competitive prices in tourism industries, starting flights to Europe to achieve direct flights both to European and middle east countries and starting ferry boat travels to turkey and other neighbor countries and increasing service quality in tourism industry.

Table 1. Structural Developments (Growth Rates) of Important Tourism Indicators in TRNC during FYDP Periods (%)

	FFYDP (1978- 1982)	Inter - Period (1983- 1987)	SFYDP (1988- 1992)	TFYDP (1993- 1997)	Transition Period* (1998-...)	Annual Average (1977- 2002)
Net Tourism Revenues	-0.8	34.3	14.5	3.3	2.6	11.9
Share of Net Tourism Revenues in GNP**	12.9	21.5	33.5	28.6	20.4	23.8
Number of total Tourists	-4.3	16.5	9.8	9.2	1.9	7.2
Number of Tourists from Turkey	-9.1	18.5	9.0	10.2	1.3	6.7
Number of Tourists from Other Countries	36.8	11.4	13.4	6.5	4.4	15.9
Production in Tourism Sector	8.4	6.7	11.7	7.1	7.3	8.4
Share of Tourism Production in GDP**	2.5	1.6	2.2	3.1	3.1	2.4
Total Bed Capacity	3.1	3.8	3.5	3.5	3.9	5.3
Share of tourism fixed capital investments in total**	2.1	1.3	3.6	3.6	5.1	2.9
Share of the number of hotels in total tourism establishments**	48.6	43.6	34.3	42.6	44.2	42.6
Share of the number of beds in hotels in total bed capacity**	74.5	64.9	54.6	54.5	46.8	61.4
Share of the number of boarding and guest houses in total tourism establishments**	35.3	33.4	36.2	17.4	13.0	29.7
Share of the number of beds in boarding and guest houses in total bed capacity**	11.6	11.1	11.8	5.0	4.0	9.6
Share of the number of hotel apartments and others in total tourism establishments**	16.1	23.0	29.4	40.0	42.8	27.7
Share of the number of beds in hotel apartments and others in total bed	13.9	24.0	33.5	40.6	49.2	29.1

capacity**						
Occupancy Rate in Hotels**	32.9	25.5	35.6	35.5	33.7	32.6
Employment in Tourism Sector	4.9	3.1	2.3	2.4	2.2	3.1
Share of tourism employment in total**	2.9	2.8	4.6	6.1	7.0	4.3

* 1998 and 2002. ** Not growth rates but ratios. *Source: Calculated by the use of SPO (2002b) data.*

The most important target of the TFYDP period for tourism was to protect the nature, history, culture and environment of North Cyprus. The serious attempts on “Tourism Master Plan” and other important legal arrangements for tourism industry have taken place in this period. Among the other targets which gave importance to product variety in this period are; extending tourism seasons and increasing the number of night stays, preparing education programs on tourism development targets, improving the relations with international tourism foundations, encouraging cooperation between public and private sectors on marketing tourism services, opening tourism offices in tourist sending countries and having cooperation with tour operators and encouraging house and residence boarding to increase bed capacity.

The targets on tourism sector put forward in I., II. and III. FYDP periods are deprived of real master plan intelligence, which showed a need for a strong master plan in the industry. A master plan, which is a main guide for investment, transportation, and pricing related with tourism activities in a country, was prepared for North Cyprus but it was lack of meeting targeted opportunities and couldn’t be adopted yet. Still targets for tourism industry are set daily without a systematic planning. For example, one of the targets for tourism industry in the coming days was to expand bed capacity to 20,000 units. A major problem faced in the tourism sector of North Cyprus is that foreign direct investments could not attract foreign tourists due to the political risk of the country. Investments are mainly done by citizens but these are insufficient in marketing and promoting tourism activities in foreign markets together with attracting foreign tourists. There are extensive embargoes and propaganda activities carried and imposed by Greek Cypriots against Turkish Cypriots. Lobby activities of Greek Cypriots are quite successful in foreign countries. Another problem is transportation; there is no direct flight from/to foreign countries other than Turkey to/from North Cyprus. This is a major damage for the sector which is mainly caused by political non-recognition. The great majority of tourists, 80%, come from Turkey (SPO, 2002b). Another major problem related with the sector is the absence of physical plan for the establishments that shows the geographical distribution of activities in the sector. Various tourism

establishments are permitted to accommodate in especially housing areas which cause high noises for the resident people (Safakli and Ozdeser, 2002).

Agriculture, industry, tourism and higher education are the basic sectors of the TRNC economy but the problems faced in the first three mainly due to the non-recognition and embargoes caused the higher education sector to be a prior and number one sector of the country. By the help of universities TRNC are being recognized indirectly and informally by other countries through international conferences and visits of foreigners to the universities. Starting from the late 1980s, North Cyprus based its economic development on services sector including tourism, higher education and banking. This clearly shows how a transition from production based economy to services economy takes place with the pressure of political isolation.

3. CONCLUSION and FUTURE TRENDS

The political isolation made everything worse in North Cyprus. In the existence of insufficient exports and tourism revenues to be generated in the economy, higher education now emerged as number one sector earning foreign exchange for the country. Additionally, the establishment of new private universities in Turkey raised the competition between the universities in Turkey and TRNC. New emerging universities specially in Turkey affect the number of students coming from abroad. Therefore, the problems occur in attracting new foreign students to the universities in TRNC. This raises the importance of quality in education, successful advertising and marketing activities to be implemented by the universities in North Cyprus.

North Cyprus has experienced three FYDP since 1977. But a targeted economic welfare and stability couldn't be obtained by these programs at the current situation. Still there are number precautions to be taken in the country like controlling and restricting expenditures in the country, adopting effective strategies to increase revenues and adopting more effective marketing and promotional facilities to attract foreign tourists and foreign students in higher education.

Casino tourism is worth considering in North Cyprus after the mid 1990s. Since casinos in Turkey were forbidden, huge investments on casinos were made in North Cyprus by domestic investors and the investors from Turkey. Occupancy rate during official holidays and

weekends are high due to the visits from Turkey to the casinos in North Cyprus. On the other hand, cross border visits have taken start since April 23, 2003 between North and South Cyprus. Two communities got together for the first time after 1974. This contributed to both economies since then. Greek Cypriots even show an important demand for casinos in North Cyprus since April 2003.

Now the Cyprus problem is at the agenda of world countries since the beginning of 2004. A solution on the island is expected in near future which is strongly encouraged Turkey, Greece and other countries. A successful solution to the problem will contribute to North Cyprus in every field. Opening of Varosha, which is a major tourist region of the island, will give a rise in the tourism performance not for only Greek Cypriots but also for Turkish Cypriots. Furthermore, after a solution, North Cyprus will be a legal entity on behalf of world countries and economic and political restrictions will be eliminated immediately. Therefore, a solution in the Cyprus problem seems to be a must for Turkish Cypriots to achieve an economic welfare.

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