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INSTITUTE OF APPLIED AND SOCIAL SCIENCES

*A CO!VJPARAT!VEANALYSIS OF NORTH CYPRUS TOUR!Slul SECTOR
DEVELOPMENT: A RETROSPECTIVE APPROACH'*

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Master Thesis

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A Retrospective Approach

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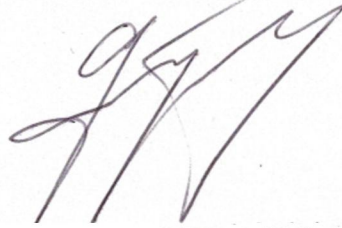
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ABSTRACT

The aim of the study is to analyze the tourism sectors of North Cyprus and South Cyprus towards the sustainable development concept and to point out the differences among them.

Tourism in the context of sustainable development, can be defined; tourism which is developed and maintain in an area (community, environment) in such a manner and at such a scale that it remains viable over an indefinite period and does not degrade or alter the environment (human and physical) in which it exist successful development and well being of other activities.

Due to limited resources and a small market, most of the small islands, to base their economic developments on service sectors, especially tourism sector.

Specifically in the case of island economies, the difficulty maintaining industrial activities, the scarcity of resources, and the limited capacity of internal markets, cause some sectors become leading areas. A similar problem exists for the North Cyprus and tourism is a leading sector of the economy.

The economy of North Cyprus is small, underdeveloped and structurally unbalanced. Small economy of North Cyprus is vitally dependent upon foreign trade.

Both of the North Cyprus and South Cyprus economies has the main features of small island economies characterized by limited natural resource base and strong trading tradition.

Cyprus island had a great potential for the development of tourism industry due to its proximity to Europe and Middle East, as well as favorable weather conditions matched by historical heritage and untapped natural beaches.

Tourism effects this study mentions the importance of tourism sector for the economic development of North Cyprus due to the availability of weather, beaches, location, historical background and such kind of tourism support natural resources.

by comparison of North Cyprus and South Cyprus tourism sector. South Cyprus has an advantage of diplomatic recognition at the international level called Republic of Cyprus and North Cyprus has an disadvantages with limited financial resources diplomatic non-recognition from the rest of the world, potential and economic embargoes that she has been exposed to the country.

This study also mentions the needs of tourism sector to improve the value added to the North Cyprus economy due to make the analyze of investments and estimates the next 10 years needs and make suggestions according to the expected exceptions.

To achieve stable and sustainable tourism in North Cyprus, current political non-recognition will eventually be solved, transportation problem will be removed and planned marketing strategies will be organized immediately.

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ACRONYMS

| | |
|---|---|
| TO: Cyprus Tourism Organization | 1 |
| EC: European Community | 1 |
| EU: European Union | 1 |
| GDP: Gross Domestic Product | 1 |
| GNP: Gross National Product | 1 |
| IGC: Inter-Governmental Conference | 1 |
| İTOB: Kıbrıs Turizm ve Otelciler Birliği | 1 |
| İTSAB: Kıbrıs Turizm Seyahat Acenteleri Birliği | 1 |
| m: million | 1 |
| n: number | 1 |
| OECD: Organization for Economic Cooperation and Development | 1 |
| PIO: Planning Information Office | 1 |
| REHB R: Rehberler Birliği | 1 |
| REST R: Restorancılar Birliği | 1 |
| SIDS: Small Island Developing States | 1 |
| STD: Sustainable Tourism Development | 1 |
| TL: Turkish Lira | 1 |
| TRNC: Turkish Republic of Northern Cyprus | 1 |
| UK: United Kingdom | 1 |
| US\$: United States Dollar | 1 |
| USA: United States of America | 1 |
| USD: United States Dollar | 1 |
| WTO: World Trade Organization | 1 |
| WTTO: World Travel and Tourism Organization | 1 |

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INTRODUCTION

The island of Cyprus situated in the eastern Mediterranean Sea, 65 km south of Turkey, 95 km west of Syria. Cyprus is the third largest island in the Mediterranean after Sicily and Sardinia with an area of 9251 km square. This strategic location of island has encouraged the occupation by the superpowers throughout history.

In 1960, the Republic of Cyprus was established, an independent sovereign republic where the Turkish Cypriots and the Greek Cypriots were the co-founding partners. The guarantors were Turkey, Britain and Greece. The period that followed was rapid growth occasionally interrupted by the bi-communal conflict between the Greek and Turkish Cypriots. The constitutional order of the Republic of Cyprus came to its end on December 1963. Afterwards the Turkish Cypriots were expelled out of the government.

Currently in Cyprus there are two states, North Cyprus (Turkish Republic of Northern Cyprus (TR.NC)) and South Cyprus (Republic of Cyprus). Since 1974 both of them have gone through incredible economic changes. With the financial support and the recognition that receives from the rest of the world South Cyprus displayed rapid economic development after 1974. The economic development of North Cyprus was too hard because of the non-recognition from the rest of the world (with the exception of Turkey) since 1974 and lack of financial resources. foreign aids came only from Turkey on the financial, technological and infrastructural base.

Small islands shares some special characteristics and problems, such as; economic activities are less diversified, because of the small domestic market there are not many options available for economic development, depend upon a few primary products for their export earnings while importing a wide range of consumers as well as capital goods, common chronic trade deficits in trade balances, diseconomies of scale in production, investments, consumption, transportation and administrative services, problem of transportation costs, unemployment problems and limited natural resources.

Sustainable development is development strategy that manages all assets, natural resources and human resources as well as financial and physical assets, for increasing long-term wealth and well-being.

In this section, problem which gives the importance to form this study, hypothesis of the study, aim of the study, importance of the study, assumptions of the study and limitations of the study is presented.

Problem

Tourism sector of North Cyprus is to be appointed to a leading sector of economy. Receipts from tourism sector, its share in Gross National Product (GNP), amount of labor in tourism and investments in tourism are the main criteria to give the importance to the sector. From 1984, tourism has been an advance sector, governments gave incentives and many development plans have been evaluated on the base of tourism sector. But, the problem is; tourism sector productive or not? Those incentives, gave to increase the bed capacity and number of establishments, availability to form tax free and non-tariffs infrastructural investments, incentives to flights and other advertisements, satisfying the expectation from the tourism sector of North Cyprus or not? These indefinite points of tourism sector have caused to analyze the importance of tourism sector of North Cyprus and compare it to the South Cyprus, which share the same island, same weather and natural resources. As well as North Cyprus, tourism sector has an important value to the economy of South Cyprus.

North Cyprus not achieves the scale of South Cyprus tourism sector yet. Embargoes and diplomatic non-recognition of North Cyprus, tourism sector have not been reached the South Cyprus level. The problem of non-recognition and economic embargoes from rest of the world (except Turkey), creates; acute demand problem, transportation problem and lack of foreign aid in tourism sector of North Cyprus.

Hypothesis

- Tourism sector of North Cyprus important for the sustainable development of country.
- Diplomatic non-recognition creates demand, transportation and competition problem in tourism sector of North Cyprus.
- Investments to tourism sector of North Cyprus enough to satisfying tourism demand.

Aim of the Study

In this study tourism sectors of North Cyprus and South Cyprus will be analyzed and factors that have caused differences will be evaluated. By using trend models, demand for tourism, needed bed capacity and employees will be calculated. The aim of the study is to come on the scene of the importance of tourism sector to the economy of North Cyprus.

While analyzing the tourism sector of North Cyprus towards sustainable development concept, theoretical base of sustainable development, tourism in small islands, North Cyprus and South Cyprus tourism sectors have been investigated.

By the light of these analyzes, study aimed to find out the ways to improve the tourism receipts by increase tourism demand, solve transportation and lack of foreign aid problem under the conditions of political non-recognition and embargoes from the rest of the world.

If this study will be proved the importance of tourism sector for the sustainable development of North Cyprus. In the short-term, bed capacity and labor in tourism sector is enough for the expected tourism demand. Investments in tourism should be slide to solve the transportation cost and to create new marketing strategies to increase tourism receipts. Also this study will be proved that, South Cyprus tourism sector have greater scale than North Cyprus. While analyzing the this topics, study limited with the importance of tourism for the North Cyprus economy. comparison of North Cyprus and South Cyprus tourism sectors and factors that have causes differences between them and by using trend model estimations on tourism demand, needed bed capacity and needed employees estimations.

Importance of Study

Small island states have restricted natural resources. Most of the small island states endowed with sun, sea and sand which are the main resources for tourism and gives importance for tourism sector for their sustainable economic development. Island have chance to use their abundant natural resources such as tourism. Tourism sector is the most important earning of many small islands. Tourism is the largest export earner and an important factor in the balance of payment of most islands.

The economic theory of comparative advantage in its basic interpretation simply states that countries will specialize in producing and exporting those goods and services in which they have an advantage in terms of land, labor, capital, technology and other factor of production. North Cyprus, with its attractions has certain comparative advantages with respect to its competitors. In the tourism sector, there is intensive competition, and in order to be successful countries should differentiate themselves from their absolute and comparative advantages in most effective way. Untouched beaches, beautiful mountains, historical monuments and other attractions having potential as tourism can often help developing nations earn foreign exchange more rapidly and with less difficulty than they could with other products.

In North Cyprus Tourism receipts covered the 38,7% total trade deficits of country. Tourism sector is an important sector for the economic development of North Cyprus. Availability of natural resources gives a comparative advantage to the tourism sector respect to other sectors of North Cyprus.

This study analyzes the importance of tourism sector of North Cyprus and gives the reasons of problems and low scale of tourism sector. Effective use of tourism sector gives chance for the economic development of North Cyprus.

This study is important because it shows the importance of tourism sector for the North Cyprus economy and recommends the ways to improve the tourism receipts.

Assumptions

- Statistical data from State planning Organization (SPO) and Tourism Ministry of Turkish Republic of Northern Cyprus (TRNC) are accepted as correct datum.
- Statistical data from Statistical Service of Republic of Cyprus are accepted as correct datum.
- Statistical data from governments' web pages of TRNC and Republic of Cyprus are accepted as correct datum.

Limitations of Study

This study limited as follows;

- 1983-2003 period of statistical data for tourism sectors of North Cyprus and South Cyprus.
- Theoretical base of study limited with sustainable development, sustainable tourism development and tourism in small islands.
- Literature research and statistical analyzes under the topic of the study.
- By using 1983-2000 period data, trend model for the tourism demand, average yearly growth rate of tourism and further estimations for the 2001-2010 period about the tourism demand, needed bed capacity and needed labor for tourism sector.

In chapter 1, the concept of sustainable development evaluated with main definitions, benefits and costs of tourism and its environmental situation investigated. In chapter 2, under the roof of tourism and sustainable development, small island states investigated in detail and give the importance of tourism in small islands. In chapter 3, tourism in Cyprus analyzed with North and South Cyprus level separately. Especially tourism statistics and some macro-economical indicators of both countries analyzed to find out the reasons of importance of tourism. Also in Chapter 3, further estimations of North Cyprus tourism sector evaluated by using econometrical studies. In the light of that information's, comparison of the tourism sector of North Cyprus and South Cyprus constructed and the factors that have caused the differences between them prepared. At the end tourism sectors of selected Mediterranean region EU member countries compared to North Cyprus tourism sector by main statistical indicators and data.

Chapter 1

Tourism Development Concept

Definitions of sustainable development have two components; the meaning of development and the conditions necessary for sustainability. Generally development implies a process that makes an effort to improve the living conditions of people. Development is not just about increased wealth. It means change; changes in behaviour, aspirations, and in the way which one understands the world around one. Economic development does not by itself constitute development. Development is 'round'; it includes institutional change as well as economic growth. It involves broader concerns of the quality of life such as life expectancy, infant mortality, and educational attainment, access to basic freedoms, nutritional status and spiritual welfare.¹

Development meets the needs of the present without compromising the ability of future generations to meet their own need.²

Sustainable development is development strategy that manages all assets, natural resources, and human resources, as well as financial and physical assets, for increasing long-term wealth and well-being. Sustainable development is, as a goal, rejects policies and practices that support current living standards by depleting the productive base, including natural resources, and that leaves future generations with poorer prospects and greater risks than our own.

Sustainable development reveals several main points. First, sustainable development is predominantly considered as a long-term strategy to preserve and conserve the environment. Second, it proposes an inter- and intra-generational balanced level of welfare. Third, it is perceived as a universally valid prescription, which is supposed to be applicable to all countries without considering their level of development, sociocultural and political conditions.³

Sustainable development gives primacy to the satisfaction of basic needs, such as food, shelter, healthcare and education, although economic growth remains a fundamental prerequisite. The 'pollution of poverty' must first be addressed before development in form can occur. Importantly, the principle focus of sustainable development is also upon a local, 'bottom-up' or grass roots approach in order to ensure both development according to local

¹ Tusun, Cevat. Tourism Management, Pergamon, Volume 22, No:3, June 2001, UK, p.290.

² Department of Environment. World Commission on the Environment and Development. Brundtland Reports. 1987. P.42.

³ Tosun, op.cit., p291.

needs and the promotion of local choice political freedom which development itself must be environmentally sustainable. This, sustainable development proposes a long-term, holistic perspective that espouses equity, choice, political freedom, cultural integrity and development within environmental parameters."

Sustainable development is that meets the needs of the present without compromising the ability of future generations to meet their own needs.

It contains within it two key concepts:

- The concept of "needs", in particular the essential needs of the world's poor,

to which overriding priority should be given; and

- The idea of limitations has imposed by the state of technology and social

organization on the environment ability to meet present and future needs.

The search for a precise meaning of sustainability has remained elusive, with a growing awareness now that for practical purposes sustainability should be perceived in approximate terms only. It is certainly evident that the use of the expression "sustainable growth" has become more frequent in recent development literature, replacing the older unqualified growth, in an apparent attempt to impart the notion that growth should be kept within the environmental limits."

Sustainable development has been so well defined and redefined to fit everyone's needs that it is now virtually undefinable and meaningless. It implies development in the present only to such a degree that it does not limit the options for future generations and environment."

1.1 Definitions and Concepts of Tourism:

Sharpley, Richard. Tourism, Modernisation and Development on the Island of Cyprus: Challenges and Policy Responses, Journal of Sustainable Tourism, Volume 11, Nos 2&3, 2003, New Zealand.

Goodland, Robert. Herman E., Daly, El Serafy Salah, Population, Technology and Lifestyle, "The Transition to Sustainability", USA. 1992. pp. 63-64.

Briguglio, Lino. Butler, Richard, Harrison, David and Leal Filho, Walter, Sustainable Tourism in Islands and Small States: Case Studies. New York. 1996. p.13.

Grandiose claims continue to be made for the economic, social and psychological benefits of tourism, many of which contain a body of truth, e.g. attracting foreign currency, improving world understanding and broadening the mind. There is no doubt that travel opportunities can enhance the quality of human experience in spiritual.

- Travel is recuperation and regeneration.
- Travel is conperisation and social integration.
- Travel is escape.
- Travel is communication.
- Travel broadens the mind.
- Travel is freedom and self - determination.
- Travel is self - realization.
- Travel is happiness.

One of the most important characteristics of tourism is that it is, in essence a fashion industry. The complex two-way relationships between demand and supply are based upon the dynamics of people's perceptions, expectations and attitudes. Participation in tourism is therefore, subject to powerful culture! filters which may change overtime.

As tourism is influenced strongly by fashion and the related concepts of status and image, tourists demand is notoriously fickle. Societies which generate tourist change their motivations, expecpationis and demands. The interests and reasons for travel often change, and even where they remain essentially the same, the fashion filter enters the equation.⁷

Tourism is firmly established as the number one industry in many countries and the fastest growing economic sector in terms of foreign exchange earning and creation.

Inremarional tourism is the world's largest export earner and an important factor in the balance of payment of most nations.

⁷Erler, Erler, Lowman, Gwen, Ecorourism; Sustainable Option, Greatl Britain, 1994, pp.20-23.

Tourism has become one of the world's most important sources of employment. It stimulates enormous investment in infrastructure, most of which helps to improve the living conditions of local people as well as tourists. It provides governments with substantial tax revenues. Most new tourism jobs and business are created and keep rural residents from moving to overcrowded cities.

Sustainable tourism development needs the present tourists and host regions while protecting the enhancing opportunities for the future. It is envisaged as leading to management of all resources in such a way that economic and social needs can be fulfilled while maintaining cultural integrity, essential ecological processes, biological diversity and life support system."

An attempt to define tourism and to describe its scope fully must consider the various groups that participate in and are affected by this industry. Their perspectives are vital to the development of a comprehensive definition. Four different perspectives of tourism can be identified:

1. The tourist: The tourist seeks various psychic and physical experiences and satisfactions. The nature of these will largely determine the destinations chosen and the activities enjoyed.
2. The business providing tourist goods and services: Businesspeople see tourism as an opportunity to make a profit by supplying the goods and services that the tourist market demands.
3. The government of the host community or area: Politicians view tourism as a wealth factor in the economy of their jurisdictions. Their perspective is related to the incomes their citizens can earn from this business. Politicians also consider the foreign exchange receipts from international tourism as well as the tax receipts collected from tourist expenditures, either directly or indirectly.
4. The host community: Local people usually see tourism as a cultural and employment factor importance of this group for example as the effect of the interaction between

* "1.world tourism.org, October, 2003.

large numbers of international visitors and residents. This effect may be beneficial or harmful, or both.

Thus, tourism can be defined as the sum of the phenomena and relationship arising from the interaction of tourist, business suppliers, host governments, and host communities in the process of attracting and hosting these tourist and other visitors.

Tourism is the entire world industry of travel, hotels, transportation, and all other components, including promotion, which serves the needs and wants of travellers.

Tourism is the sum of total expenditures within the borders of a nation or a political subdivision or a transportation-centered economic area of states of nations. These economic concepts also consider the income multiplier of these tourist expenditures."

Tourism comprises the activities of persons travelling and staying in places outside their usual environment for not more than one consecutive for leisure, business and other proposes. 10

The term usual environment is intended to exclude trips within the area of usual residents and frequent and regular trips between the domicile and the work place and other community trips of routine characters.

I. International tourism:

- Inbound tourism: Visit to a country by nonresidents.
- Outbound tourism: Visits by residents of a country to another country.

2. Internal tourism: Visits by residents of a country to their own country.

3. Domestic tourism: International tourism plus inbound tourism (the tourism market of accommodation facilities and attractions within a country) .

¹⁰ Charles R. Goldner, J.R.Brent.Ritchie, Robert W. McIntosh, Tourism, Principles, Practices, Philosophies, 8th ed., Canada, 1990. pp.14-15.

¹¹ World Tourism Organisation (WTO), The International Conference on Travel and Tourism Statistics, Canada, 1991.

1 National tourism: International tourism plus bound tourism (the resident tourism market for travel agent and airlines).

Because of its importance to both domestic and world economies, tourism has been examined closely by economists, who focus on supply, demand, balance of payment, foreign exchange, employment, expenditures, development, multipliers, and other economic factors. This approach is useful in providing a framework for analyzing tourism and its contributions to a country's economy and economic development. The disadvantage of the economic approach is that whereas tourism is an important economic phenomenon, it has noneconomic impacts as well. The economic approach does not usually pay adequate attention to the environmental, cultural, psychological, sociological and anthropological approaches.¹¹

International tourism in the 21st century will be a major vehicle for fulfilling people's aspirations for a higher quality of life. A part of this will be accomplished through 'facilitating more authentic social relationships between individuals' and, it is hoped, by laying the groundwork for a peaceful society through global touristic contacts. International tourism also has the potential to be one of the most important stimulants for global improvement in the social, cultural, economical, and political and ecological dimensions of future lifestyles. Tourism will be a principal factor for creating greater international understanding and goodwill and primary ingredient for peace on earth. This supports the view that the highest purpose of tourism policy is to integrate the economic, political, cultural, intellectual and environmental benefits of tourism cohesively with people, destinations and countries in order to improve the global quality of life and provide a foundation for peace and prosperity.¹²

Tourism is an important export product in both industrialized and less-developed countries. But the extent to which tourism contributes to a country's foreign exchange earnings varies considerably. In some of the Caribbean nations, trade in tourism is very important. For example, tourism accounts for almost 70% of foreign exchange earnings in Bahamas. For Spain and Italy, tourism is one of the most important components of the economy, and in the United States it is the number one export, surpassing even agriculture exports.¹³ The reason for such uneven distributions of the benefits of tourism vary greatly but partly depend on the

¹¹ Goeldner, op.cit., pp. 21-14.

¹² Edgell, David L., *Tourism Policy: The Next Millennium*, USA, 1999, p. 1.

¹³ Edgell, David L., *USA and International Traveler*, Tourism Management, London, 1983, p.308.

comparative advantage of the country as well as its socioeconomic and geopolitical interests in exporting tourism.¹⁴

The economic theory of comparative advantage in its basic interpretation simply states that countries will specialize in producing and exporting those goods and services in which they have an advantage in terms of land, labor, capital, technology and other factor of production.¹⁵

The North Cyprus, with its attractions has certain comparative advantages with respect to its competitors. In the tourism sector, there is intensive competition, and in order to be successful countries should differentiate themselves from their competitors through using their absolute and comparative advantages in most effective way.¹⁶

Good beaches, beautiful mountains, historical monuments, progressive transportation systems and other attractions having potential as tourism products are as important to country as exports as are the production and export of more tangible products such as oil and steel.¹⁷

The comparative advantage for tourism can often help developing nations earn foreign exchange more rapidly and with less difficulty than they could with other products.

North Cyprus is one of the lucky island which wideness of natural and historical resources. North Cyprus has a vibrant history, a perfect climate and the warmest welcome in the Mediterranean. It offering the perfect combination of relaxation, water sports and exiting exploration. Along its beautiful coastline it has its share of rich archeological sites and medieval castles. It enjoys over 300 days of uninterrupted sunshine, clear blue unpolluted seas, and the beauty of unspoiled landscape and uncrowded beaches.¹⁸

¹⁴ Ejgell, David L. (1999). op.cit., p.14.

¹⁵ Ib id. p.16.

¹⁶ Bıçak, İ.İ., Recent Developments in the Cyprus-EU Relations, Proceedings of the First International Congress on Cyprus Studies, Center for Cypriot Studies, Eastern Mediterranean University, Gazimağusa, 1997. p. ~44.

¹⁷ Ejgell, David L. (1999). op.cit., p. 17.

¹⁸ www.tourism.truc.net.tr, November 2003.

One of the reasons tourism is so important economically is that it is labor intensive. Tourism employment is concentrated mainly in the service sector rather than in the goods producing sector and the services sector tends to be less automated. Thus, much labor is used with relatively little capital.

Travel and tourism will provide employment opportunities for the groups which encounter the greatest difficulty in finding jobs. Tourism is a particularly good potential source of jobs because it is both labor intensive and likely to grow in the future; this means that for each additional dollar expended on the growing tourism sector, more jobs will be created than in most other areas of the economy.

While the demands large number of highly skilled workers and well trained and educated managers, tourism has the further advantage of providing employment in the hard to employ, low skilled occupations. It is these occupations that have the highest employment rates and that are the most resistant to broad fiscal and monetary policy aimed at lower unemployment.

While creating jobs, international tourism is an important generator of national income.

The tourism sector is highly diverse: part public, part private, and composed of many industries and many firms.¹⁹

Tourism plays an important role in the economic and technological development of nations.

- Stimulates the development of basic infrastructure.
- Contributes to the growth of domestic industries that supply the tourism industry.
- Attracts foreign investments.
- Facilitates the transfer of technology and technical know-how.

Many countries have strong emphasis on the demand and supply of tourism services as part of their overall economic development. On the demand side, it becomes necessary to first research the potential interests and motivations of tourists. Then location and identification of the markets, marketing and promoting, and pricing techniques become the main elements of:

¹⁹ Hodgell, David L. (1999). op.cit., p. 18.

and analysis. The supply of tourism services is less well understood. Basic to the tourism products are several supply factors. Natural resources such as scenic land, good climatic conditions, flora, fauna, water, beaches, and so on are basic to tourism development. The availability of water supply systems, sewage disposal plants, transportation facilities and other kinds of infrastructure is fundamental to meeting the needs of tourists. Also needed are facilities to meeting the needs of tourists, restaurants, shopping centers, taxis, planes, buses and an almost endless list of supply components that tourists have come to expect. Less easily identified are some of the 'hospitality' services, such as friendliness of the host community, availability of the arts, entertainment, and other attributes and activities that enhance the tourism product and add value and quality.

A quality tourism product requires careful planning to ensure that the demand and supply components are equally available.²⁰

The role of tourism as an agent of development in small island states is virtually universal. Indeed, for many islands, tourism is the principal source of employment and foreign exchange earnings and the dominant economic sector. Nevertheless, many commentators suggest that tourism characterised by dependency, a condition which, according to development theory, restricts development. As a result, sustainable tourism development is widely seen as a solution to the problem of island tourism.²¹

Health security and safety in tourism, which are important today, will be even more important in the future. Policy concerns for national and international agendas in the future. As transportation becomes faster and more places are opened to visitors, the possibilities of getting sick, falling victim to an accident or becoming a crime statistics will also rise.

Some people do not travel internationally because they are afraid of getting sick in strange places. Most are concerned with the hygienic and sanitation standards applied to food and water. There are numerous accounts of ear problems from polluted swimming pools and rashes and irritation and infections from unknown insects.

ibid., pp. 19-20.

Thurp, R., Tourism, Modernisation and Development on the island of Cyprus: Challenges and Policy Options. *Journal of Sustainable Tourism*, Volume: 11, No: 2&3, 2003, p. 246.

injuries due to negligence by visitors or as a result of unmarked dangerous facilities are also common.

Another fear for many international visitors is that of personal safety. The concern for bodily harm due to assault is a real deterrent to travel. In addition, worrying about the possibility of being robbed causes people to avoid certain destinations or leads to a lesser quality visit because of possessions left behind."

Environmental Base of Tourism Sector:

In order to enjoy their holiday, tourists must be physically comfortable in the climatic conditions at the holiday destinations. They must be comfortable irrespective of their activity, be it passive (sun-bathing) or at the other extreme, very active (e.g. surfboarding, horse riding and so on.). The climate of the holiday destination must be attractive. People tend to be more relaxed and cheerful when it is sunny and clear than when skies are overcast and gloomy.²³

The primary attractions of Cyprus are the good beaches combined with the warm, sunny Mediterranean climate, with important secondary features of archeological and historic sites representing a long and varied history. Most tourism development is concentrated in several places along the coast."

The normal body temperature of a human being is 36.5 °C. This will rise with physical exertion or exposure to heat (such as bright sunshine). Body temperature is controlled by evaporation from the skin by sweating. The ability of the air to take up moisture depends on its relative humidity. If the relative humidity is too high the air will not take up enough moisture from the skin to cool it, and the body will begin to overheat and the person will feel uncomfortable. In conditions of high relative humidity, there may be a risk of heat stroke at temperatures of only about 26 °C, whereas in dry conditions bodily stress may not occur until the temperature nears 36 °C.

Edgell, David L. (1999), op.cit., pp. 85-87.

Bunon, Rosemary, Travel Geography, 2nd edition. England, 1995. p. 16.

Inskip, Edward, Tourism Planning, Canada, 1991. p. 128.

Direct heat is more tolerable, as long as the body is shielded from direct sunshine, and it takes in sufficient water to replenish the moisture lost by sweating. The discomfort and danger of hot desert climates comes as much from dehydration as from the body overheating.

It has been noted that any physical exertion raises the body temperature; land based activity holidays will thus have a slightly different spatial distribution needing slightly lower temperatures than water supports and 'sun, sea and sand' holidays."

For many people, going on holiday means going to the seaside. After the climate, the coast and sea are perhaps the most important geographical resources for tourism. The nature and quality of the coast and beaches play a very important part in making a successful and enjoyable holiday.

The tourist first and foremost looking for a clean, sandy beach that is comfortable to sunbathe on and safe for swimming, with gentle waves that allow children to play at the water's edge. There must be no dangerous tidal or offshore currents that might sweep the unwary swimmer, small boats or inflatables out to sea.

A wide and fairly flat beach provides plenty of room for all the holiday makers and their beach equipment. On the other hand, the sea must not be too far away for the swimmer to walk to, so low tidal range is ideal.

It is clear that the following physical characteristics of the beach and coast are of crucial importance for tourism:

- Composition of beach, for comfort.
- The nature and size of the waves, for safety.
- The tides and currents in the sea, for convenience and safety.
- Cleanliness and pollution, for health and comfort.
- The shape of the beach in plan and in profile, for safety.
- The shape and the characteristics of the land above high watermark, for ease of access and development.
- The stability of the beach and coast, for long-term investment."

²⁵ Surin, op.cit., p. 7.

the coast is used for a wide range of tourist activities. for example, diving, -yachring, cruising, beach sports, fishing, scenic tourism, but sunbathing, swimming, beach and water activities. by far the most popular. Numerous beach resorts have developed to provide accommodation, entertainment and other services for the mass tourism. while ports, fishing villages and yacht harbours provide the same range of services for those who enjoy the sea and coast by boat.¹²

The North Cyprus extensively focuses on 'holiday tourism' in its tourism activity. but it is difficult to say that the necessary success has been achieved. This is because of a lack of effective marketing, more specifically lack of promotion activities, transportation problems due to its being an unrecognized country and political embargoes.

Benefits and Costs of Tourism Sector:

Tourism brings both economic and noneconomic benefits and costs to host communities. Some of the considerable economic impact and benefits of tourism shown as below;

- Provides employment opportunities, both skilled and unskilled because it is a labor intensive industry.
- Generates a supply of needed foreign exchange.
- Increases incomes.
- Creates increased gross national products.
- Can be building on existing infrastructure.
- Develops infrastructure that will also help stimulate local commerce and industry.
- Can be developed with local products and resources.
- Helps to diversify the economy.
- Tends to be one of the most compatible economic development activities available to be an area, complementing other economic activities.
- Spread development.
- Increases government revenues.

¹²ib.id., pp. 20-21.

¹³ib.id., p. 75.

- Broadens educational and cultural horizons and improves feelings of self-worth.
- Improves the quality of life related to a higher level of income and improves standards of living.
- Reinforces preservation of heritage and tradition.
- Justifies environmental protection and improvement; visitor interest in local culture provides employment for artists, musicians, and other performing artists, thereby enhancing the cultural heritage.
- Provides tourist and recreational facilities that may be used by a local population.
- Breaks down language barriers, sociocultural barriers, class barriers, racial barriers, political barriers, and religious barriers.
- Creates a favourable world-wide image for a destination.
- Promotes a global community.
- Promotes international understanding and peace.

On the cost side, number of problems that can be created by tourism, especially by its overdevelopment:

- Develops excess demand for resources.
- Creates difficulties of seasonality.
- Causes inflation.
- Can result in unbalanced economic development.
- Creates social problems.
- Degrades the natural physical environment and creates pollution.
- Degrades the cultural environment.
- Increases the incidence of crime, prostitution and gambling.
- Increases vulnerability to economic and political changes.
- Threatens family structure.
- Commercialises culture, religion, and the arts.
- Creates misunderstanding.
- Creates conflicts in the host society.
- Contributes to disease, economic fluctuations, and transportation problems.²⁰

²⁰ Giddens, op. cit., pp.30-34.

Chapter 2

Tourism in Small Islands

Sustainable tourism and tourism in the context of sustainable development are two different things. Sustainable development can be defined as 'a form of tourism that is able to maintain its viability in areas for an indefinite period of time'. Such a definition, which in reality is probably what most of the tourism industry and many tourist destinations would like, says and implies nothing about the environment or sustainable development.

Tourism in the context of sustainable development, can be defined: tourism which is developed and maintained in an area (community, environment) in such a manner and at such a scale that it remains viable over an indefinite period and does not degrade or alter the environment (human and physical) in which it exists to such a degree that it prohibits the successful development and well being of other activities and processes.²⁹

Tourism not only has to be developed but also maintained, which implies control and management. It recognises that the type of tourism and the scale at which it is operated are both important factors to consider. It includes the long-term horizon which has to be a fundamental part of sustainable development. Most importantly, it implies that the activity has impacts on destinations areas, but that these impacts should not be at such a level or of such a type as to prohibit either economic activities or natural processes."

Sustainable tourism development should be accepted as all kind of tourism development that make a notable contribution or, at least do not contradict the maintenance of the principles of development in an indefinite time without compromising the ability of future generations to satisfy their own needs and desires.

Some basic principles of sustainable tourism development by taking into account conceptual arguments for development, sustainable development and sustainable tourism development (STD). These principles can be stated as follows;

- STD should contribute to the satisfaction of basic and felt needs of those excluded in local tourist destinations.

²⁹ Butler, R. W., J.G. Nelson, and G. Wall, Tourism and Sustainable Development: Monitoring, Planning, Management, University of Waterloo, 1993, pp.17-44.

- STD should reduce inequality and absolute poverty in local tourist destinations.

- STD should contribute to the emergence of necessary conditions in tourist destinations which will lead local people to gain self-esteem and to feel free from the evil of want, ignorance and squalor. That is to say, STD should help host communities be free or emancipated from alienating material conditions of life and from social servitude to nature, ignorance, other people misery, institution, and dogmatic believes.

- STD should accelerate not only national economic growth, but also regional and local economic growth. This growth must be shared fairly acrossed the social spectrum.

- STD should achieve the above objectives or principles in an indefinite period of time without compromising the ability of future generations to meet their own need.

The above principles of sustainable tourism development remind that the remit of sustainable tourism development is extended to consider the role of tourism in contributing to sustainable development more generally in this regard, sustainable tourism must be regarded as an adaptive paradigm capable addressing widely different situations and articulating different goals. This implies that sustainable tourism development, as an adaptive paradigm is a multi-disciplinary and broad concept. It touches upon a wide range of issues such as economic development policy, environmental matters, social factors structure of the international tourism system, etc.³¹

2.1 Small Island and Sustainable Development:

Small Island provides special keys in development, largely duty special characteristics of natural resources, economies and in many cases, their cultures.³²

Due to limited resources and a small market, most of the small islands, to base their economic developments on service sectors.³³

³¹ Esigluglio, Burler, Harrison and Filho, op.cit., pp.13-14.
³² Tosun, op.cit., pp.290-291.
³³ Briller, W., P.d'Ayala and P. Hein, Sustainable Development and Environmental Management of Small Islands, New Jersey, 1990, p. 4.

Tourism which is one of the most important sectors in the service industry has become extremely crucial for the development of economies. In the North Cyprus tourism is one of the sectors which get priority and it is accepted as a leading sector for the improving of the economy.³⁴

Ecologically and economically sustainable development options are few, provision of utilities and public services is difficult and costly, human resources are scarce and, especially on the small island little economic development has occurred without outside intervention. The trends in economic development of many islands have been characterised as 'disappointing' and self-sufficiency may be hardly possible.

Insular natural resources; waters, vegetation, soil, air, near shore systems, and wild life, ultimately dictate the capacity of an island to accept and sustain development. Resource productivity and the environmental services they provide (e.g. erosion control) are immediately and obviously linked on small islands to the functions of neighbouring ecosystems. Damage to one ecosystem gives a rise to reverberating effects in 'down stream' ecosystems.

Economic development options hindered further by island size and location. Small size alone is not disadvantageous when both producers and customers are local. However, today's growing populations and their rising aspirations demand products and markets from the islands' edges. Provision of modern basic infrastructure and services consumes a large share of island financial and human resources. Difficulty or inability to achieve economies of scale in administration, production and transportation provide very real constraints to nearly all small islands.³⁵

Specifically in the case of island economies, the difficulty in forming and maintaining industrial activities, the scarcity of resources, and the limited capacity of internal markets, cause some sectors to become leading areas. A similar problem or similar features exists for

³⁴ Bıçak, H., Altınay, M., Tourism Sector of North Cyprus: Prospects Ahead, 2nd International Congress for Cyprus Studies, Volume 16, Center for Cyprus Studies Publications, Eastern Mediterranean University, 1999, TR/C, p. J,77.

³⁵ Kacliri, H., "Conference Tourism" as an Alternative Tourism Activity for North Cyprus which may be a tool for marketing Tourism Activities, 2nd International Congress for Cyprus Studies, Volume 16, Centers for Cyprus Studies Publications, Eastern Mediterranean University, 1999, TRNC, p. 489.

³⁶ Belter, W., op.cit., p. 6.

the North Cyprus. As a result of this, tourism is one of the sectors that get priority within the North Cyprus economy.³⁶

Small size also may pose little disadvantage to an island with high levels of outside aid per capita or a strategic location that leads to outside investments infrastructure. However, neither income transfers nor locational advantage (or disadvantage) are constant: they can change on a donor's whim, on the successes or failures of competitors or with changes in technology.

Few small islands retain such advantages; it is an economic fact that an advantage in specialisation during one period may become obsolete in another period and entrepreneurs are judged by their capacities to seize opportunities and adapt to the constant fluctuating economic environment. Thus, a business is not necessarily bound to a building and to a land estate: it may change its activities through conversions, diversifications or mergers. It may also have to demolish buildings and sell estates. The problem is that, in some business contexts, island may correspond to the building and estate that must be jettisoned when new economic conditions call for conversion.

Even where ecologically and economically sustainable development options exist, they can conflict with island cultures. More generally, small societies have problems in policy making. Administrative and management processes other than those arising from diseconomies of scale: on small islands, most people are either closely related or known each other well. It is much more difficult to formulate and apply policies on their own merits, and decisions are inevitably highly influenced by personal and kinship considerations.

The essential island development dilemma, then, is that aspiration renders self-sufficiency unacceptable, but attempts to gain or maximize wealth by economic specialization tend to render the society and economy unstable. Those most injured by an unmanaged drive for wealth are the island's fundamental resources (natural and human). Those injuries can be losing or even fatal to an island's future development.

Development choices range from those having no anthropogenic adverse to those with little impact to those bringing about radical changes in the environment. The first choice excludes

³⁶ Nadiri, H., op.cit., p. 490.

permanent human residents, and so is not properly 'development'. The second is hindered by the growing populations and aspirations of island peoples.

Between these extremes are a number of development activities that tread lightly on the environment'. Including some forms of agriculture, fisheries, aquaculture, tourism, light industry, service activities, or migration, remittances, aid, and bureaucracy.²⁷

Tourism, like all export activities, adds to the national product, creates employment and income in ancillary sectors and provides resources to the national budget by way of taxation. Besides the economic impact of this challenging and growing sector, it also has a social and environmental impact on the country that deals with this tourism.³⁸

However, on many islands, inappropriate introduction or intensification of technologies has resulted in wide spread depletion of basic resources. Island tourism and manufactures, which provide relatively little benefit to the local economy, have tended to be highly sensitive to downturns in external country economies, the emergence of successful competitors, or world wide recession. Tourism has often carried the seeds of its own destruction: the resources that attract visitors are those being threatened by tourism infrastructure and tourist activities.

A typical response to economic recession and environmental degradation is to reduce human populations dependent upon the resources. People emigrate and, perhaps, repopulate the area when the resources have recovered, when new technologies allow reclamation, or when new demand creates new resources. Emigration may be off-island, or resource-dependent activities, concentrated on even smaller areas of land. The small size of islands and their consequent scarcity of land and resources make the latter alternative undesirable and probably infeasible, and the former may reduce the chances for economic development. Similarly, small populations and economies disallow expenditure of large amounts of scarce capital and labor on artificial provision of environmental services or continuous reclamation of degraded areas. Even though island citizens have the same abilities to degrade their ecosystem as residents of continental areas, they do not have the same scope for response.

Clearly, the preferred alternative is to prevent island ecosystem degradation in the first place. However, human activity must perforce involve modification of the environment to increase

²⁷ Belter, W., op.cit., pp. 8-9.

³⁸ Nadiri, H., op.cit., p. 490.

provision of goods and services. Thus, on small, resources-poor islands, environmental management is a precursor to and a part of sustained economic growth.

Similarly, management of economic growth is part and parcel of environmental management.

The evolution of an island (its people, its resources, its institutions, and its future options) depend to a large extent on development goals, the means chosen to achieve them, and the terms on which trade-offs are made. Where self-sufficiency or economic specializations are not possible or desirable, development might be defined in terms other than those of additional economic growth. Although increasing a population's level of amenities or improving the balance of trade may be socially desirable, maximizing per capita incomes or export volumes may be achieved at costs that are not socially acceptable.

Economic growth involves a whole range of costs and societies must sometimes choose between a more relaxed existence with a higher quality of life and the vigorous pursuit of a higher standard of living, which often new societal stresses.

In general, increasing small islands' current and future sustainable development options might be based on two general principles; 1) *Sectoral integration of development and multiple use of resources (including recycling) to derive multiple benefits from investments.* 2) *Diversity and flexibility of economic activities to permit adjustment to market and stock fluctuations.* More specific ways in which sustainable development options for Small Island might be increased fall into six basic categories;

- Resource preservation
- Resource restoration
- Resource enhancement
- Sustainable resource development
- Provision of human services
- Non-resource-dependent development options.⁹

9. Elter, W., op.cit., p. 10.

2. General Characteristics of Small Islands:

Small islands share some special characteristics and problems, such as:

1. Economic activities are less diversified and more specialized in small island economies, due mainly to their narrow range of human and nonhuman economic resources and markets.¹⁰ The economy of North Cyprus is small, underdeveloped and structurally unbalanced. In 2001, the gainfully employed population numbered just over 90000, with agriculture 16.5%, government services 20%, construction 15.6% and tourism 4% accounting for most jobs. The contribution of tourism to broadening the economy has so far been modest, with employment increasing from 1770 in 1991 to 3630 in 2001.¹¹
2. Because of the small domestic market, there are not many options available for economic development. Thus, under the constant population pressure on the limited arable land and the constant population pressure on the limited arable land and the revolution of rising expectations, almost all small island countries have had to open their economies to world markets. The degree of openness or dependency on world markets is customarily measured by the trade to GNP ratio.¹²

Table.1 Trade Ratios to GNP of North Cyprus (1996-2001):

| Years | Exports(\$) | Imports(\$) | Export+ Imports(\$) | GNP(\$) | Trade Ratio (%) |
|-------|-------------|-------------|------------------------|---------|--------------------|
| 1996 | 70.5 | 318.4 | 388.9 | 773.9 | 50.2 |
| 1997 | 57.7 | 356.6 | 414.3 | 759.8 | 54.5 |
| 1998 | 53.4 | 430.5 | 483.9 | 890.5 | 54.3 |
| 1999 | 52.4 | 412.7 | 465.1 | 963.9 | 48.2 |
| 2000 | 50.4 | 424.9 | 475.3 | 1039.9 | 45.7 |
| 2001 | 34.6 | 272.0 | 306.6 | 908.8 | 33.7 |

Source: Evaluated from State Planning Office, Economic and Social Indicators, Lefko a.

21.00 I. pp.2-3.

¹⁰ Kindelberger, C. P. International Economics. Homewood, 1968, p.82.

¹¹ Economic and Social Indicators, State Planning and Organization Service, TRNC Prime Ministry. 2001.

¹² Marshall, A. Industry and Trade. London. 1927, p.25.

As it can be seen from Table 1, small economy of North Cyprus is vitally dependent upon foreign trade. Small island economies' heavy dependency on external factors creates the problem of economic instability and vulnerability, which has been a challenging topic for discussion.¹³

3. As a direct result of the narrow range of their resources bases and production conditions, small island economies depend upon a few primary products for their export earnings while importing a wide range of consumers as well as capital goods.¹⁴

As it can be seen from Table 1, North Cyprus total imports for each year between 1997 and 2001 are greater than the total exports of a country. Import product states the high ratio of GNP of country. Thus, North Cyprus has another feature of small island economies.

The exports of small developing island economies are also characterized by their high geographical concentration. This characteristic may be easily inferred from fact that island countries, whose politico-economic ties with former colonial governments are still strong, produce more or less similar products in relatively small quantities that can never influence the world market.

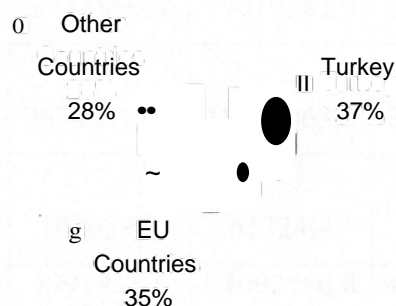
The large percentage of North Cyprus exports are directed toward a few countries (see Graph. 1). Nearly all exports of North Cyprus are directed to Turkey and European Union (EU) countries in 2001.¹⁵

¹³ Economic and Social Indicators, State Planning Office, TRNC Prime Ministry, Lefkoşa, 2001.

¹⁴ Salato, E.M., South Pacific Regionalism-Utility in Diversity, South Pacific Bulletin, Volume 20, No: 4, 1976, pp.30-35.

¹⁵ Economic and Social Indicators, op.cit., 2001.

Graph.1. Exports of North Cyprus by Main Countries (%)



Source: Economic and Social Indicators, State Planning Organization, TR1\JC Prime Ministry, 2001.

4. Most of the small island economies have been suffering from cronic deficits in trade balances, which have largely been financed by growing inflows Of foreign aid.⁴⁶

North Cyprus faces huge trade deficit (see Table.1). Like most small islands, North Cyprus economies have been taking aid, especially from Turkey. Cronic deficit in trade balances and balance of payments have been suffering mainly by foreign aids coming from Turkey (see Table .2).⁴⁷

6. The heavy burden of transportation costs may be the single most important barrier to the economic development of small islands.

7. Many small island economies have experienced rapid growth and unemployment that have other developing economies, which have achieved employment problems.

⁴⁶ Kakazu, H., Direction Toward Self-Reliant Economic Development in Okinawa, Shiri Okinawa, Volume: 56, 1983, pp. 2-5.

⁴⁷ Economic and Social Indicators, op.cit., 2001.

Table Z Foreign Aids and Loans of North Cyprus (million TL):

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|------------------------|-----------|------------|------------|------------|------------|-------------|
| 1. Foreign Aid: | 6226437.8 | 9783860,6 | 19019387,6 | 30784234.5 | 64319692.0 | 58587796.0 |
| 1.1. Aid from Turkey | 6119642.4 | 9674231,33 | 18958063,2 | 30720467.1 | 64188138.2 | 58476358.8 |
| 1.2. Other Foreign Aid | 106795.4 | 109629.3 | 61324,4 | 63767,4 | 131553,8 | 111437.2 |
| 2. Loans | 2625793.9 | 5991911.5 | 24092950,8 | 48197429,3 | 85617706,4 | 172119396.8 |
| 2.1. Internal Loans | 2125793.9 | 3494295.7 | 7770182, 1 | 28113118,8 | 42973802.3 | 26619653.5 |
| 2.2. External Loans | 500000.0 | 2497615,8 | 16322768,7 | 20084310,5 | 42643904,1 | 145499743.3 |

Source: Statistical Yearbook 2001, State Planning Organisation, TRNC Prime Ministry, Lefkoşa. 2002, p. 260.

5. Small island economies suffer from diseconomies of scale in production investment, consumption, transportation, education and administration services. The problem of diseconomies of scale becomes intensified where the island countries or territories are fragmented into "mini." islands and located far from large markets. Unit cost of generating electricity in islands decreases when the islands population increases, this showing that the importance of scale.⁴⁸
6. The heavy burden of transportation costs may be the single most important barrier to the socioeconomic development of small islands.
7. Many small island economies have experienced more rapid growth and urbanization than have other developing economies, which have aggravated unemployment problems.⁴⁹

⁴⁸ Kakazu, op.cit., p.53.

⁴⁹ Kakazu, H., Sustainable Development of Small Island Economies, Oxford Westview Press, 1994, p. 7.

Table 3 shows the population of North Cyprus from 1995 to 2002. Daras gives the information about population of North Cyprus. Annual population growth is around between 1.1% - 1.2%. In 1997 annual population rate was 10.2%. North Cyprus not faced rapid population growth like some other small islands.⁵⁰ Population of French Polynesia has growth from 345737 people to 634100 people within the period of 1951 and 1980.⁵¹

Table.3 Population of North Cyprus (1995-2002):

| Years | Population (persons) | Annual Population Growth(%) |
|-------|----------------------|-----------------------------|
| 1995 | 181363 | 1,2 |
| 1996 | 183363 | 1,1 |
| 1997 | 201914 | 10,2 |
| 1998 | 204225 | 1,1 |
| 1999 | 206562 | 1,1 |
| 2000 | 208886 | 1,1 |
| 2001 | 211191 | 1,1 |
| 2002 | 213491 | 1,1 |

Source: www.devplan.org

8. Another characteristic of island economy, which is more or less related to the mentioned problems, is their heavy dependence on government activities as a major source of income and employment and probably as a symbol of prestige. In 2002 19.4% of total employees were joint in public services. This huge share shows that heavy dependence on government.

Some small island countries are also dependent on the monetary authorities of industrial countries in the sense that 'they do not have an independent currency and/or do not follow autonomous monetary policies.'⁵²

In North Cyprus, national currency is 'Turkish Lira' that, Turkey's national currency. Thus, Northern Cyprus not has the ability to control on currency, can not use monetary policies.

⁵⁰ www.devplan.org.

⁵¹ Kakazu. H., op.c.t., p.26.

⁵² Ibid., p. 8.

2.3. Economic Problems and Prospects of Small Islands:

The problems with moving from defining sustainable development to implementing the concept are very real, and represent significant changes. The public in many countries has paid scant attention to tourism until relatively recently, and has allowed the responsibility for much of the development which has occurred to be taken by the private sector. Many of the problems faced by developing tourism in a sustainable context are aggravated for island communities because of a number of common issues and problems.

Islands and peripheral regions in general are particularly vulnerable to external influences and pressure in all forms of economic activity. They tend to suffer from a limited local market, a lack of a critical mass, and relatively poor communications and transportation links with potential markets. The general lack of resources and limited range of economic activities have made the adaption of tourism, where feasible, an attractive option which many islands, large and small, have taken up, or had imposed upon them. Their often limited political authority and the problems noted above have left them extremely liable to development which may not be in line with their preferred pattern, scale and type. This is not to imply that some island communities have not wholeheartedly adapted tourism in whatever form seemed feasible, and may be quite content with the result. However, in general, the smaller the island, the less control the local population has had over the nature and scale of development. These problems are not unique to the development of tourism in islands, they are common to island development in general, and indeed to most forms of economic development in marginal areas. They do have particular significance in the case of island tourism, however, as much of this sort of development is dominated by external influences and controls.⁵³

Islands have a restricted range of resources, and limited space, both of which add physical constraints to the structural constraints that may make flexible use of resources in response to changing opportunity difficult to achieve.⁵⁴

The economy of North Cyprus has the main features of small island economies characterized by limited resource base and strong trading tradition.

⁵³ Briguglio, Burler, Harrison and Filho, op.cit., pp.15-16.

⁵⁴ Belter, Ayala and Hein, op.cit., p. 25.

ere such advantages are lacking, no amount of good macro-economic management can achieve much toward the reduction in dependency; the necessary strategy of opening to international trade means that the resulting trade economy will be a price-taker in all things. have limited capacity both to produce and to consume, can not undertake activities manding large-scale operation, nor generate internal financial and capital markets.

ational advantage is enhanced by infrastructure.⁵⁵

economy of North Cyprus has a great potential for the development of tourism industry to its proximity to Europe and Middle East, as well as favourable weather conditions tched by historical heritage and untapped natural beaches. Tourism industry is expected to orne a leading sector along with other service sectors in the economy following ernment policies and considerable developments in transportation and communication vorL.

ther scale, nor location, then, is constant variables. They change with technology and with successes or failures of competitors. But changes in locational advantages demand estment if they are to be captured and such investment is beyond the capabilities of all but ery few small island countries. Moreover, as the required scale of investment grows, the ecessary capital must be supplied more and more by aid from the great and powerful, thus easing dependency.

other constraint is transport. The connection between islands and other localities must be de by sea or air. This was a much less serious constraint in the past when ships, though ill, were much more cost-effective vehicles than anything that moved on dry land. lways changed this, but not so completely as the internal combustion engine and the roads hred for its use. The modern transport revolution has reached mainly through the placement from island trade of socially-useful smaller wooden craft by second- to fifth- nd coastal ships in whole regions such as the Caribbean and the Pasific islands. As intenance costs and replacement costs of such ships have soared, services have deteriorated d the cost of moving goods and people has risen. Islands are doubly disadvantaged by their bility to use land transport for contact with other lands, and by small size. It is the

(Citer, Ayala and Hein, op.c.t., p.26.

constraints imposed by modern transport technology, above all, that put small island countries and regions at a worsening disadvantage.⁵⁶

2.1, Tourism in Islands:

As a steadily growing sector throughout the last decade, the service industry has played an extremely important role in the overall economy of the world. Together with the growing importance of the service industry, the tourism sector, which is one of the most important has become very important for the development economies of country that have comparative and absolute advantages in this sector. Tourism now affects every continent, country and city. Tourism is today's fastest-growing business and is expected to become the world's largest industry in the next century.⁵⁷

Islands have become one of the most attractive destinations for tourists.⁵⁸

With the advent of modern air travel, tourists have been able to visit a wider range of places and in significantly greater numbers. Today, island tourism has become a highly diversified activity.

As a result of tourist development, many islands have experienced dramatic landscape changes that reflect growing demand for accommodation, amenities and transportation systems, which in most places have been built to serve the needs of foreign visitors. This has usually led to a concentration of accommodation and tourist facilities either around existing urban settlement or in new coastal resorts.

Islands governments and the private sector have long recognised the role that the tourism industry can play in economic diversification, particularly the creation of employment, skill training and the multiplier effects for foreign exchange earnings. Tourism has become the largest service activity in many islands and it has become a major factor in economic growth.

⁵⁶ Belter, Ayala and Hein, op.cit., pp. 27.

⁵⁷ Kotler, P., Bowen, J. and Makelke, J., Marketing for Hospitality and Tourism, Prentice-Hall Co., USA, 1996.

⁵⁸ 87

⁵⁹ Robinson, V. and McCarroll, D., The Isle of Man Celebrating a Sense of Place, Liverpool University Press.

1990.

h achievements usually have to be set against a background of narrowly focused economies that privously relayed on the export of a few commodities. limitations imposed by tive isolation, small-scale nature of most activities and limited local demand. For this oris. majors to encourage the expansion of tourism have been prominent -in the economic elopmerit plants of the island states. While tourism has undoubtly broad substantial is to small islands, it has often been accompanied by negative economic consequences re associated with domination by multinational companies, low levels of local involment ecil leakaze rates of a foreiun exchange earnings⁵⁹

issue of sustainable tourism is often discussed in terms of the balance between economic and ironrnental concern. Many economic activities have an impact on the environment and has a feedback effect on the economy itself. In the case of toursim which utilizes the ronment as a resource. Tourism depends to a very large extend on a milieu which is sane and attractive to tourist, and negative environmental impacts caused by tourism may fore have the effect of 'soiling ones own nest' in the long-run.

ustainable tourism may be defined as tourism which is developed and maintained in such a inner and scale that it remains viable in the long-run and does not degrade the environment which it exists to such an extend that it prohibits the successful development of other vies.⁽⁶⁰⁾

Small Island States and Tourism:

many SIDSs environmental degradation caused by tourism activities is commonplace. However, many SIDSs can not substitute this form of economic activiy with other, more ronmentaly friendly activities without great economic hardship."

all island states lend to depend on toursim more than larger states do.1,~ The reason for this ld be associated with the comparative advantage that islands tend to have in tourism

ilkinson, J).F. Tourism in Small Island Nations: a fragile dependence. Leisure Studies. 1987, pp. 1:27-146.

G. Welson. R.W. Butler and G. Wall. Tourism and Sustainable Development: Monitoring, Planning.

agcmennr. Canada. 1993. pp.27-44.

riguglio. Butler. Harrison and Filho.op.cir., p.162

u Z.. and Jenkins. C.L.. Country Size and Tourism Development. I.odon. 1996. p.83.

uted activities. Many SIDSs attend to develop export market in merchandise, but these tend to be unsuccessful or not as successful as these countries would wish. On the other hand the natural attractions, including the climate of many small islands often give them a competitive edge in tourism activities. For this reason, many governments of SIDSs give tourism priority and attend to maximize their island's tourism potential by further developing the industry promotion campaigns, the building of hotels and other tourist facilities, and enhancing their air and sea links with other countries.⁶³

Islands that have built up major tourism industries may also have experienced considerable social and environmental problems. Undesirable socio-cultural spillovers include casino gambling, cheap commercialization of folklore and historical attractions, rising levels of crime and erosion of local social values in tandem with the admiration of foreign lifestyles. The environmental problems of tourism usually relate to the concentration of tourism activity on coastal lands and to the absence of a rigorous planning system. This has resulted in haphazard development, urbanization of the coast, dumping of building waste and the loss of agricultural land and vegetation.⁶⁴

Another fundamental concern relates to the difficulty in predicting future patterns of arrivals, which in turn has created problems of matching the supply of accommodation and facilities to flows of visitors. Moreover, such problems are dynamic and unstable and are compounded in many islands by an over-reliance on one or two major sources of visitors."

Island tourism planners are seeking to diversify away from the attractions of 'sun, sea, sand,' which are typical of mass tourism, into special activity holidays and business travel characterised by higher spending patterns and niche segment of the market, such as the elderly who are more likely to visit outside the summer season. Moreover, a number of islands have sought to place limits on new development, protect areas of outstanding national beauty and rehabilitate older resorts in order to create better conditions for sustainable tourism in the longer term.⁶⁶

Briguglio, Butler, Harrison and Filho, op.cit., p.163.

Musser, L., The perils of Non-planning, Architectural Review, New York, 1969, pp.57-60.

3) J. Lockhart, D.Drakakis-Sniith, and J. Schembri, The Development Process in Small Island States. London, 1993, pp. 13-37.

4) Douglas G. Lockhart and David Drakakis-Sniith, Island Tourism, Trends and Prospects. London, 1997, p.1.

The dependence of SIDSs on tourism means, among other things, that a large proportion of employment occurs in the tourist industry or in tourism-related activities. It is not always possible to give precise estimates of such employment because it does not only occur in areas usually associated with tourism, such as hotels, restaurants, airports, seaports, transport, travel agencies, souvenir shops and restaurants but also in agriculture, fishing, banking, printing, and other activities with which the tourist came into contact, including sections of the public sector.

The large proportional tourism-related employment in SIDSs means that a large proportion of national income originates directly and indirectly from tourism and this, in turn, induces further income, giving rise to a multiplier effect.⁶⁷

In spite of the relatively small contribution to employment, tourism is seen as the cornerstone of the economy of the North Cyprus. This is, due to a low level of exports and a rapidly escalating import bill coupled with the weakness of the Turkish Lira and rapid inflation, all of which have led to a widening trade gap.⁶⁸

Tourism is also economically important because it is a source of foreign exchange inflows. Many SIDS would register relatively large balance of payments deficits in the absence of proceeds from tourism.

There are also a number of advantages which are not directly economic, but which have an impact on the material well-being of the local population. These include a renewed interest in local arts and crafts, improvements in educational, leisure, communication, medical and other facilities in the host countries, a general awareness of the man-made and natural aesthetic assets, and a broadening in the outlook of the islanders.

Tourism in SIDSs, however, tends to usher in a number of undesirable economic affects. One of these relates to foreign control of tourism and tourism-related activities. Inwards tourist traffic is often controlled by foreign tour operators, who frequently have enough bargaining

Archer, B., The Value of Tourism Multipliers and Their Policy Implication, Tourism Management, pp. 234-

Luckhurst, D., G., Tourism to Malta and Cyprus, London, 1997, pp. 172-173.

power to dictate matter related to tourism in the host countries. Also, larger scale tourist establishments in SIDSs tend to be foreign owned, and this may lead to developments which are not in the long-term interest of the island itself.

A related problem is that tourism as an industry depends on the whims and fancies of foreign travellers, whose decision to visit a particular island is influenced to a very large extent by conditions outside the control of the island itself, including economic conditions and reports in the popular press in the country from which the tourists originate.

Other economic dangers often associated with tourism in any country, but which are especially important in small islands due to their relatively large dependence on this form of economic activity; include seasonal unemployment and rapid increase in the price of land, often accompanied by land speculation.⁶⁹

2.-L2 Environmental Impacts of Tourism in Small Islands:

Due to their small size, many SIDSs face relatively large environmental dangers even in the absence of tourism, mostly due to the pressures arising from the process of economic development. Many islands experience a fast depletion of agriculture land, which normally accompanies an increased demand for residential building, entertainment facilities and industrial construction. The process of economic development also brings with it an increased demand for resources, some of which are non-renewable.⁷⁰

Occasionally there have been pleas for the harmonization of tourism with the environment, involving such action as ensuring a balanced distribution of accommodation, the construction of buildings that are imaginatively designed and pleasing to the eye, the protection of ecologically important assets and planning infrastructure such as proper sewerage facilities and road networks in time to meet the demands arising from new tourist facilities. The existence of tourism provides a strong incentive and resources for projects to protect and enhance the environment, such as the designation of national parks, the restoration of historic buildings and the creation of pre-designated precincts in island capitals. However, most of the literature points to a conflict between tourism and the physical environment. This is apparent in the destruction

⁶⁹ Briguglio. Burler. Harrison and Fillio, op.cit., pp.163-164
⁷⁰ *Ib.id.* p. 164.

of coastal habitats and the competition between agriculture and tourism for land, and in the resorts themselves, in which poorly designed buildings contribute to architectural pollution and where accommodation and other tourist facilities have displaced the local population and through rising land values and the activities of property developers.⁷¹

Studies have identified the nature of environmental degradation and made the plea for steps to be taken to limit some of the underlying causes, such as building control and better waste disposal systems.⁷² From discussion on the harmonization of tourists' infrastructure and island environments and the creation of national and regional parks to protect areas of outstanding natural beauty, debate has progressed to diversification of the tourism product, encouragement of eco-tourism and the analysis of small scale initiatives that combine understanding village culture and history with local employment. Relatively few small island states, have introduced comprehensive policies with the aim of achieving sustainable development.⁷³

SIDSs also faced problems associated with their geographical and natural characteristics. They tend to have unique and fragile ecosystems. The rarity of the ecosystem, on outcome of their insularity renders these islands as much greater contributors to global diversity than in proportion to their size. The fragility of their ecosystems arises as a result of a low level of resistance to outside influences.

Islands also have a relatively large coastline in relation to their land mass. Thus a relatively large proportion of land is exposed to waves and winds, giving rise to a relatively high degree of beach, rock and soil erosion.

Many of these environmental dangers are of course exacerbated by tourism. International communications, for example, are required even in the absence of tourism, but the increased traffic caused by tourism poses severe strains on many islands' airports and seaports in islands take up very large areas in proportion to the total space available, posing increased land-use

⁷¹ Lockhart, Drakakis, op.cit., p. 10.

⁷² S. Brütton and W.C. Clarke. Ambiguous Alternative: Tourism in Small Developing Countries. University of South Pacific, 1987, pp. 16-24.

⁷³ Vyula. 1-L From Quality Product to Eco-produce: Will Fiji set a precedent? Tourism Management, Volume 10, No. 1, pp. 39-47.

pressure as well as air and sea pollution. In the case of air traffic, flying crafts also contribute considerably to noise pollution, affecting practically the whole population of small islands.⁷⁴

7-10% of total bed capacity of North Cyprus to be present at the Kyrenia region, which is the most popular region of North Cyprus. This creates noise pollution and to spoil the quietness nature off region (see Graph. 6).⁷⁵

The large amount of waste generated by tourism-related activity gives raise to relatively large waste clumps, which are often only a short distance away from the tourist centers. This creates health hazards (such as creating habitats for rats and other vermin, and toxic substance seeping through aquifers) and resources the aesthetic qualities of the place.

Particular importance of the SIDSs is the fact that tourism is generally of a coastal nature. Many charming fishing villages in small islands have been transformed into tourist playgrounds, many mangrove swamps and wetlands have been destroyed, many beautiful beaches have been polluted by sewage and fuel emissions and many quiet coast areas have been disturbed by noise from sea craft.

Another problem of small size is related to density and carrying capacity. Many islands experience high tourism densities in relation to their population and land area. The concept of carrying capacity is very important in this regard, since small islands tend to reach very quickly that the level beyond which the natural ecosystem will be irreversibly damaged.

The dependence on tourism forces the authorities of the islands to take a more serious view of planning, monitoring and market-based incentives precisely because in the absence of such instruments the negative effects of tourism on the environment could in the long run destroy tourism itself.

Such benefits and dangers of tourism are, of course, not present in equal doses in all SIDSs, since different islands have different characteristics. Some are more isolated and more remote

⁷⁴ Briguglio, Burler, Harrison and Filho, op.cit. p. 163.

⁷⁵ Statistical Yearbook, State planning Organization, TRNC Prime Ministry, Lefkoşa, 2001, p. 3.

than others in some are similar than others. some are more environmentally fragile than others and some have put into place corrective measures before others.⁷⁶

2A.3 Host Community and Tourism in Small Islands:

Village lifestyles the perceived friendliness of islanders traditional ceremonies and religious processions have also been utilized in marketing campaigns by tourism organizations. There is, however, much evidence to suggest that the traditions and quality of life of the host society can be eroded by mass tourism. In fact, an extensive literature already supports the view that while tourism has positive and negative impacts on island societies, the latter usually dominate host-guest relations.⁷⁷

In North Cyprus, the friendliness and hospitality of the people, wonderfully varied cuisine, have the perfect recipe for a truly idyllic holiday.⁷⁸

An irritation index which traces the local community's reaction beginning with a level of euphoria that is associated with early tourist arrivals through to antagonism when a place becomes saturated with visitors. Also it suggested that level of irritation was correlated with the degree of compatibility between host community and visitors, the location of tourist accommodation and how much locals directly benefit, through employment and ownership of facilities, from the tourist industry.⁷⁹

An alternative measure to qualify the impact of tourism on the local community a contact ratio (a local population \ tourist bed-capacity ratio) has been employed in a number of Mediterranean islands.⁸⁰

The type of tourism attracted to a particular destination plays a major role in qualitative measures of socio-cultural impact. In particular, mass package holiday makers who demand facilities and levels of service that are similar to those found in metropolitan countries and

⁷⁶ Briguglio, Butler, Harrison and Filho, op.cit. p. 164.

⁷⁷ Lockhart, Drakakis, op.cit., p. 11.

⁷⁸ www.tourism.trnc.net.

⁷⁹ Lockhart, Drakakis, op.cit., p. 12.

⁸⁰ Win, S., Tourism in Cyprus-balancing the benefits and costs. Tourism Management, 1991, Volume 12, No: 1, pp. 10-21.

have little interests in or understanding of local society and its history are most likely to cause the greatest amount of antagonism. Such tourists also tend to have little interaction with local residents composed to those who have made independent holiday arrangements. Planners have emphasized that island nations should seek to attract a range of visitors in order to limit disruption to local social organization."⁸¹

While there is much variation in the percentage of earnings from tourism that leave island economies, it is the smaller and more remote destinations in particular that lack skills and capital for the development to hotels and national airlines. High levels of expatriate ownership and management together with resort development that has created private areas for tourists have further alienated the local population, who receive only limited benefits from tourism.⁸²

As a consequence, commentators have recommended policies that will lead to the creation of more local employment, such as visitor attractions, the development of crafts, and the encouragement of alternative forms of tourism such as eco-tourism that will help to spread visitor spending over a wider area. Such labor is, however, often characterized as part-time, seasonal, low status and poorly paid.⁸³

⁸¹ Milne, S., The Impact of Tourism Development in Small Pacific Island States. New Zealand. 1990. pp.16-21.
⁸² Wilkinson, P.F., Strategies for Tourism in Island Microstates. Annals of Tourism Research. Volume 16. 1989. pp. 153-177.
⁸³ Barker-Snow, J. And Wall, G., Tourism Employment Perspective From Bali, Tourism Management. 1993. Volume 14. No: 3. pp. 195-201.

Chapter 3

Tourism in Cyprus

Cyprus is the third largest island in the Mediterranean after Sicily and Sardinia. It lays between latitudes 30.33 and 35.41 and longitudes 32.23 and 34.55. North side of the island covers an area of 3355 square kilometers.⁸⁴

The neighbors of Northern Cyprus are Turkey, 65 km to the north; Syria, 112 km to the east; Egypt, 418 km to the South; Israel, 267 km to the east; Lebanon, 162 km to the east. Greece, 965 km to the West and South Cyprus at the south.⁸⁵

The climate of North Cyprus is typically Mediterranean with long, dry summers and short, rainy winters. The average annual temperature is 19° C. The temperature in summer changes between 37° C - 40° C with the warmest sea temperature in the Mediterranean, averaging 21° C. The winter weather is very mild with a temperature between 9° C - 12° C and, there is an average annual rainfall of 500mm.⁸⁶

According to the 2002 estimates 213.491 people live in the North Cyprus. The population is predominantly Turkish Cypriot (99 %) and other ethnic groups consist of Greeks, Maronites and others, which amount to 1%.⁸⁷

The official language of the country is Turkish. English is also widely spoken. many hotels also employ German, French and Arabic speaking personnel.⁸⁸

With its sunny climate, beautiful beaches rich history, Cyprus is a prime holiday destination and has extensive tourist facilities to accommodate every taste and budget. Temperate is Mediterranean with hot, dry summers and cool, wet winters. The island provides a perfect climate for summer holidays.

⁸⁴ www.tourism.trnc.net, December 2003.

⁸⁵ Bozazici University. Tourism Master Plan, Tourism Application and Research Center, Lefkoşa. 1998. p. 11

⁸⁶ KITOB. North Cyprus Hotel Guide, UK.; 2000, p. 15.

⁸⁷ Tourism Planning Office, Statistical Yearbook of Tourism, TRNC Prime Ministry. Lefkoşa 2002. p. 4.

⁸⁸ Facts about Turkish Republic of Northern Cyprus (TRNC), The Public Relations Department, TRNC Foreign Affairs and Defense Ministry, Lefkoşa, 2002, p. I.

The climate is equable, with an abundance of sunny days throughout the year. The average day time temperature from June to September is 32°C. from December to November, 25°C.

Cyprus enjoys an intense Mediterranean climate, with long dry summers from mid-May to mid- October and mild winters from December to February which are separated by short autumn and spring seasons.

Summer is a season of high temperatures with cloudless sky, but the sea breeze creates a pleasant atmosphere in the coastal areas.

Winters are mild with some rain and snow on Trodos Mountains. In Cyprus there is abundant sunshine as indicated above. Even in December and January, there is an average of six hours of bright sun shine per a day.

The island of Cyprus enjoys almost constant sunshine throughout the year.⁸⁹

3.1 Political Development of Island:

After the independence of Cyprus in 1960, both Greek and Turkish Cypriots shared power in the government of the 'Republic of Cyprus', but this constitutional arrangement came to an end after the brutal attacks of Greek Cypriots (EOKA) in December 1963, towards the Turkish Cypriots. Enosis (unification with Greece) was the main aim of the Greek Cypriots were aware of their threatened position, and feared that there would be no rights left for them if the objective of Enosis was achieved, by the Greek Cypriots.

Economic and social division of the island had occurred before 1974, with the breakdown of the constitution in 1963. After this date there was no 'Republic of Cyprus'. Turkish Cypriot cabinet ministers and members of the parliament had no chance of exercising their functions. Ironically, even though the Greek Cypriots were

⁸⁹ www.namashen-ri.com ,op.cit.

the ones who violated the constitutional arrangements, defined by the London and Zurich Agreements, they are still calling themselves and are internationally recognized the 'Republic of Cyprus'. After 1963, the Turkish Cypriots no longer participated in the government of the island and the relationship between the two communities was based on tension. The conflict and the violence between the two communities had a negative impact on the confidence of the Turkish Cypriots businessmen and their investment was minimal during the 1963-74 periods.⁹⁰

Up to 1974, approximately 25000 Turkish Cypriots were displaced from their homes and they were forced to live in enclaves.⁹¹

The intervention of Turkey in 1974 was the most important turning point for the island and its economy. Turkey intervenes to the island to protect and to secure the lives of the Turkish Cypriots.

The division of the island had stopped the activities of tourism which naturally had lost its market.

To prevent any social disturbance that might arise, Turkey helped the Turkish Cypriots in organizing their economic activities after 1974. The Turkish Lira (TL) was substituted for the Cyprus Pound for domestic transactions and with this the North Cyprus economy imported the inflation of the Turkish economy and the effects of the devaluation of the TL to her economy.

*Turkey has helped with periodic economic protocols for the iniresructursi (Jijghways. names, transportation, etc.) improvement of North Cyprns.*⁹²

⁹⁰ Wilson, R., Cyprus and /nternational Economy. Great Britain, 1992. pp. 116-121.

⁹¹ Albrecht, P., North Cyprus. London, 1994, p. 19.

⁹² Utku, F., M., A Comparative Study Of The Economic Development Of North Cyprus And South Cyprus Since 1974, Eastern Mediterranean University, Magusa, 1995, pp. 19-20.

A recent political development of Cyprus - European Union (EU) relations is an important political development for island. Application to the EU for an associate membership was made in 1962 with the consent of both communities that established the Cyprus Republic. After 1963, Turkish Cypriots were thrown out of the Republic and since then all the negotiations were carried out of between the Cyprus Government and the EU. Eventually, in 1973 an Association Agreement was signed between the Cyprus Governments (Greek) and EU, aiming at a customs union in 10 years time. After the intervention of Turkey in 1974, the relations between the Cyprus Governments and the EU continued with Annual Protocols until 1987 when a Custom Union agreement was signed. With this agreement customs union was to be achieved between the Cyprus Government and EU by 2002.⁹¹

In 1990, Greek Cyprus Government applied to the EU to become a full member of the EU. Council of Ministers gave its reply in 1993. It found South Cyprus eligible and decided to take the matter up again in 1995 after following the negotiations taking place between the two communities. This application was illegal as it was violating the international treaties establishing the Republic of Cyprus.⁹⁴

In 1995, in return to signing of the Customs Union Agreement with Turkey,' a big concession was given to the Cyprus Governments (Greek), as Greece would sign the Customs Union Agreement with Turkey. The Council of Ministers on the same day of the Customs Union Agreement with Turkey decided that the accession negotiations with the Cyprus Governments (Greek) would start 6 months after the end of the Inter-governmental Conference (IOC). As stated in the opinion of the European Commission, the Council of Ministers meeting in Luxemburg decided to include the Cyprus Governments (Greek) among the first group of 5 countries to be considered in the next round of enlargement. In that meeting, Turkey was not considered even in the second

⁹¹ Biçak, H., Recent Development In the Cyprus-EU Relations, Proceedings Of The First International Congress on Cypriot Studies, Center For Cypriot Studies, Eastern Mediterranean University, Gazimağusa, North Cyprus, 1997, pp. 245-259.

⁹⁴ Mendelson, M., H., 'Opinion of Professor Mendelson Q. C. on the Application of Republic of Cyprus' to Join the European Union' in the Status of the Two Peoples in Cyprus, edited by Necati Munir Errekun. Ministry of Foreign Affairs and defence of the Turkish Republic of Northern Cyprus, Nicosia, North Cyprus, 1997.- pp. 137-139.

group of 5 countries as a candidate for membership. This decision had the most adverse effect on the negotiations between the two communities on the Cyprus issue and stopped all political dialogue between Turkey and the EU.

On 30 March 1998 the Council of Ministers decided that the accession negotiations would start with the Cyprus Government (Greek) and on 10 November 1998 the negotiations started officially. As from the start, Turkish Cypriots are disregarded as if the Cyprus Government (Greek) representing the whole island as if they had the right to decide for the Turkish Cypriots⁵

3.2 Macro-Economic Profile of North Cyprus Economy:

Since 1974, the economy of the North Cyprus has experienced a rapid change and reasonably high growth rate in spite of the political difficulties caused by lack of recognition.

The economy of North Cyprus, which acquired its national identity and boundaries following the Turkish Peace Operation in 1974, has recovered in couple of years, and tried to solve the rehabilitation of its half of the population displaced from the settlements in the South.⁶

The island developing countries are very diverse group of countries with a wide range of geographical situations, natural resource endowments and economic capacities, all are in varying degrees subjected to a range of handicaps arising from the interplay of such factors as small size; remoteness; geographical dispersion; vulnerability to natural disasters; fragility of ecosystems; constraints on transport and communications; great distances from market centers; a highly limited internal market; lack of natural

⁵ Bıçak, H., op.cit., pp. 263-269.

⁶ Center for Business and Economic Research, Structural Changes in the Economy of North Cyprus, Eastern Mediterranean University and Cyprus Turkish-German Cultural Association, Gazimausa, Cyprus, 1990, p. 14.

resources; weak indigenous technological capacity; acute difficulties in obtaining freshwater supplies; heavy dependence on imports and a small number of commodities; depletion of nonrenewable resources; migration, particularly of highly skilled personnel; shortage of administrative personnel; and heavy financial burdens.

Most of the above mentioned factors are particularly acute in small island developing countries with a narrow natural and human resource base and small domestic market.¹⁷

The economy of the North Cyprus has a island economy features, limited natural resources, transportation and energy problem, smallness, as features can be observed in North Cyprus.¹⁸

Their limited economic size also means that small island developing countries have reduced opportunities to take advantage of economies of scale, which tends to lead to high unit costs; small island developing countries, therefore, must devote a large proportion of their scarce financial and human resources to providing countries also suffer from particular diseconomies of scale, infrastructure must be duplicated on each inhabited island¹⁹

The development policy in North Cyprus aims to the realization of structural adjustment required for the achievement of the highest possible rate of growth compatible with the maintenance of economic stability, the more equitable distribution of national income and the improvement of standard of living.

¹⁷ Commission on Sustainable Development, Report of the High-Level Panel Meeting on Island Developing Countries. Economic and Social Council, United Nations, 1996, p. 3.

¹⁸ TRNC Prime Ministry Statistical Yearbook 2001, State Planning Organization. Letko a. 2003, p.134.

¹⁹ Commission on Sustainable Development, op.cit., p. 4.

For the realization of these objectives long-term plans and annual programs have been prepared and put into action since 1977 which marked the beginning of the planning period.¹⁰⁰

The economic benefits to derive from tourism are generally heralded as the prime reason by developing countries to become involved in tourism. Tourism appears as an attractive proposition in earning much needed foreign exchange, stimulating employment and investment, and contributing to the balance of payments. Yet, these positive effects are often accompanied by other less favorable effects such as inflation, leakages and dependency. These need to be weighted carefully, based on accurate assessments of the actual economic effects. Too often, multiplier effects are overestimated, leakages misjudged and cost for infrastructural developments and induced leakages through demonstration effects are not considered.¹⁰¹

The sector of tourism has been chosen as the leading, most productive and revenue generating sector for the economy of North Cyprus. It facilitates to accomplish the planned growth targets and creates a prosperous economic environment for North Cyprus.¹⁰²

The annual average rate of growth realized as 3.4 % during the period of 1977-2001 (see Table 4). The GNP which was 3,810.5 million TL in 1977 rose to 8,545.9 million TL in 2001 at current prices and 908.8 million at US dollar basis. [n 2001 Public Services sector has the highest share in GDP and covered 17.1%. Trade and Tourism follow it with 14.6% and Transport and Communication with 13%. From 1977 to 2001, GNP of North Cyprus has rapid growth. In 1977 GNP was 3,810.5 million TL (at 1977 prices), this amount was increased to 5,684.1 million TL (at 1997 prices) in 1987 and 7,990.4 million TL (at 1977 prices) in 1997. In 2001 amount of CiNP was 8545.9

¹⁰⁰ TRNC Prime Ministry, 2002 Year Program, State Planning Organization, Lefko a. 2002, pp. 193-212.

¹⁰¹ Oppermann, M., and Chon, K., S., Tourism in Developing Countries, UK, 1997, p. 109.

¹⁰² Center for Business and Economic Research, op.cit, p. 54.

in TL (at 1977 prices). In general, value added of each sector has been increased in the period 1977- 2001.

size of the domestic market and limited resource base on the island economy of Cyprus stipulate the rapid development of territory sectors (e.g. tourism, trade, etc.) and the promotion of export oriented specialized industries (e.g. textiles, etc.) under liberal economic policies.¹¹

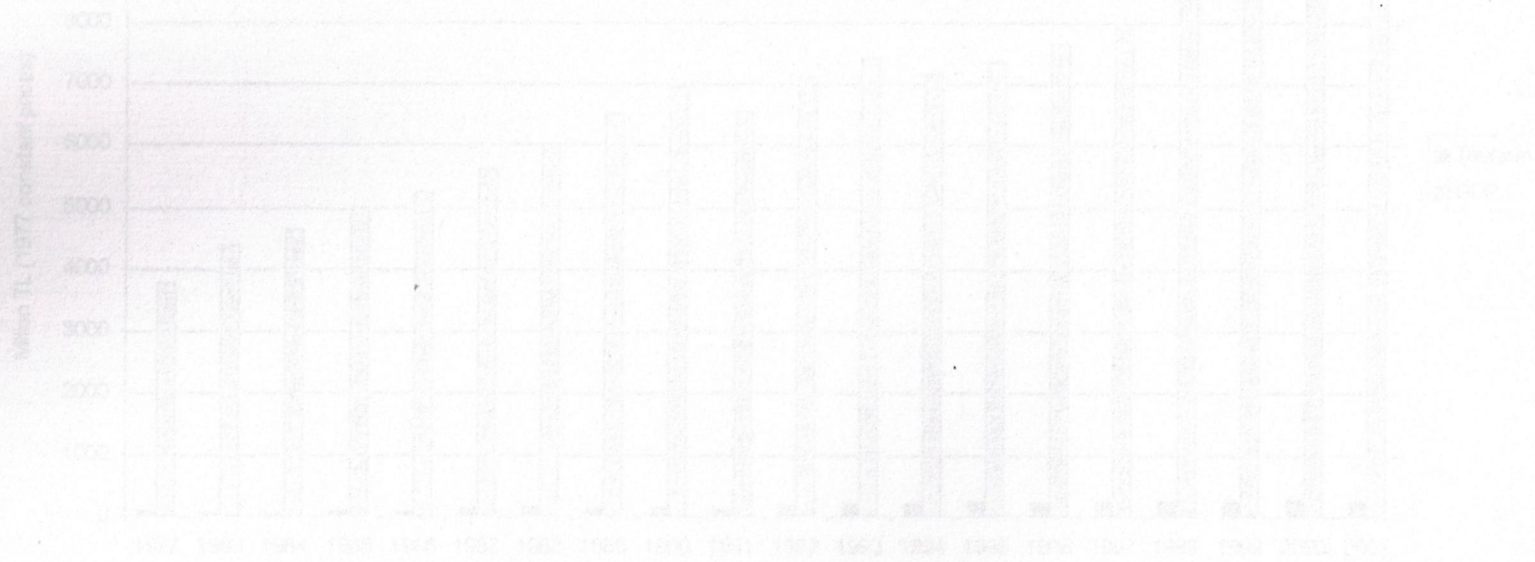
Agriculture increased from 619.3 million TL (at 1977 prices) to 828.4 million TL (at 2001 prices) between the periods of 1977-2001. In 1977 share of agriculture in GDP was 9.0%. This percent was the highest share of agriculture from 1977 to 2001. It was 9.7% in 2001 (see Table 5). Agriculture and livestock has a greatest amount of agricultural value added. In 1977 the total agricultural value added was 619.3 million TL (at 1977 prices), agriculture and livestock has 594.1 million TL (at 1977 prices) of total amount at the same year. Other subsectors of agriculture are forestry and fishing. During the period 1977-2001, these sectors have very little proportion within total GDP. In 1990, agriculture has 9.2% of total GDP. Agriculture and livestock has 8.7%, forestry has 0.1% and fishing has 0.6% of total GDP. These shares have been increased in 2001, percentage of agriculture increased to 9.7%, agriculture and livestock increased to 9.0%, forestry increased to 0.2% and fishing decreased to 0.5% of GDP (Table 5).

Table 4 Sectoral Development in Gross National Product (1977 constant prices, million TL):

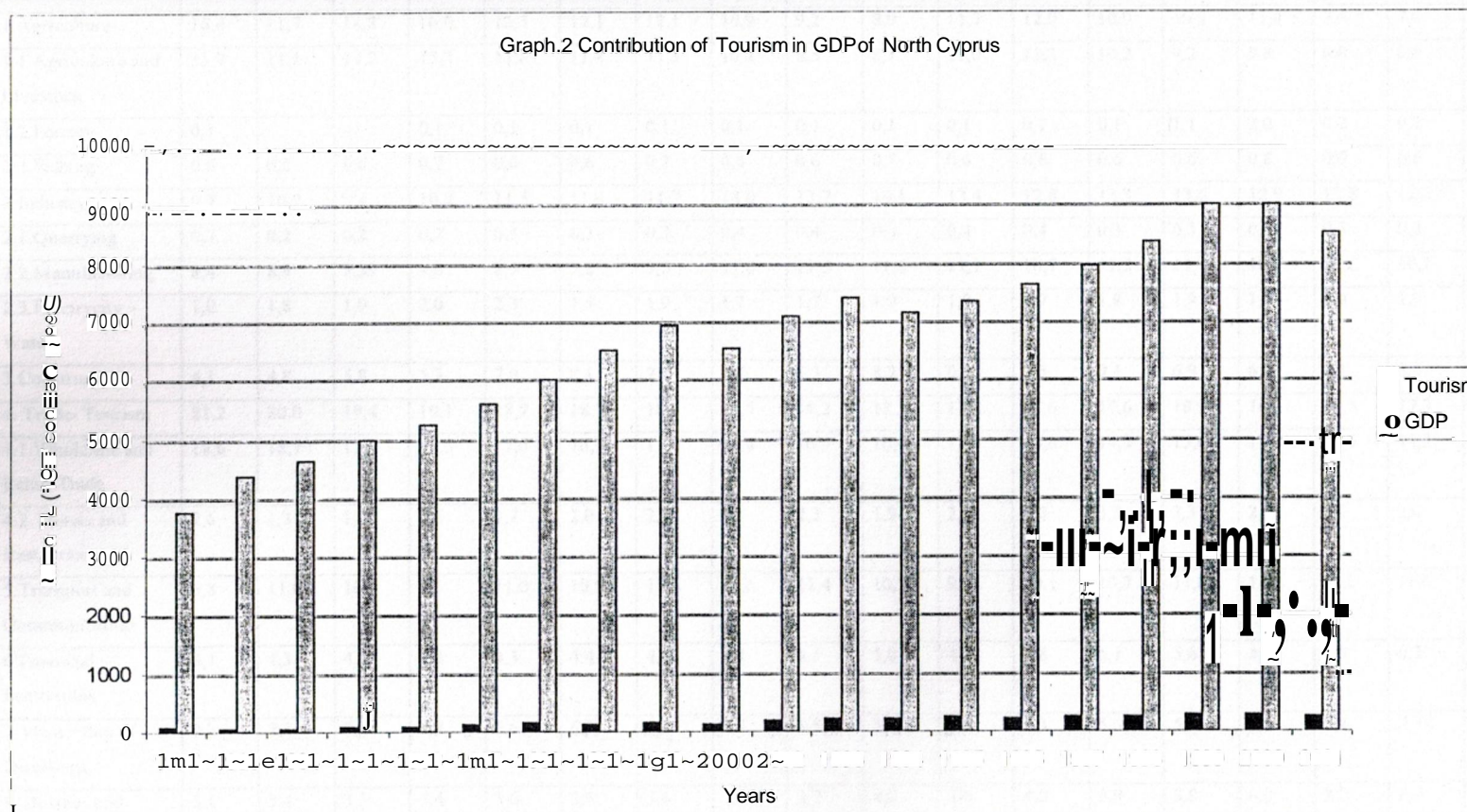
| Sectors | 1977 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|--------------------------------------|-------|-------|-------|-------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 1. Agriculture | 619,1 | 512,1 | 686,0 | 801,0 | 655,2 | 677,9 | 726,7 | 709,1 | 619,7 | 580,4 | 827,0 | 891,1 | 781,1 | 799,8 | 870,8 | 601,0 | 636,2 | 822,0 | 713,5 | 828,4 |
| 1.1. Agriculture and Livestock | 594,1 | 480,0 | 659,5 | 761,2 | 618,2 | 638,8 | 680,6 | 662,0 | 591,0 | 530,2 | 775,7 | 838,7 | 728,2 | 672,7 | 670,1 | 539,0 | 573,1 | 734,4 | 619,7 | 770,7 |
| 1.2. Horticulture | 4,2 | 0,7 | 1,0 | 3,1 | 3,9 | 4,4 | 5,0 | 5,7 | 6,4 | 7,7 | 8,1 | 9,1 | 9,2 | 81,5 | 155,3 | 14,9 | 15,7 | 40,0 | 42,9 | 12,7 |
| 1.3. Fishing | 21,0 | 25,6 | 25,5 | 36,7 | 33,1 | 34,7 | 41,1 | 41,4 | 42,3 | 42,5 | 43,2 | 43,3 | 43,7 | 45,6 | 45,4 | 47,1 | 47,4 | 47,6 | 50,9 | 45,0 |
| 2. Industry | 365,1 | 478,1 | 435,2 | 510,8 | 600,0 | 634,4 | 700,1 | 912,3 | 947,3 | 925,3 | 949,7 | 953,6 | 952,8 | 1001,6 | 982,2 | 1017,7 | 1029,6 | 1054,2 | 1096,0 | 1025,0 |
| 2.1. Quarrying | 8,9 | 10,6 | 11,0 | 12,2 | 14,0 | 17,7 | 19,7 | 24,0 | 24,2 | 24,5 | 26,9 | 27,9 | 26,2 | 24,5 | 24,4 | 26,4 | 27,6 | 27,9 | 31,2 | 27,0 |
| 2.2. Manufacturing | 317,2 | 389,9 | 335,8 | 400,7 | 464,5 | 512,1 | 568,0 | 769,4 | 805,4 | 774,2 | 795,2 | 794,4 | 797,9 | 837,2 | 815,7 | 841,1 | 842,9 | 853,3 | 884,0 | 822,8 |
| 2.3. Electricity- Water | 39,0 | 77,6 | 88,4 | 97,9 | 121,5 | 104,6 | 112,4 | 118,9 | 117,9 | 126,6 | 127,6 | 131,3 | 128,7 | 139,9 | 142,1 | 150,2 | 159,1 | 173,0 | 180,8 | 175,2 |
| 3. Construction | 153,0 | 208,8 | 270,4 | 263,8 | 366,5 | 451,3 | 456,6 | 501,3 | 506,3 | 540,1 | 655,2 | 704,7 | 646,7 | 507,5 | 523,3 | 647,5 | 694,6 | 708,6 | 841,4 | 669,6 |
| 4. Trade- Tourism | 801,0 | 876,4 | 899,0 | 957,3 | 980,2 | 1046,3 | 1087,4 | 1207,0 | 1334,1 | 1199,7 | 1257,4 | 1305,8 | 1258,5 | 1392,6 | 1244,5 | 1317,9 | 1450,9 | 1558,7 | 1474,6 | 1246,4 |
| 4.1. Wholesale and Retail Trade | 701,1 | 817,9 | 824,9 | 876,4 | 887,3 | 933,4 | 950,8 | 1066,3 | 1173,2 | 1073,9 | 1079,2 | 1083,9 | 1023,5 | 1149,0 | 1033,6 | 1076,2 | 1201,4 | 1280,9 | 1186,4 | 991,8 |
| 4.2. Hotels and Restaurants | 99,7 | 58,5 | 74,1 | 80,9 | 92,9 | 610,0 | 136,6 | 140,7 | 160,9 | 125,8 | 178,2 | 221,9 | 235,0 | 243,6 | 210,9 | 241,7 | 249,5 | 277,8 | 288,2 | 254,6 |
| 5. Transport and Communication | 257,4 | 481,8 | 485,2 | 474,5 | 574,8 | 244,5 | 694,6 | 753,8 | 791,8 | 675,3 | 688,5 | 746,8 | 762,0 | 812,4 | 856,9 | 937,3 | 974,6 | 1043,3 | 1113,6 | 1108,2 |
| 6. Financial Institutions | 115,4 | 187,6 | 201,6 | 217,5 | 224,1 | 352,6 | 266,3 | 287,5 | 310,0 | 326,0 | 333,9 | 354,2 | 361,6 | 409,5 | 421,7 | 482,1 | 524,4 | 568,4 | 529,6 | 434,3 |
| 7. Ownership of Dwellings | 355,1 | 320,5 | 322,4 | 337,5 | 345,6 | 201,1 | 360,3 | 369,4 | 377,3 | 386,1 | 390,4 | 396,1 | 402,8 | 410,6 | 417,2 | 428,7 | 440,6 | 451,7 | 461,7 | 475,8 |
| 8. Business and Personal Services | 128,1 | 151,4 | 162,1 | 169,4 | 188,2 | 1181,2 | 214,2 | 235,7 | 259,3 | 263,1 | 284,1 | 294,1 | 274,8 | 280,6 | 518,5 | 655,7 | 679,2 | 784,0 | 700,0 | 800,1 |

| | | | | | | | | | | | | | | | | | | | | |
|-----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|--------|--------|--------|--------|---------|--------|--------|--------|---------|
| 9. Public Services | 752,7 | 9%,J | 1019,9 | 1115,0 | 1137,2 | 181,-1 | 1197,8 | 1227,7 | 1278,1 | 1292,6 | 1.103,6 | 1320,8 | 1316,2 | 1316,8 | 1351,1 | 1.158,6 | 1406,1 | 1438,6 | 1483,3 | 1-161,7 |
| 10. Import > exports | 228,2 | 169,4 | 155,-1 | 151,5 | 160,5 | 5580,7 | 280,1 | 312,1 | 491,7 | 363,6 | 392,2 | 457,0 | 357,5 | 428,6 | 449,5 | 521,1 | 547,6 | 584,4 | W4,5 | 486,2 |
| 11. GDP | 1775,5 | 4382,6 | 4637,1 | 4998,3 | 5232,3 | 103,4 | 5999,1 | 6515,9 | 6935,8 | (1552,2 | 7082,0 | 7424,5 | 7144,0 | 7360,0 | 7637,7 | 7967,6 | 8383,8 | 9013,9 | 9018,2 | 8535,7 |
| 12. Net Factor Income From Abroad | 35,0 | 57,8 | 88,1 | 82,1 | 91,8 | 5684,1 | 84,9 | 87,1 | 41,6 | 54,2 | 42,7 | 122,9 | 124,3 | 97,8 | 35,7 | 22,8 | 84,3 | 76,9 | 19,7 | 10,2 |
| GNP | 3810,5 | 4440,4 | 4725,2 | 5080,4 | 5324,1 | | 6084,0 | 6603,0 | 6977,4 | 6606,4 | 7124,7 | 7547,4 | 7268,3 | 7457,8 | 7673,4 | 7990,4 | 8468,1 | 9090,8 | 9037,9 | 8545,9 |

Source: State Planning Organisation, TRNC Prime Ministry, Economic and Social Indicators, Lefkoşa, 2002, p. 3-7.



Source: State Planning Organisation, TRNC Prime Ministry, Economic and Social Indicators, Lefkoşa, 2002, p. 3-7.



Source: State Planning Organisation, TH.NC Prime Ministry, Economic and Social Indicators, Lefkoşa, 2002, p. 3-5.

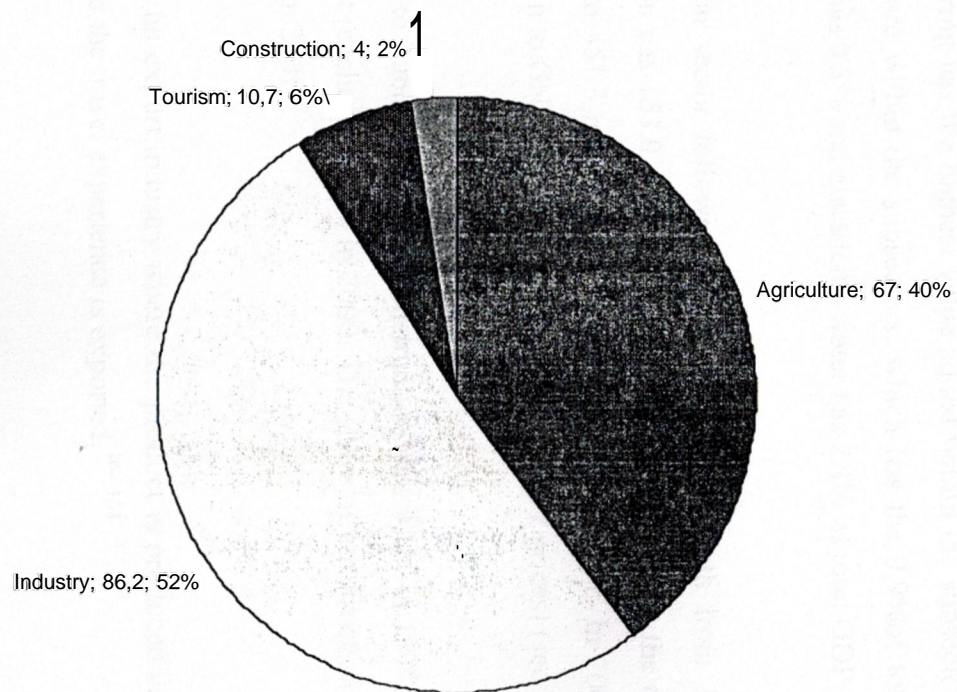
Tahlo.5 Struktur/ Distribusi/ of Grnss Domestic Product (1977 constant prices, %)

| Sektor | 1977 | 1981 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|-----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 1. Agriculture | 16,4 | 11,7 | 14,8 | 16,0 | 12,5 | 12,1 | 12,1 | 10,9 | 9,2 | 8,9 | 11,7 | 12,0 | 10,9 | 10,9 | 11,4 | 7,6 | 7,6 | 9,1 | 7,9 | 9,7 |
| 1.1 Agriculture and Livestock | 15,7 | 11,1 | 14,2 | 15,2 | 11,8 | 11,4 | 11,3 | 10,2 | 8,5 | 8,1 | 11,0 | 11,3 | 10,2 | 9,2 | 8,8 | 6,8 | 6,8 | 8,2 | 6,8 | 9,0 |
| 1.2 Forestry | 0,1 | - | - | 0,1 | 0,1 | 0,1 | 0,1 | 0,1 | 0,1 | 0,1 | 0,1 | 0,1 | 0,1 | 1,1 | 2,0 | 0,2 | 0,2 | 0,4 | 0,5 | 0,2 |
| 1.3 Fishing | 0,6 | 0,6 | 0,6 | 0,7 | 0,6 | 0,6 | 0,7 | 0,6 | 0,6 | 0,7 | 0,6 | 0,6 | 0,6 | 0,6 | 0,6 | 0,6 | 0,6 | 0,5 | 0,6 | 0,5 |
| 2. Industry | 9,7 | 10,9 | 9,4 | 10,2 | 11,5 | 11,4 | 11,7 | 14,0 | 13,7 | 14,1 | 13,4 | 12,8 | 13,3 | 13,6 | 12,9 | 12,8 | 12,3 | 11,7 | 12,2 | 12,0 |
| 2.1 Quarrying | 0,3 | 0,2 | 0,2 | 0,2 | 0,3 | 0,3 | 0,3 | 0,4 | 0,4 | 0,4 | 0,4 | 0,4 | 0,3 | 0,3 | 0,3 | 0,3 | 0,3 | 0,3 | 0,4 | 0,3 |
| 2.2 Manufacturing | 8,4 | 8,9 | 7,39 | 8,0 | 8,9 | 9,2 | 9,5 | 11,8 | 11,6 | 11,8 | 11,2 | 10,7 | 11,2 | 11,4 | 10,7 | 10,6 | 10,1 | 9,5 | 9,8 | 9,6 |
| 2.3 Electricity - Water | 1,0 | 1,8 | 1,9 | 2,0 | 2,0 | 1,9 | 1,9 | 1,7 | 1,7 | 1,9 | 1,8 | 1,7 | 1,8 | 1,9 | 1,9 | 1,9 | 1,9 | 1,9 | 2,0 | 2,1 |
| 3. Construction | 4,1 | 4,8 | 5,8 | 5,3 | 7,0 | 8,1 | 7,7 | 7,7 | 7,3 | 8,2 | 9,3 | 9,5 | 9,1 | 6,9 | 6,8 | 8,1 | 8,3 | 7,8 | 9,1 | 7,8 |
| 4. Trade - Tourism | 21,2 | 20,0 | 19,4 | 19,1 | 18,7 | 18,7 | 18,1 | 18,5 | 19,2 | 18,3 | 17,8 | 17,6 | 17,6 | 18,9 | 16,3 | 16,5 | 17,3 | 17,3 | 16,4 | 14,6 |
| 4.1 Wholesale and Retail Trade | 18,6 | 18,7 | 17,8 | 17,5 | 17,0 | 16,7 | 15,8 | 16,4 | 16,9 | 16,4 | 15,3 | 14,6 | 14,1 | 15,6 | 13,5 | 13,5 | 14,3 | 14,2 | 13,2 | 11,6 |
| 4.2 Hotels and Restaurants | 2,6 | 1,3 | 1,6 | 1,6 | 1,7 | 2,0 | 2,3 | 2,1 | 2,3 | 1,9 | 2,5 | 3,0 | 3,3 | 3,3 | 2,8 | 3,0 | 3,0 | 3,1 | 3,2 | 3,0 |
| 5. Transport and Communication | 6,8 | 11,0 | 10,5 | 9,5 | 11,0 | 10,9 | 11,6 | 11,6 | 11,4 | 10,3 | 9,7 | 10,1 | 10,7 | 11,0 | 11,2 | 11,8 | 11,6 | 11,6 | 12,3 | 13,0 |
| 6. Financial Institutions | 3,1 | 4,3 | 4,3 | 4,4 | 4,3 | 4,4 | 4,4 | 4,4 | 4,5 | 5,0 | 4,7 | 4,8 | 5,1 | 5,6 | 5,5 | 6,0 | 6,2 | 6,3 | 5,9 | 5,1 |
| 7. Ownership Of Dwellings | 9,4 | 11,1 | 7,0 | 6,8 | 6,6 | 6,3 | 6,0 | 5,7 | 5,5 | 5,9 | 5,5 | 5,3 | 5,6 | 5,6 | 5,5 | 5,4 | 5,1 | 5,0 | 5,1 | 5,6 |
| 8. Business and Personal Services | 3,4 | 1,4 | 1,5 | 3,11 | 1,6 | 3,6 | 1,6 | 3,6 | 3,7 | 4,0 | 4,1 | 4,0 | 3,9 | 3,8 | 6,8 | 8,2 | 8,1 | 8,7 | 7,8 | 9,4 |
| 9. Public Services | 19,9 | 22,7 | 22,0 | 22,3 | 21,7 | 21,2 | 20,0 | 18,8 | 18,4 | 19,7 | 18,4 | 17,8 | 18,8 | 17,9 | 17,7 | 17,1 | 16,8 | 16,0 | 16,4 | 17,1 |
| 10. Import Duties | 6,0 | 1,0 | 1,3 | 1,11 | 1,1 | 1,1 | 1,8 | 4,8 | 7,1 | 5,5 | 5,5 | 6,1 | 5,0 | 5,8 | 5,9 | 6,5 | 6,5 | 6,5 | 6,7 | 5,7 |
| Total | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 |

Source: Statistik Nasional Indonesia, THINC Prime Ministry, Ekonomis Social Indicators, Jakarta, 2002, p. 5.

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Graph.3. Sectoral Distribution of GDP(% ,1977 constant prices)



Source: State Planning Organisation, TRNC Prime Ministry, Economic and Social Indicators, Lefkosa, 2002, p. 5.

Industry is an important sector of the North Cyprus economy. Industry follows the rapid growth from 1977 to 2001. In 1977, total value added of industry to GNP was 361.1 million TL (at 1977 prices); this amount was increased to 828.4 million (at 1977 prices) in 2001 (see Table 5). Subsectors of industry are quarrying manufacturing and electricity - water.

Industry has a 9.7% of total GDP in 1977, it was increased to 11.4% in 1987 and 12.8% in 1997 and the share of industry within the total GDP was 12% in 2001 (see Table 5). Manufacturing has the highest value added within the subsectors of industry it has the greatest share within the subsectors, which has the 9.9% of total GDP in 2001, where quarrying has 0.3% and electricity-water has 2.1 % of total GDP.

Construction sector follows highly rapid growth path from 1977 to 2001. In 1977 construction has 153.0 million TL (at 1977 prices) within the total GNP. This amount increased to 451.3 million TL (at 1977 prices) in 1977. In 2001 total value added of construction to GNP was 669.6 million TL (at 1977 prices) (see Table 4).

According to Table 5, share of construction was 4.1% in 1977, 8.1 % in 1987. 8.1% in 1997 and it reached to 9.3% in 2000. The share of construction sector to the total GDP was 7.8% in 2001.

Tourism is an export industry where the product is produced and consumed within the country and the travel experience is exported.¹⁰⁴

Trade and Tourism sector is one of the important sectors for the economy of North Cyprus, because of the important value added to GNP. In 1977 total value added of Trade-Tourism sector was 801.0 million TL (at 1977 price), this amount was increased to 1.046.3 million TL in 1987 (at 1977 prices) and reached 1.558.7 million TL (at 1977

¹⁰⁴ Oppermann, M., and Chon, K., S., op.cit., p. 109.

prices) in 1999 which was the highest value added to GNP. In 2001 wholesale and retail trade has 991.8 million TL (at 1977 prices), and hotels and restaurants has 254.6 million TL (at 1977 prices) of total trade tourism value added of 1.246.4 million TL (at 1977 prices).

Although from 1977 to 2001, percentage of sector has been felt, Trade - Tourism sector has important share in total GDP. In 1977 trade-tourism sector has 21.2% of total GDP. it felt to 18.7 % in 1987 and 16.5 % in 1997. The share of trade and tourism in 2001 was 14.6%.

Tourism's potential positively contribute towards the national balance of payments is perhaps the most important reason why governments support and encourage tourism development.¹⁰

Transport and Communication sector has another important value added to total GNP. As it can be seen from the Table 4, total value added of transport-communication sector to GNP was 257.4 million TL (at 1977 prices), it rapidly increased to 610.0 million TL (at 1977 prices) in 1987 and 937.3 million TL (at 1977 prices) in 1997. In 2001 total value added to 1.108.2 million TL (at 1977 prices). With a parallel of rapid increased in total value added of construction sector, its share in GDP has been growth within the same time period (see Table 5). In 1977 share of transport-communication sector within the total GDP was 6.8 %, it increased to 10.9 % in 1987 and 11.8 % in 1997. It reached to 13% in 2001.

Public services also increased its value added to GNP from 1977 to 2001. In 1977 total value added of public services to GNP was 752.7 million TL (at 1977 prices). it increased to 1.181.2 million TL (at 1977 prices) in 1987 and 1.358.6 million TL (at 1977 prices) in 1997. Public services reached its highest level in 2000 which was 1.483.3 million TL (at 1977 prices) (see Table 4).

¹⁰ lb.id. p. 110.

The importance of investment in physical and human capital to economic growth has been confirmed by recent research into the determinants of economic growth. Investment is made possible by savings, either domestic savings by foreigners. Foreigners' savings may be accessed through borrowings by local firms or governments, in the form of aid, or from direct investment by foreign firms. In most countries, foreign investment has occurred by foreign firms. Even, foreign investment is small in relative terms to total investment; it plays an important, often catalytic, role because it usually involves the introduction of new technology, new skills, and information, and can provide access for exports to foreign markets. As all newly liberalizing countries have found, gaining a foothold in foreign markets is usually very difficult. Joint ventures with foreign firms can provide access to marketing and distribution networks that independently could take considerable time and cost to develop.¹⁰⁶

As it can be seen from Table 5, share of public services was 19.9 % in 1977, 21.2 % in 1987, and 17.1 % in 2001. Public services reached its highest level in 1983. Share of public services within GDP has been fluctuating within the observed period.¹⁰⁷

For the realization of the growth targets set in the long-term plans and annual programs, North Cyprus was badly in need of financial aid, so certain giant infrastructural projects such as the construction of the airports, sea ports, dams, derivation canals, highways, power plants and the improvement of the telecommunication systems were all financed by the Republic of Turkey. Throughout the years most of the infrastructural projects have been completed and some are about to be completed. Financial and technical aid of Republic of Turkey for such investments is continued. The fixed capital investments which were realized as 524.6 million TL in 1977 reached 1.123.7 million TL at constant prices of 1977 in 2001.

¹⁰⁶ www.islancsrudies.org/

¹⁰⁷ Economic and Social Indicators, TRNC Prime Ministry, State Planning Organization, 2002, Lefko a.

At the beginning period the share of the public sector in the fixed capital investments was much higher than the share of the private sector due to intensive infrastructural projects. In recent years the share of the private sector began to rise. Shares of the public and private sectors in the total fixed capital investments of 2001 reached to 29.1 % and 70.9% respectively.

The sectoral distribution of the fixed capital investment during the period of 1977-2001 is shown in Table 6.

Incentives for Tourism are the most generous. These incentives however are also still insufficient by the international standards.

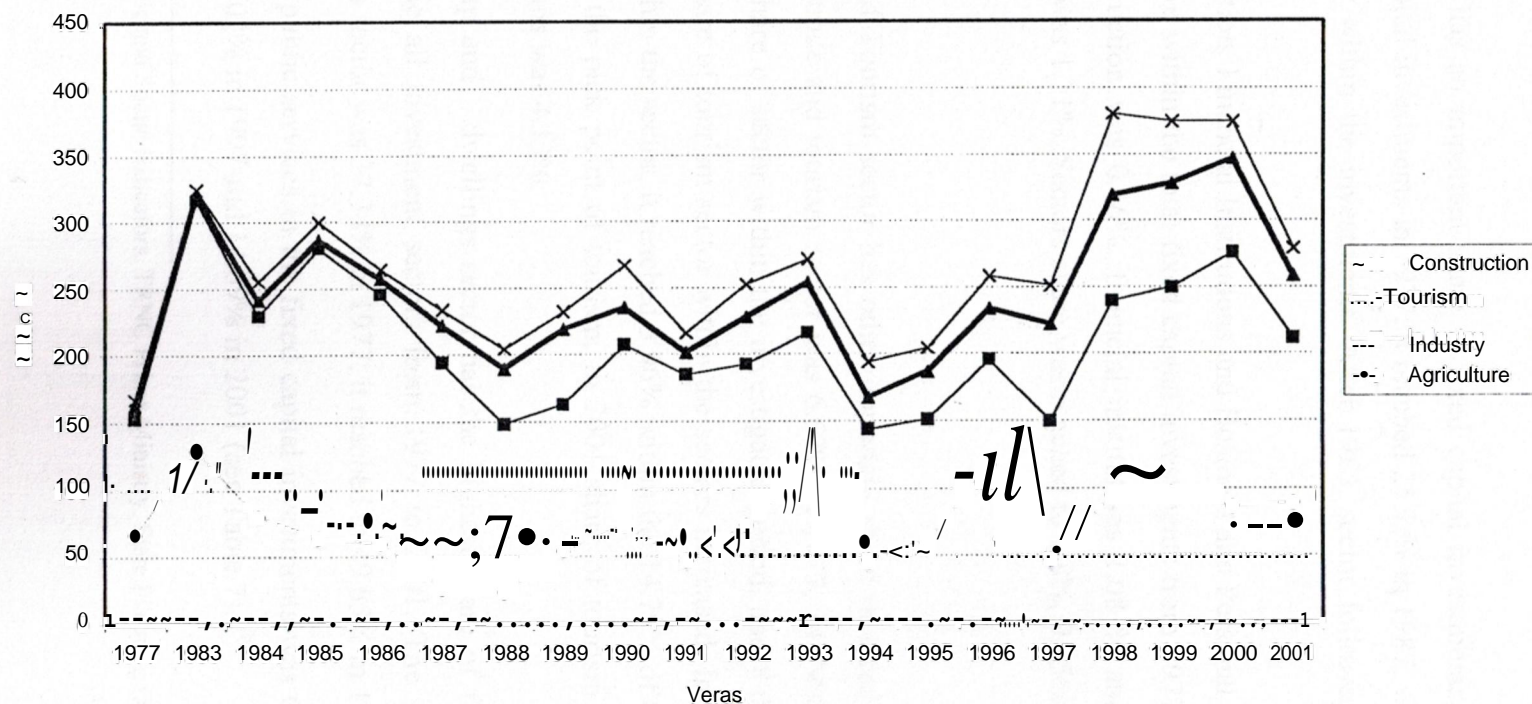
During the period ownership and dwellings sector has the greatest amount of total fixed capital investments. From 1977 to 2001, total fixed capital investment has been increased. In 1977 total fixed capital investments was 524.6 million TL (at 1977 prices) it increased to 1,100.7 million TL (at 1977 prices) in 1997. In 1999, fixed capital investments reached its pick point which was 1,604.1 million TL (at 1977 prices).

Table.66 Sectoral Distribution Of Fixed Capital Investments (1977 prices, million TL).

| Sectors | 1977 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|-----------------------------------|-------|-------|-------|-------|--------|--------|-------|-------|--------|--------|-------|--------|-------|-------|--------|-------|--------|--------|--------|--------|
| 1. Agriculture | 67,0 | 129,9 | 81,5 | 65,4 | 60,3 | 25,8 | 22,8 | 55,0 | 73,1 | 47,0 | 73,1 | 116,9 | 47,5 | 61,8 | 117,4 | 47,7 | 96,0 | 97,6 | 87,2 | 90,0 |
| 2. Industry | 86,2 | 186,2 | 148,5 | 216,2 | 185,6 | 168,5 | 120,0 | 107,6 | 114,7 | 119,0 | 119,6 | 99,3 | 96,6 | 90,1 | 77,5 | 110,0 | 143,5 | 152,5 | 188,6 | 122,0 |
| 2.1 Quarrying | - | - | - | - | - | - | - | - | - | - | - | 1,5 | 1,3 | 1,3 | 1,1 | 1,3 | 2,0 | 2,0 | 1,5 | 1,4 |
| 2.2 Manufacturing | 44,1 | 144,5 | 108,6 | 85,6 | 152,4 | 83,4 | 95,2 | 78,6 | 100,4 | 84,5 | 83,9 | 69,1 | 67,0 | 70,6 | 56,5 | 64,2 | 93,2 | 98,7 | 72,7 | 80,2 |
| 2.3 Electricity - Water | 42,1 | 41,7 | 39,9 | 130,6 | 33,2 | 85,1 | 30,8 | 29,0 | 34,3 | 54,5 | 35,7 | 28,7 | 28,3 | 18,2 | 19,9 | 37,5 | 48,1 | 51,8 | 114,4 | 40,4 |
| 3. Construction | 4,0 | 3,4 | 15,0 | 12,2 | 6,5 | 11,4 | 15,0 | 13,9 | 32,8 | 14,5 | 24,9 | 16,9 | 26,6 | 18,2 | 24,2 | 29,8 | 62,2 | 46,8 | 28,7 | 20,3 |
| 4. Trade- Tourism | 35,0 | 46,0 | 59,6 | 97,5 | 81,7 | 87,4 | 114,9 | 138,7 | 77,8 | 101,4 | 84,9 | 110,7 | 71,8 | 90,3 | 75,6 | 132,3 | 141,7 | 118,0 | 117,9 | 90,1 |
| 4.1 Wholesale and Retail Trade | 24,3 | 41,2 | 48,7 | 91,6 | 69,6 | 59,5 | 73,8 | 82,8 | 50,3 | 85,9 | 49,0 | 72,0 | 47,9 | 56,0 | 36,6 | 61,0 | 61,9 | 40,5 | 47,0 | 43,7 |
| 4.2 Hotels and Restaurants | 10,7 | 4,8 | 10,9 | 5,9 | 12,1 | 27,9 | 41,1 | 55,9 | 27,0 | 15,5 | 35,9 | 38,7 | 23,9 | 34,3 | 39,0 | 71,3 | 79,8 | 77,5 | 70,9 | 46,4 |
| 5. Transport and Communication | 94,2 | 136,2 | 154,8 | 115,2 | 150,5 | 215,9 | 93,0 | 115,3 | 294,6 | 109,9 | 163,5 | 270,9 | 202,4 | 178,7 | 288,7 | 225,4 | 257,0 | 434,7 | 216,3 | 113,4 |
| 6. Financial Institutions | 9,5 | 8,0 | 4,5 | 2,0 | 6,1 | 11,2 | 12,6 | 5,9 | 1,4 | 12,3 | 6,4 | 11,4 | 9,3 | 9,8 | 8,5 | 17,8 | 14,4 | 13,0 | 13,6 | 9,6 |
| 7. Ownership of Dwellings | 195,6 | 159,6 | 176,5 | 258,1 | 510,7 | 447,7 | 468,2 | 373,6 | 344,0 | 469,5 | 380,4 | 382,2 | 384,8 | 349,7 | 278,4 | 620,0 | 426,7 | 404,2 | 374,5 | 169,2 |
| 8. Business and Personal Services | - | 8,2 | 5,4 | 3,6 | 9,1 | 36,0 | 26,3 | 34,8 | 32,1 | 37,3 | 22,0 | 22,2 | 26,2 | 25,8 | 31,0 | 72,1 | 57,8 | 85,2 | 95,7 | 44,0 |
| 9. Public Services | 22,5 | 60,1 | 72,1 | 70,9 | 65,4 | 96,8 | 64,1 | 92,6 | 74,7 | 87,8 | 71,3 | 110,7 | 105,8 | 75,9 | 166,0 | 238,2 | 288,4 | 252,1 | 104,2 | 165,1 |
| 9.1 Health | 13,3 | 1,4 | 2,5 | 1,7 | 6,0 | 9,8 | 13,0 | 45,3 | 11,4 | 11,5 | 5,8 | 14,8 | 6,3 | 6,6 | 20,3 | 16,7 | 11,1 | 10,0 | 5,5 | 11,0 |
| 9.2 Education | 7 | 17,5 | 13,7 | 15,4 | 11,8 | 19,2 | 15,8 | 21,1 | 34,5 | 28,9 | 25,7 | 58,0 | 47,7 | 33,8 | 55,8 | 100,7 | 160,2 | 127,1 | 116,4 | 60,0 |
| 9.3 Other | 15,8 | 41,1 | 55,9 | 53,8 | 47,6 | 67,8 | 35,3 | 26,2 | 28,8 | 47,4 | 39,8 | 37,9 | 51,8 | 35,5 | 89,9 | 120,8 | 97,1 | 115,0 | 162,3 | 92,1 |
| Total | 524,6 | 737,5 | 717,9 | 841,1 | 1075,9 | 1100,7 | 942,9 | 973,4 | 1064,9 | 1018,7 | 946,1 | 1141,2 | 971,0 | 900,3 | 1067,1 | 1486 | 1111,7 | 1104,1 | 1420,7 | 1110,7 |

Source: State Planning Organization, TRNC Prime Ministry, Economic and Social Indicators, Lefkoşa, 2002.

Graph.4. Sectoral Distribution of Fixed Capital Investment (1977 constant prices)



Source: State Planning Organisation, TRNC Prime Ministry, fa:011011, ans Social Indicators, Lclko a, 2002.

As it can be seen from Table 7, share of agriculture within the fixed capital investment fell from 1977 to 2001. 12.77% of fixed capital investment was used in agriculture sector in 1977, this was reduced to 2.34% in 1987 which was the least share of agriculture during the period, and in 2001 it rose to 8 %.

Industry has an important share in fixed capital investments. Sector has 16.43 % of fixed capital investments in 1977; it reached 25.7 % in 1987, which was the highest share of sector within the investments. After 1985, sector followed the downward sloping path.

Construction, Financial Institutions and Business and Personal services sectors have very little share within the total fixed capital investments from 1977 to 2001. In 1983, share of construction was 0.46%, financial institutions 1.08 % and business and personal services was 1.11%. Sectors share was reduced to 1.8%, 0.85% and 3.91 % respectively in 2001.

Trade and Tourism sector has other important share in fixed capital investment. The share of trade and tourism sector was 6.67% in 1977, 14.79% in 1989 which was the highest share of sector within the investigated period, and 8.01% in 2001. During the period share of tourism sector within the sectors increased. In 1977 tourism has 2.04% share within the sector, it reached 5.96% within the 14.79% of total trade tourism share, this was the peak point of tourism, in 2001 share of tourism within the fixed capital investments was 4.13%.

Ownership and dwellings sector has the highest share of fixed capital investments within the all investment sectors from 1977 to 2001. The share of ownership and dwellings sector was 37.34% in 1977; it reached to 49.65% in 1988, 41.75% in 2001.

Share of public services in the fixed capital investments was 6.2 % in 1977, 8.79% in 1987, 16.02% in 1997 and 14.69% in 2001 (see Table 7).¹⁰⁹

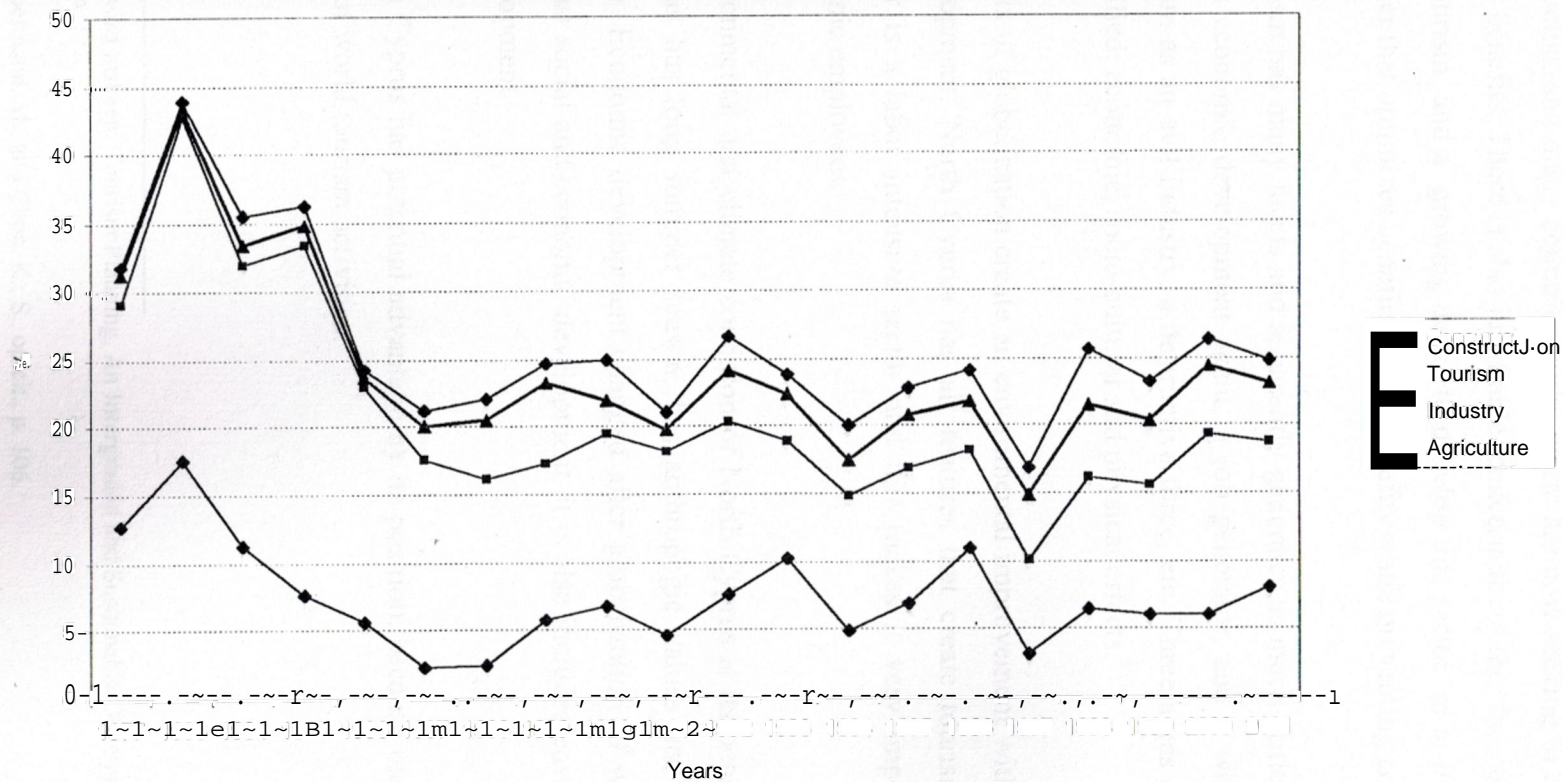
¹⁰⁹ Economic and Social Indicators, TRNC Prime Ministry, State Planning Organization, 2002, Lefko a.

Table 7 Sectoral Distribution of fixed Capital Investment (1977 prices,%):

| Sectors | 1977 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|-----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------|
| 1. Agriculture | 12,7 | 17,6 | 11,4 | 7,8 | 5,6 | 2,7 | 2,4 | 5,9 | 6,9 | 4,6 | 7,7 | 10,2 | 4,9 | 6,9 | 11,0 | 3,2 | 6,5 | 6,1 | 6,1 | 8,0 | |
| 2. Industry | 16,4 | 25,2 | 20,7 | 25,7 | 17,2 | 15,3 | 13,4 | 11,5 | 12,6 | 13,6 | 12,6 | 8,7 | 9,9 | 10,0 | 7,3 | 6,9 | 9,6 | 9,5 | 13,2 | 10,8 | |
| 3. Construction | 0,7 | 0,5 | 2,1 | 1,5 | 0,6 | 1,0 | 1,6 | 1,5 | 3,1 | 1,4 | 2,6 | 1,5 | 2,7 | 2,0 | 2,3 | 2,0 | 4,2 | 2,9 | 2,0 | 1,8 | |
| 4. Trade and Tourism | 6,7 | 6,2 | 8,3 | 11,6 | 7,6 | 7,9 | 12,2 | 14,8 | 7,2 | 9,9 | 9,0 | 9,7 | 7,4 | 10,0 | 7,1 | 8,9 | 9,5 | 7,4 | 8,3 | 8,0 | |
| 4.1. Wholesale and Retail Trade | 4,6 | 5,6 | 6,8 | 10,9 | 6,5 | 5,4 | 7,8 | 8,8 | -1,7 | 8,4 | 5,2 | 6,3 | 4,9 | 6,2 | 3,4 | 4,1 | 4,2 | 2,5 | 3,3 | 3,9 | |
| 4.2. Hotels and Restaurants | 2,0 | 0,6 | 1,6 | 1,5 | 0,7 | 2,5 | 4,4 | 5,9 | 2,5 | 1,5 | 3,8 | 3,4 | 2,5 | 3,8 | 3,7 | 4,8 | 5,4 | 4,8 | 5,0 | 4,1 | |
| 5. Transport and Communication | 17,9 | 18,5 | 21,6 | 13,7 | 14,0 | 19,6 | 9,9 | 12,2 | 27,7 | 10,8 | 17,3 | 23,7 | 20,8 | 19,8 | 27,1 | 15,2 | 17,3 | 27,1 | 15,1 | 10,1 | |
| 6. Financial Institutions | 1,8 | 1,0 | 0,6 | 0,2 | 0,6 | 1,0 | 1,3 | 0,6 | 0,1 | 1,2 | 0,7 | 1,0 | 0,9 | 1,1 | 0,8 | 1,2 | 1,0 | 0,8 | 0,9 | 0,85 | |
| 7. Ownership of Dwellings | 37,3 | 21,6 | 24,6 | 30,7 | 47,4 | 40,7 | 49,6 | 39,9 | 32,3 | 46,1 | 40,2 | 33,5 | 39,6 | 38,8 | 26,1 | 41,7 | 28,7 | 25,2 | 26,2 | 41,8 | |
| 8. Business and Personal Services | - | 1,1 | 0,7 | 0,4 | 0,8 | 3,2 | 2,8 | 3,7 | 3,0 | 3,7 | 2,3 | 1,9 | 2,7 | 2,9 | 2,9 | 4,8 | 3,4 | 5,3 | 6,7 | 3,9 | |
| 9. Public Services | 6,2 | 8,1 | 10,0 | 8,4 | 6,1 | 8,8 | 6,8 | 9,9 | 7,0 | 8,6 | 7,5 | 9,7 | 10,9 | 8,4 | 15,5 | 16,0 | 19,4 | 15,7 | 21,3 | 14,7 | |
| Total | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | |

Source: State Planning Organisation, TRNC Prime Ministry, Economic and Social Indicators. Lefko, 2002.

Graph 5 Sectoral Distribution of Fixed Capital Investments (% , 1977 constant prices)



Source: State Planning Organisation, TRNC Prime Ministry, Economic and Social Indicators, Lefko a, 2002.

3.2.1 Importance of Tourism for North Cyprus Economy:

Tourism is becoming one of the most important social and economic activities of today's world. The number of domestic and international travelers is steadily increasing, and many countries in the world are now seeking to develop tourism for its many benefits. There is also justifiable concern about the possible negative effects of tourism and a growing desire to develop this sector in a planned and controlled manner that optimizes benefits while preventing any serious problem.¹⁰

Tourism has many facets and apparently generates as much criticism as praise: tourism as an economic development agent, a job generator, and a white industry, but also tourism as an evil industry, a destructive force, etc. Three areas of impacts are usually identified: economic, socio-cultural and physical effects.¹¹

Effects of globalization create an environmental improvement with social and economic development. North Cyprus has all features that create tourism economy. Tourism sector is a labor intensive sector and this makes it very important for young and dynamic employees.

Environmental and climate condition of North Cyprus is its potential advantage. North Cyprus has long summer season, has anthropogenic values and materials of tourism sector. Economic development changed after globalization of world. Development is not just social and economic development, it also includes environmental and cultural development.

North Cyprus has potential advantage by its position, because mediterranean region has 35% of world tourism activities.

¹⁰ Edward Inskeep, *Tourism Planning, An Intergrated and Sustainable Development Approach*, Canada, 1991, p. 17.

¹¹ Oppermann, M., and Chon, K., S., op.cit., p. 106.



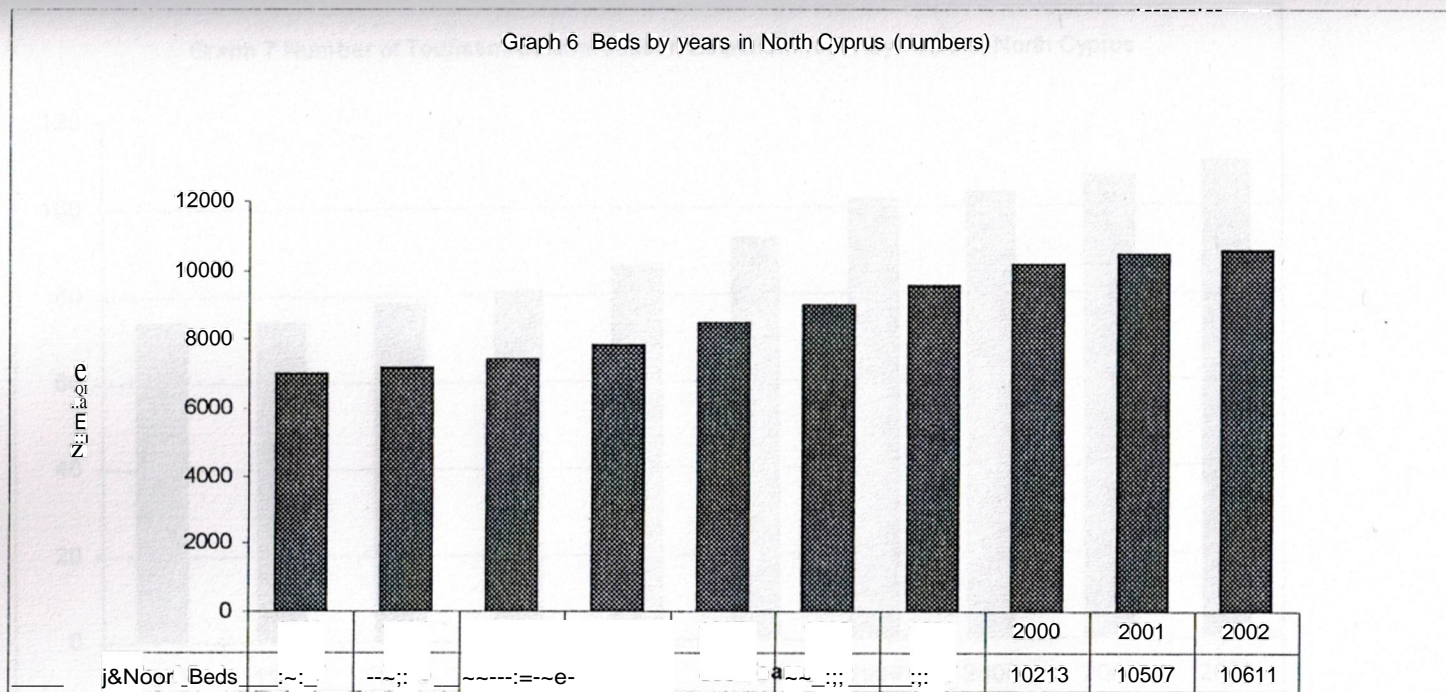
The contribution of tourism sector in GDP has been shown in Table 8. In 1977 total value added of tourism sector to GDP was 99.7 million TL while total GDP was 3,775.5 million TL in 2001 respectively. Within the investigated period, tourism sector have positive trend with right tourism policy.

Table 8 Contribution of Tourism Sector in Gross Domestic Product (GDP), (Million TL, at 1977 constant prices):

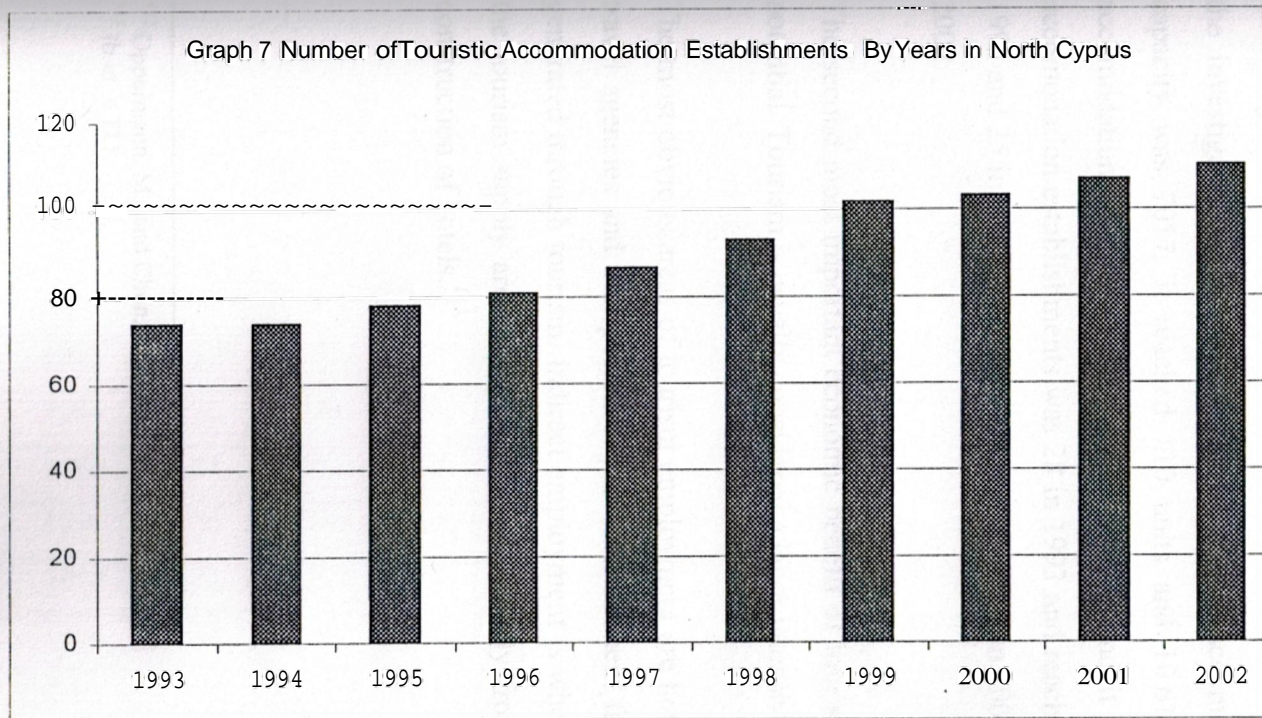
| Years | Tourism | GDP | Tourism as a% of GDP |
|-------|---------|--------|----------------------|
| 1977 | 99,7 | 3775,5 | 2,6 |
| 1983 | 58,5 | 4382,6 | 1,3 |
| 1984 | 74,1 | 4637,1 | 1,6 |
| 1985 | 80,9 | 4998,3 | 1,6 |
| 1986 | 92,9 | 5235,3 | 1,8 |
| 1987 | 112,9 | 5580,7 | 2,0 |
| 1988 | 136,6 | 5999,1 | 2,3 |
| 1989 | 140,7 | 6516,9 | 2,2 |
| 1990 | 160,9 | 6935,8 | 2,3 |
| 1991 | 125,8 | 6552,2 | 1,9 |
| 1992 | 178,2 | 7082,0 | 2,5 |
| 1993 | 221,9 | 7424,5 | 3,0 |
| 1994 | 235 | 7144,0 | 3,3 |
| 1995 | 243,6 | 7360,0 | 3,3 |
| 1996 | 210,9 | 7637,7 | 2,8 |
| 1997 | 241,7 | 7967,6 | 3,0 |
| 1998 | 249,5 | 8383,8 | 3,0 |
| 1999 | 277,8 | 9013,9 | 3,1 |
| 2000 | 288,2 | 9018,2 | 3,2 |
| 2001 | 254,6 | 8535,7 | 3,0 |

Source: State Planning Organisation, Prime Ministry of TRNC, Economic and Social indicators, 2002.

Graph 6 Beds by years in North Cyprus (numbers)



Source: State Planning Organisation, Prime Ministry of TRNC, Economic and Social Indicators, 2002.



Source: State Planning Organisation, Prime Ministry of TR.NC, Economic and Social Indicators, 2002.

One of the disadvantages of the tourism industry is its usually high seasonality. Closed hotels, restaurants and other tourism supply facilities in the off-season is a sure sign for a high seasonality.

A high seasonality means that many employees have only seasonal jobs and that the high investment required for international standard hotels lay idle for several weeks and months.¹¹²

Table 9 shows the number of tourist accommodation establishments and beds by years and categories between 1993 and 2002. Total number of accommodation increased within the investigated period. In 1993 total tourist accommodation was 74 units and bed capacity was 7017, it reached 110 units and 10.611 beds in respectively. 1 star accommodation establishments was 20 in 1993 and it reached to 41 in 2002. 2 stars accommodation establishments was 28 in 1993 and reached 31 in 2002. 3 stars was 18 in 1993 and 25 in 2002. 4 stars was 5 in 1993 and 8 in 2002, 5 stars was 3 in 1993 and 5 in 2002.

The second most important economic benefit of tourism is its employment generation potential. Tourism is usually considered a labor intensive industry.

The most obvious areas of tourism employment are hotels, souvenir shops, restaurants, travel agencies and transportation and entertainment facilities. These jobs are directly generated through tourism. Indirect employment is where jobs are directly generated in the tourism supply area but do not result directly from tourist expenditures, such as construction of hotels.¹¹³

¹¹² Oppermann, W., and Chon, K., S., op.cit., p. 112.

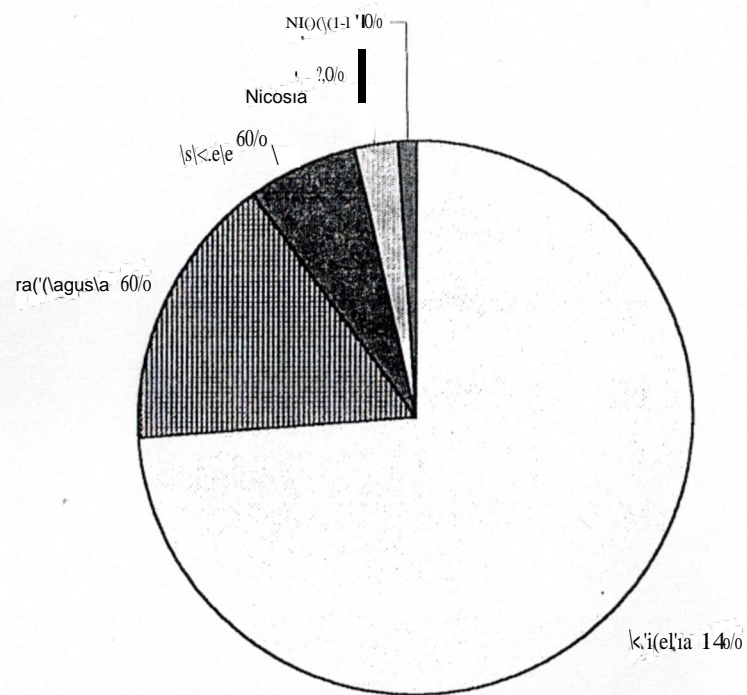
¹¹³ Ib.id, p. 111.

Table 9 Number of Tourist Accommodation Establishments and Beds by Years and Categories (1993-2002).

| Years | 1 Star | | 2 Star | | 3 Star | | 4 Star | | 5 Star | | Total | |
|-------|----------------|---------|----------------|---------|----------------|---------|----------------|---------|----------------|---------|----------------|---------|
| | No.of Units | No.Beds | No.of Units | No.Beds | No.of Units | No.Beds | No.of Units | No.Beds | No.of Units | No.Beds | No.of Units | No.Beds |
| 1993 | 20 | 572 | 28 | 1383 | 18 | 2534 | 5 | 2024 | 3 | 504 | 74 | 7017 |
| 1994 | 20 | 596 | 27 | 1417 | 19 | 2642 | 5 | 2024 | 2 | 504 | 74 | 7183 |
| 1995 | 24 | 802 | 28 | 1521 | 19 | 2602 | 5 | 2024 | 2 | 504 | 78 | 7453 |
| 1996 | 36 | 1255 | 20 | 1142 | 17 | 2584 | 6 | 2336 | 2 | 504 | 81 | 7821 |
| 1997 | 36 | 1320 | 23 | 1500 | 18 | 2486 | 8 | 2694 | 2 | 504 | 87 | 8504 |
| 1998 | 35 | 1240 | 23 | 1458 | 23 | 2758 | 9 | 2992 | 2 | 504 | 93 | 8972 |
| 1999 | 39 | 1405 | 27 | 1742 | 23 | 2850 | 9 | 3172 | 2 | 324 | 102 | 9557 |
| 2000 | 36 | 1287 | 31 | 2088 | 23 | 2786 | 9 | 2324 | 4 | 1728 | 103 | 10213 |
| 2001 | 38 | 1398 | 33 | 2202 | 23 | 2855 | 8 | 1932 | 5 | 2120 | 107 | 10507 |
| 2002 | 41 | 1542 | 31 | 1974 | 25 | 3043 | 8 | 1932 | 5 | 2120 | 110 | 10611 |

Source: State Planning Organisation, TRNC Prime Ministry, Statistical Yearbook, 2002, Lefko a.

Graph 8 Bed Capacity of North Cyprus by Region(2002)



Source: State Planning Organisation, TRNC Prime Ministry, Statistical Yearbook, 2002, Lefkoşa.

As it can be seen from Table 10, grand total of accomodation establishments in North Cyprus was 123, and grand total of beds was 10,916 in 2002 with the including the guest house. Most of the accomodation establishments included in the Kyrenia region, which was 96 and total bed capacity was 8065. Iskele region was followed. Kyrenia with 11 units of accomodation establishments. Bed capacity of accomodation establishments in Iskele was 698. Famagusta region has 9 accomodation establishments and 1750 total bed capacity. Kyrenia, Famagusta and Iskele are three main coastal region of a country and these three regions covered the 116 accomodation establishments and 10513 bed capacities within the total 123 and 10916 respectively. Nicosia has 4 accomodation establishments and 293 beds. Morphou has 3 accomodation establishments and 110 beds in 2002.

Table 10: Number of Tourist Accommodation Establishments and Beds by Regions and Categories

| Accommodation Establishments | Cyprus | | Famagusta | | Iskele | | Kyrenia | | Lefkara | | Morphou | | Nicosia | |
|------------------------------|-----------------------|------|-----------------------|------|-----------------------|------|-----------------------|------|-----------------------|------|-----------------------|------|-----------------------|------|
| | No. of Establishments | Beds | No. of Establishments | Beds | No. of Establishments | Beds | No. of Establishments | Beds | No. of Establishments | Beds | No. of Establishments | Beds | No. of Establishments | Beds |
| 1 Star | 34 | 1266 | 3 | 143 | 3 | 68 | 3 | 68 | 3 | 68 | 3 | 68 | 3 | 68 |
| 2 Stars | 28 | 1714 | - | - | 2 | 210 | - | - | - | - | - | - | - | - |
| 3 Stars | 15 | 2433 | 4 | 275 | 5 | 320 | - | - | - | - | - | - | - | - |
| 4 Stars | 8 | 1632 | - | - | - | - | - | - | - | - | - | - | - | - |
| 5 Stars | 3 | 941 | 2 | 1470 | - | - | - | - | - | - | - | - | - | - |
| Total | 88 | 7886 | 9 | 1750 | 11 | 698 | 96 | 8065 | 3 | 293 | 3 | 110 | - | - |
| Guesthouse | 3 | 128 | - | - | 4 | 67 | - | - | - | - | - | - | - | - |
| Grand Total | 91 | 8014 | 9 | 1750 | 15 | 765 | 96 | 8065 | 3 | 293 | 3 | 110 | - | - |

Source: Statistical Service of the Ministry of Tourism, Nicosia, 2003

Table 10 Number of Tourist Accommodation Establishments and Beds by Regions and Categories (2002).

| | Girne | | Gazimausa | | Nicosia | | Lefkosa | | Güzelyurt | | Total | |
|------------------------------|--------------|-------------|--------------|-------------|--------------|-------------|--------------|-------------|--------------|-------------|--------------|-------------|
| Accommodation Establishments | No. of Units | No. of Beds | No. of Units | No. of Beds | No. of Units | No. of Beds | No. of Units | No. of Beds | No. of Units | No. of Beds | No. of Units | No. of Beds |
| 1 Star | 34 | 1266 | 3 | 144 | 2 | 64 | - | - | 2 | 68 | 41 | 1542 |
| 2 Stars | 28 | 1714 | - | - | 2 | 218 | - | - | 1 | 42 | 31 | 1974 |
| 3 Stars | 15 | 2033 | 4 | 430 | 3 | 322 | 3 | 258 | - | - | 25 | 3043 |
| 4 Stars | 8 | 1932 | - | - | - | - | - | - | - | - | 8 | 1932 |
| 5 Stars | 3 | 944 | 2 | 1176 | - | - | - | - | - | - | 5 | 2120 |
| Total | 88 | 7889 | 9 | 1750 | 7 | 604 | 3 | 258 | 3 | 110 | 110 | 10611 |
| Guesthouse | 8 | 176 | - | - | 4 | 94 | 1 | 35 | - | - | 13 | 305 |
| Grand Total | 96 | 8065 | 9 | 1750 | 11 | 698 | 4 | 293 | 3 | 110 | 123 | 10916 |

Source: State Planning Organisation, TRNC Prime Ministry, Statistical Yearbook, 2002, Lefkosa.

Number of tourists and bednights, average length of stay and occupancy rate in tourist accomodation establishments from 1999 to 2002 has been shown in Table 11. Number of tourist was 23 1,926 in 1999, this increased to 285,419 in 2002. Bednights was 1,055,997 in 1999 and reached 1,284,761 in 2002. Avarage length of stay between the years 1999-2002 has not been clearly changed; it was 4.6 % in 1999 and 4.5 % in 2002. Occupancy rate also has a little change within the investigated period. In 1999 occupancy rate was 37.5 %, in 2000 37.6 %, in 2001 31.5% and in 2002 38.6%.

Table 11 Number of Tourists and Bednights, average length of stay and occupancy rate in tourist accomodation establishments:

| | 1999 | 2000 | 2001 | 2002 |
|--------------------------|---------|---------|---------|---------|
| Tourist | 231926 | 254448 | 228316 | 285419 |
| Bednights | 1055997 | 1145283 | 1016090 | 1284761 |
| Average Legth of Stay | 4,6 | 4,5 | 4,5 | 4,5 |
| Occupancy Rate.Y0 | 37,5 | 37,6 | 31,5 | 38,6 |

Source: State Planning Organisation, TRNC Prime Ministry, Statistical Yearbook, 2002, Lefko a.

Table 12 shows the number of tourists and bednights, average length of stay and occupancy rate in tourist accomodation establishments (Turkey, Foreign and TRNC) within the period of 1993-2002. Number of tourist increased from 1993 to 2002. In 1993 number of tourist from Turkey was 79,473, number of foreign tourist was 46520 and number of local tourist was 8449 and total was 134.442. These numbers increased to 177388 from Turkey, 89139 foreign, 18892 local and totally 285419 in 2002.

The high dependency by developing countries on one or a few tourist originating countries often criticized. Sometimes it is compared with high dependency on one or few export commodities.¹¹⁴

114 Ibid., p. 113.

Total bednights in 1993 was 846.879 in 1993. This number increased to 1.284.761 in 2002. Majority of bednights were by other foreign tourist within the whole period. Avarage length of stay decreased from 1993 to 2002. In 1993 avarage length of stay was 6.3, it decreased to 4.5 in 2002.

On the country of tourist came from Turkey was higher than the other foreign tourist, bednights and average length of stay of other foreign tourists was higher than the tourist came from Turkey.

In 2002 total numbers of tourists were 285419, turkey has 177388 and other foreign countries has 89139 tourists in 2002. Average bednights of tourists coming from turkey were 581101 and avaregae bednights of tourists coming from other foreign countries were 635824 in 2002. Total bednights were 1284761 in same year. From 1993 to 2002 total tourist number increased from 13442 to 285419.

Occupancy rate in tourist accomodation establishments was 36.8% in 1993 and 38.6% in 2002.

Table 12 Number of Tourist and Bednights, Average Length of Stay

Turkey, Foreign countries

| Year | Tourist | Bednights | Average Length of Stay |
|------|---------|-----------|------------------------|
| 1993 | 13442 | 846879 | 6.3 |
| 1994 | 15120 | 951200 | 6.3 |
| 1995 | 17280 | 1099700 | 6.3 |
| 1996 | 19560 | 1241600 | 6.3 |
| 1997 | 21610 | 1372800 | 6.3 |
| 1998 | 23820 | 1511000 | 6.3 |
| 1999 | 25820 | 1650000 | 6.3 |
| 2000 | 27820 | 1791000 | 6.3 |
| 2001 | 29820 | 1932000 | 6.3 |
| 2002 | 285419 | 1284761 | 4.5 |

Source: Ministry of Tourism, Ankara, Turkey

Table 12 Number of Tourists and Bednights, average length of stay and occupancy rate in tourist accomodation establishments by years

(Turkey,Foreign countries,TRNC):

| Years | Number of Tourist | | | | Bed nights | | | | Average Lenght of Stay | | | | Occupancy Rate,% | | | |
|-------|-------------------|---------|-------|--------|------------|---------|-------|---------|------------------------|---------|------|-------|------------------|---------|------|-------|
| | Turkey | Foreign | TRNC | Total | Turkey | Foreign | TRNC | Total | Turkey | Foreign | TRNC | Total | Turkey | Foreign | TRNC | Total |
| 1993 | 79473 | 46520 | 8449 | 134442 | 407556 | 418866 | 20457 | 846879 | 5,1 | 9,0 | 2,4 | 6,3 | 17,7 | 18,2 | 0,9 | 36,8 |
| 1994 | 72688 | 73546 | 14532 | 160766 | 276129 | 569049 | 28047 | 873225 | 3,8 | 7,7 | 1,9 | 5,4 | 11,9 | 24,6 | 1,2 | 37,7 |
| 1995 | 86754 | 70893 | 21635 | 179282 | 322894 | 546331 | 48015 | 917240 | 3,7 | 7,7 | 2,2 | 5,1 | 13,2 | 22,3 | 2,0 | 37,5 |
| 1996 | 70591 | 56208 | 19869 | 146668 | 269013 | 450298 | 47763 | 767074 | 3,8 | 8,0 | 2,4 | 5,2 | 11,4 | 19,1 | 2,0 | 32,5 |
| 1997 | 109979 | 56863 | 26904 | 193746 | 404413 | 468163 | 59286 | 931862 | 3,7 | 8,2 | 2,2 | 4,8 | 15,4 | 17,9 | 2,3 | 35,6 |
| 1998 | 121333 | 61946 | 25863 | 209142 | 439800 | 453513 | 65252 | 958565 | 3,6 | 7,3 | 2,5 | 4,6 | 17,1 | 17,7 | 2,5 | 37,3 |
| 1999 | 145036 | 64627 | 22263 | 231926 | 513387 | 485969 | 56641 | 1055997 | 3,5 | 7,5 | 2,5 | 4,6 | 18,2 | 17,3 | 2,0 | 37,5 |
| 2000 | 168606 | 65321 | 20521 | 254448 | 574917 | 507438 | 62928 | 1145283 | 3,4 | 7,8 | 3,1 | 4,5 | 18,9 | 16,6 | 2,1 | 37,6 |
| 2001 | 143697 | 65455 | 19164 | 228316 | 451356 | 514832 | 49902 | 1016090 | 3,1 | 7,9 | 2,6 | 4,5 | 14,0 | 16,0 | 1,5 | 31,5 |
| 2002 | 177388 | 89139 | 18892 | 285419 | 581101 | 635824 | 49836 | 1284761 | 3,3 | 7,3 | 2,6 | 4,5 | 17,5 | 19,6 | 1,5 | 38,6 |

Source: State Planning Organisation,TRNC Prime Ministry.Statistical Yearbook,2002.Lefko a.

While marketing at the national level primarily focuses on promoting the country's overall image as a tourist destination and creating a favourable climate for marketing of the tourism products, the private sector (comprising hotels and resorts) typically focuses on actual sales and the promotional aspects of marketing.

The tourism industry relationship infrastructure consists of the following six major components:

1. *airlines;*
2. *tour wholesalers for both foreign independent tours and groups;*
3. *tour operators;*
4. *retail travel agents for all segments of leisure, business travel and groups;*
5. *travel journalists and trade publications representatives;*
6. *other special interest groups.*

Table 13, shows the number of tour operators and bednights by country of usual residence from 2000 to 2002. U.K has 28 tour operator, and to realize to 327.532 bednights. The number of tour operator of U.K increased to 32 and bednights increased to 366762 in 2001. This numbers changed to 25 tour operator and 457.783 bednights in 2002. In 2002, Germany has 21 tour operators and to realize 77720 bednights. These numbers decreased to 14 and 42671 in 2001, 13 and 32.902 in 2002 respectively.

Other countries, which worked with North Cyprus, were Russia, Italy, Austria, France, Sweden, Kazakhstan, Hungary, Belgium, Macendonia, Switzerland, Israel, Japan, Poland, China, Australia, USA and Slovenia.

Table 13 Number of Tour Operators and Bednights by Country of Usual Residence
(2000-2002):

| | 2000 | | 2001 | | 2002 | |
|-------------|---------------|-----------|---------------|-----------|---------------|-----------|
| Countries | Tour Operator | | Tour Operator | | Tour Operator | |
| | Amount | Bednights | Amount | Bednights | Amount | Bednights |
| U.K. | 28 | 327532 | 28 | 366762 | 25 | 457783 |
| Germany | 21 | 77720 | 14 | 42671 | 13 | 32902 |
| Russia | 5 | 263 | 5 | 108 | 2 | 99 |
| Italy | 1 | 246 | 1 | 212 | 1 | 152 |
| Austria | 1 | 766 | 1 | 105 | 2 | 71 |
| France | 1 | 4402 | - | - | - | - |
| Sweden | 1 | 1455 | 1 | 623 | 1 | 1209 |
| Kazakhstan | - | - | 2 | 9 | - | - |
| Hungary | 1 | 5391 | - | - | - | - |
| Belgium | 1 | 11980 | - | - | - | - |
| Macedonia | 2 | 104 | 6 | 302 | - | - |
| Switzerland | 1 | 146 | - | - | - | - |
| Israel | 2 | 416 | - | - | - | - |
| Japan | - | - | 1 | 128 | - | - |
| Poland | 1 | 27 | - | - | - | - |
| China | 2 | 163 | - | - | - | - |
| Australia | 1 | 15 | - | - | - | - |
| USA | - | - | 1 | 8 | - | - |
| Slovenia | - | - | 1 | 28 | - | - |
| Total | 69 | 430626 | 65 | 410956 | 44 | 492216 |

Source: Tourism Marketing and Advertising Department, TRNC Prime Ministry. 2002 Lefko a.

The limited domestic market is a powerful incentive for establishing openness in the economies of island developing countries. International trade is an opportunity to fulfill needs that cannot be met by import substitution. Consequently, such heavy import dependence must be financed by a corresponding export effort to the extent that other forms of foreign exchange transfers are insufficient. The island developing countries.

however, are seriously constrained in their efforts to expand their export sector because of the low domestic technological capability and the narrow range of resources available to support the export base.¹¹⁶

As it can be seen from Table 14, intensives paid in transportation and charter flights have changed during the investigated period. It followed much fluctuated trend. In 1993 total incentives paid for transportation and charter flights was 57,971.2 US\$. It increased to 226,065.4 US\$ in 1994 and decreased to 89,478.2 US\$ in 1995. It reached its pick point in 2000, which was 737,578.0 US\$ and fell to 649,717.6 US\$ in 2002. As some as intensive paid for transportation and charter flights, printed materials incentive paid has a fluctuated trend. In 1993 total intensive paid for printed materials was 118,821.8 US\$, this amount decreased to 92,475.8 US\$ in 1994 and increased to 221,838.7 US\$ in 1995. In 1998 it increased sharply to 433,856.8 US\$. After very big fell in 2000 and 2001, it reached its pick point in 2002. Total paid for printed materials was 529,799.2 US\$ in 2002.

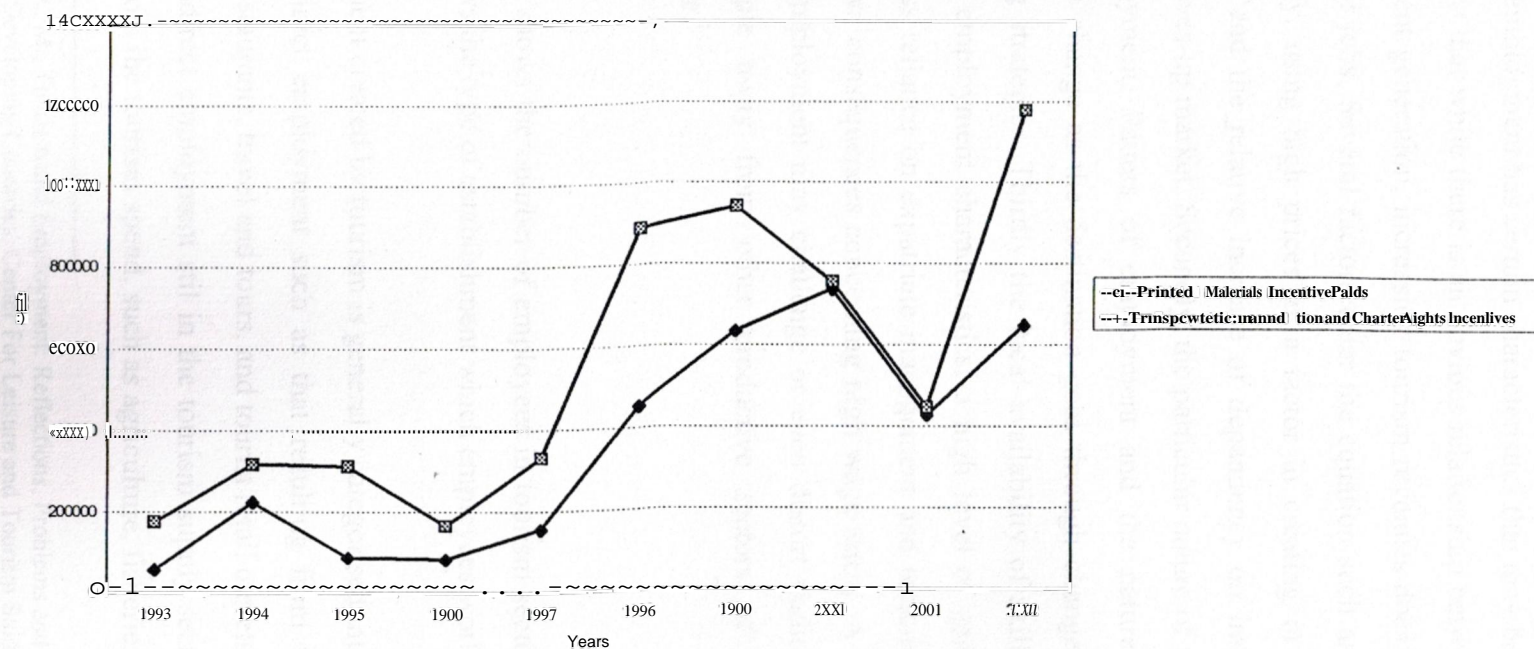
¹¹⁶ Report of the High-level Panel Meeting on Island Developing Countries, op.cit., p. 4.

Table 14 Amount of Incentives Paid for the Transportation and Charter Flights and for the Printed Materials According to the Tourism Industry Incentive Law by Years (1993-2002):

| Years | Transportation and Charter Flights Incentives Paid(US\$) | Printed Materials Incentives Paid(US\$) |
|-------|---|--|
| 1993 | 57971,2 | 118821,8 |
| 1994 | 226065,4 | 82475,8 |
| 1995 | 89478,2 | 221838,7 |
| 1996 | 81513,6 | 83621,2 |
| 1997 | 157117,6 | 172291,6 |
| 1998 | 455543,8 | 433856,8 |
| 1999 | 632720,0 | 306730,0 |
| 2000 | 737578,0 | 17954,0 |
| 2001 | 426885,8 | 20345,5 |
| 2002 | 649717,6 | ,529799,2 |

Source: Tourism Marketing and Advertising Department, TRNC Prime Ministry, 2002 Lefkosa.

Graph 9 Amount of Incentives Paid for the Transportation and Charter Rights and for the Printed Materials According to the Tourism Industry Law of North Cyprus(1993-2002)



Source: Tourism Marketing and Advertising Department, TRNC Prime Ministry, 2002 Lefkosa.

Incentive paid for transportation and charter flights and printed materials has unstable trend within the period 1993-2002. In some years they have very high increase and some years they have sharply decline (see Graph 9).

Tourism employment has certain characteristics that may be generalized to some extent. The first is that while there is an obvious relationship between tourism expenditure and employment generation, increasing tourism revenues does not necessarily increase the number of jobs. Several factors enter the equation such as productivity gains through technology, using high prices as a factor in creating or maintaining exclusivity or isolation, and the relative increase of dependency on imported goods as the tourist sector moves up market. Secondly, the particular nature of tourism is the level and type of employment. Patterns of employment and the nature of that employment will inevitably change as the destination goes through changes resulting from fashion or marketing strategies. Thirdly the local availability of skills (or skill shortage) has an effect on employment characteristics; a high level of general education and training means less reliance on expatriate management and technical skills (a situation which has its own consequences concerning high wage rates). A fourth generalization is that tourism employment may challenge or even distort traditional work patterns. It may take people away from other productive sectors of the economy, particularly agriculture.¹¹⁷

Table 15 shows the number of employees in tourism sector from 2000 to 2002. Table also shows the type of establishment which employees worked.

Employment created by tourism is generally categorised into three types:

- Direct employment such as that resulting from tourism spending in hotels, restaurants, travel and tours, and tourist retail outlets.
- Indirect employment still in the tourism supply sector but not resulting directly from the tourism spend, such as agriculture, fisheries, manufactures.

¹¹⁷ Burns, P. M., *Tourism and Employment: Reflections, Problems and Prospects With Case Studies From Two Developing Countries*. Center For Leisure and Tourism Studies No: 5. University of North London. 1994. pp. 8-9.

- Induced employment resulting from local people spending income earned from engaging in the tourism sector. Construction work directly related to tourism, such as the building of a new resort or airport, is sometimes included in this category.

Thus the perceived wisdom is that tourism has an ability to create a wide range of job opportunities, and this remains a key factor for governments engaging in tourism and tourism development. This alerts us to the importance of accurate workforce predictions.¹¹⁸

In 2000, total number of establishments was 664 and total number of employees was 6049, these numbers have been changed to 645 and 5995 in 2001, and 679 and 6056 in 2002 respectively (see Table 15).

Number of tourist accommodation establishments was 103 in 2000, and they totally include 2865 employees. Restaurants and other tourism products have 385 establishments and include 1333 employees. Casinos have another important share within the total number of employees. In 2000, 21 casinos have 1284 employees. From 2000 to 2002, number of establishments and number of employees in tourism sector has little changes. In 2002, tourist accommodation establishments increased to 110 and they employ 2939 employees. Number of tourism and travel agencies increased from 142 to 148 from 2000 to 2002 respectively. Total number of employees which they employed in 2000 was 518 and this number increased to 549 in 2002. In spite of decrease the number of casinos from 21 to 20, total number of employed person in casinos increased from 1284 to 1314 from 2000 to 2001 respectively.

The efficient utilization of human resources has become the cornerstone of rapid economic growth of all nations. The structure and distribution of the labor force in North Cyprus, however, deserve critical comments and suggestions on improving productivity and restructuring the employment of labor force. In 2002 20% of the total

¹¹⁸ *Ibid.*, p. 18.

labor forces are employed in the public sector.¹¹⁹ It can be asserted that there is overemployment in the public sector. Employment level in this sector has surpasses the normal limits required for maintaining public services of this small island economy.¹²⁰

Table 15 Number of Employees in Tourism Sector (2000-2002):

| Type of Establishment | 2000 | | 2001 | | 2002 | |
|-------------------------------------|---------------------|-----------------|---------------------|-----------------|---------------------|-----------------|
| | No.of establishment | No.of Employees | No.of establishment | No.of Employees | No.of establishment | No.of Employees |
| Tourist Accomodation Establishments | 103 | 2865 | 107 | 2901 | 110 | 2939 |
| Guesthouses | 13 | 49 | 13 | 35 | 13 | 36 |
| Restaurants etc | 385 | 1129 | 365 | 1257 | 388 | 1218 |
| Tourism and Travel Agencies | 142 | 518 | 140 | 488 | 148 | 549 |
| Casinos | 21 | 1284 | 20 | 1314 | 20 | 1314 |
| Total | 664 | 6049 | 645 | 5995 | 679 | 6056 |

Source: State Planning Organisation, TRNC Prime Ministry, Statistical Yearbook, 2002, Lefko a.

Economically, small island territories suffer from dependence on a very narrow range of products (sugar, bananas, pineapple), light manufacturing (textiles, data processing) or services (tourism, banking), with hardly any influence on the terms of trade.¹²¹

Net tourism income and the ratio of net tourism income to the trade balance have shown in Table 16, from 1993 to 2002.

In 1993 net tourism income was 224.6 million US\$; it covered the 72.6% of foreign trade deficit. In spite of decrease in net tourism income to 172.9 million US\$, it covered the 74.1% of foreign trade deficit in 1994. Net tourism income has very fluctuated trend within the investigated period. The ratio of net tourism income to the trade

¹¹⁹ TRNC Prime Ministry, State Planning Organization, Economic and Social Indicators 200 I. Lefko a. p. 71.

¹²⁰ Center For Bussiness and Economic Research. op. cit, p. 16.

¹²¹ Baldacchino, G., and Greenwood, R., Competing Strategies of Socio-Economic development for Small Islands, Canada, 1998, p. 349.

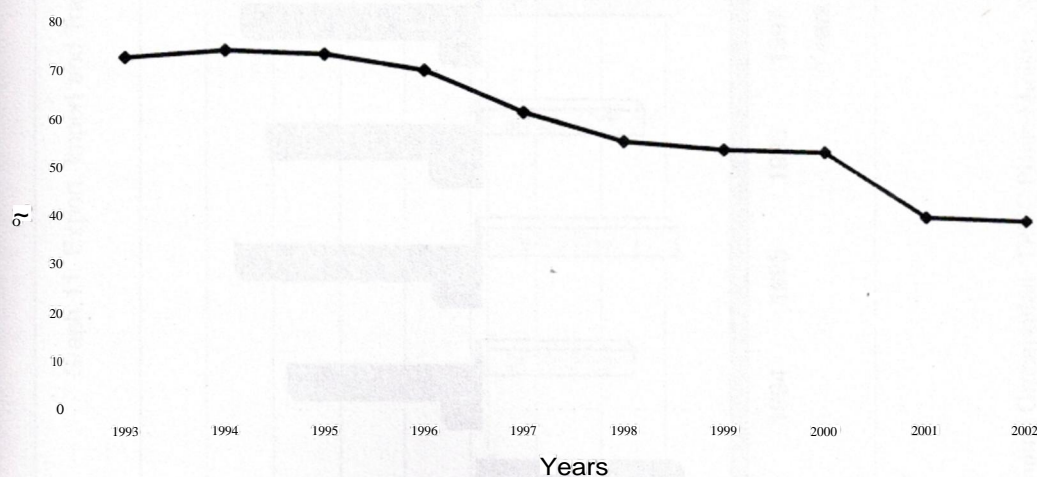
balance decreased each year. 1994 it covered 74.1 % of foreign trade deficit but in 1998 it fell to 55.2% and in 2002 it expected to cover only 38.7% of foreign trade deficit.

Table 16 Tourism and Economy of North Cyprus (1993-2002).

| Years | Net Tourism Income (Million US\$) | Trade Deficit (Million US\$) | The Ratio of Net Tourism Income to the Trade Balance (%) |
|-------|--------------------------------------|---------------------------------|--|
| 1993 | 224,6 | 309,4 | 72,6 |
| 1994 | 172,9 | 233,2 | 74,1 |
| 1995 | 218,9 | 298,8 | 73,3 |
| 1996 | 175,6 | 247,9 | 70,0 |
| 1997 | 183,2 | 298,9 | 61,3 |
| 1998 | 186,0 | 377,1 | 55,2 |
| 1999 | 192,8 | 360,3 | 53,5 |
| 2000 | 198,3 | 374,5 | 53,0 |
| 2001 | 93,7 | 237,4 | 39,5 |
| 2002 | 95,1 | 245,7 | 38,7 |

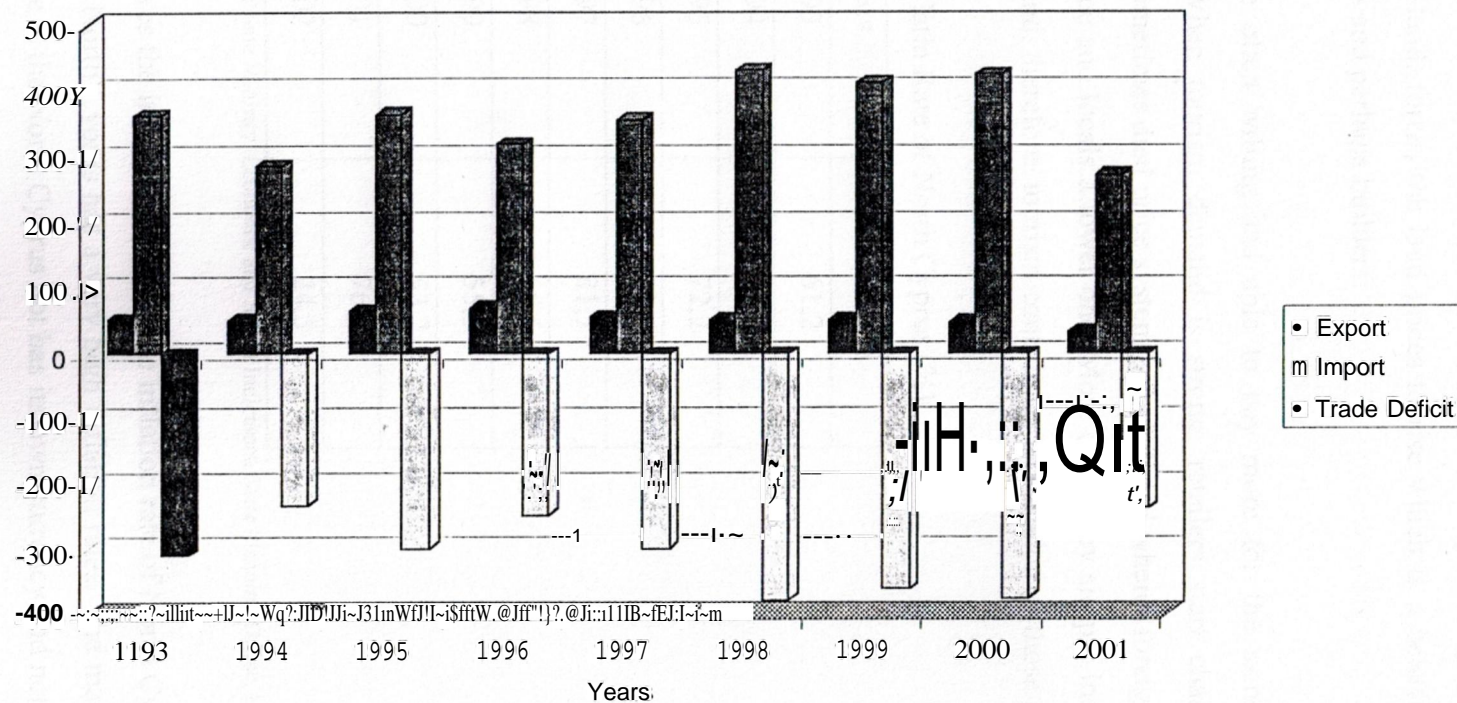
Source: State Planning Organisation, TRNC Prime Ministry, Statistical Yearbook, 2002, Lefkoşa.

Graph 10 The Ratio of Net Tourism Income to the Trade Balance of North Cyprus (%)



Source: State Planning Organisation, TRNC Prime Ministry, Statistical Yearbook, 2002, Lefkoşa

Graph.11. Export, Import and Trade Defisit of North Cyprus (Million US \$)



Source: State Planning Organisation, TRNC Prime Ministry, Statistical Yearbook, 2002, Lefko a

Another determinant of association with tourism development is inflation. Tourism induced inflation comes mostly in two areas: land values and tourism related goods. Any tourism development requires land. Since most tourism development occurs on coastlines and/or in the vicinity of urban centers, it is likely to be in competition with other forms of land use such as residential, industry and agriculture. The increased demand for land forces the land prices to rise which is a benefit to landowners, real estate agents and perhaps builders.

Tourists are often willing and able to pay more for the same product than local residents. When tourism demand is strong, retailers start charging more for their products. Sometimes dual price system is introduced where (foreign) tourists are charged a higher price and locals a lower one. More often they simply increase their prices for everybody and, therefore, tourism contributes to inflation of those products.¹²⁻

Table 17 Inflation Rate of North Cyprus(%)

| Years | % |
|-------|-------|
| 1993 | 61,2 |
| 1994 | 215,0 |
| 1995 | 72,2 |
| 1996 | 87,5 |
| 1997 | 81,7 |
| 1998 | 66,5 |
| 1999 | 55,3 |
| 2000 | 53,2 |
| 2001 | 76,8 |
| 2002 | 24,5 |

Source: TRNC Prime Ministry. Economic and Social Indicators. State Planning Office. Lefkoşa. 2002. p.2,

Table 17 gives the information about the inflation rate of North Cyprus for the period of 1993-2002. North Cyprus has a very high inflation rates. The main reason for the high inflation rate is the North Cyprus not has its own currency and not has monetary control

¹²² Oppermann, M., and Chon, K., S., op.cit., p.113.

in currency so inflation is imported from Turkey with Turkish Lira. Inflation rates follow instable percentages. In 1993 inflation rate was 61,2%, in 1997 reached 81.7% and in 2002 inflation rate decreased to 24,5%.

3.2.2 Tourist Profile in North Cyprus:

The commonly although not universally accepted definition of international tourist is that a visitor is "any person visiting a country other than in which he has his usual place of residence, for any reason other than following an occupation remunerated from within the country visited". The term visitor includes two distinct types of travelers:

I. Tourists: temporary visitor staying at least 24 hours in the country visited and the purpose of whose journey can be classified as;

(a) *Leisure (i.e. recreation, holiday, health, religion, or sport):*

(b) *Business;*

(c) *Family;*

(d) *Mission; and*

(e) *Meeting.*

2. Excursionists: temporary visitors staying less than 24 hours in the destination visited and not making an overnight stay (including travelers on cruises).

It is important to note that, tourists include not only holiday travelers but also visitors to a country for business, meetings, conferences and conventions, visiting friends and relatives, study, religion and other more obligatory type purpose. This definition is very consistent with the concept of comprehensive tourism planning and development, because tourist facilities and services must also be provided for the non-holiday travelers and, in many cases, the same facilities and services are used by both non-holiday and holiday tourists. Also, as mentioned, business and other types of obligatory

tourists frequently function as holiday tourists, including visiting tourist attractions and engaging in recreational activities, that is combination business and pleasure travel.¹²³

Number of tourists in tourist accommodation establishments by age groups and regions (Turkey, Other Foreign and TRNC) shown in Table 18. In 2002 177,388 tourists came from Turkey, 89,139 came from other foreign countries and 18,892 tourists from domestic market. In totally 285,419 tourists came in 2001. 8,421 tourist within the 0-12 age, 12,746 tourist 13-20 age, 35,276 tourist 21-30, 69,788 tourist 31-40, 85,814 tourist 41-50 age, 906 tourist 51-60 and 28,468 tourist was within the 61 age group in 2002.

The highest number of tourist group was 41-50 age groups. The highest number of tourist group from Turkey and other foreign countries also was 41-50 age group. The highest number of local tourist was in 31-40 age groups in 2002.

As it can be seen from the Table 18, there are 5 important accommodation establishments area in North Cyprus. These are Kyrenia, Famagusta, Skele, Nicosia and Morphou. In 2002 Kyrenia has the highest number of tourists in accommodation establishments in 2002. Famagusta followed Kyrenia. They were two popular tourist accommodation establishments region.

¹²³ Inskeep Edward, Tourism Planning. An Integrated and Sustainable Development Approach... Canada, 1991, pp.18-19.

Table 18 Number of Tourist Accommodation Establishments by Age Groups and Regions. (Turkey, Foreign, TRNC).

| Age Groups | Girne | | | Gazimağusa | | | İskele | | | Lefkoşa | | | Güzelyurt | | | Total | | |
|------------|--------|---------|-------|------------|---------|------|--------|---------|------|---------|---------|------|-----------|---------|------|--------|---------|--|
| | Turkey | Foreign | TRNC | Turkey | Foreign | TRNC | Turkey | Foreign | TRNC | Turkey | Foreign | TRNC | Turkey | Foreign | TRNC | Turkey | Foreign | |
| 0-12 | 2888 | 3183 | 1025 | 721 | 126 | 198 | 6 | 173 | 92 | 6 | 2 | - | - | 1 | - | 3621 | | |
| 13-20 | 5118 | 2531 | 1516 | 2042 | 59 | 576 | 12 | 264 | 155 | 167 | 22 | 7 | 41 | 31 | 5 | 7580 | | |
| 21-30 | 18423 | 3244 | 1912 | 6964 | 606 | 1284 | 51 | 247 | 293 | 1597 | 389 | 81 | 137 | 21 | 27 | 27172 | | |
| 31-40 | 17147 | 12093 | 3266 | 9149 | 1987 | 1558 | 135 | 566 | 389 | 2714 | 331 | 173 | 193 | 60 | 27 | 49338 | | |
| 41-50 | 1656 | 22375 | 1994 | 9730 | 2071 | 1303 | 107 | 933 | 245 | 1698 | 272 | 237 | 159 | 34 | - | 56341 | | |
| 51-60 | 18169 | 18745 | 860 | 3319 | 867 | 717 | 28 | 1218 | 83 | 566 | 184 | 56 | 71 | 22 | 1 | 22153 | | |
| 61+ | 9785 | 13651 | 325 | 1195 | 1658 | 426 | 14 | 973 | 30 | 177 | 184 | 21 | 12 | 16 | 1 | 11183 | | |
| Total | 136386 | 75822 | 10898 | 33120 | 7374 | 6062 | 353 | 4374 | 1296 | 6916 | 1384 | 575 | 613 | 185 | 61 | 177388 | | |

Source: State Planning Organisation, Turkey + Cyprus Prime Ministry, Statistical Yearbook, 2002, Lefkoşa.

3.2.3 Further Development in Tourism Sector of North Cyprus:

In this section, the number of tourist came to the North Cyprus by using the statistical inputs from 1983 to 2000 will be analysed. Due to the tourism demand analyses the growth rate of tourism demand will be found and this will help to make forecasts for the next ten years period. With a parallel of those estimates, the number of employees in tourism sector, needed bed capacity for the estimated tourism demand will also be estimated. Trend analyses for the number of tourists in tourist accommodation establishments from 2001 to 2010 in North Cyprus will be evaluated. This study will also give the growth rate of tourism demand, within the analysed period 1983 and 2000. True values of 2001 and 2002 will be used to compare the estimated values. This will proved the satisfaction of the model and the reliability of the estimated results.¹²⁴

Tourism demand of North Cyprus were analysed in Tourism Master Plan in 1998. This study formed by the econometric analyses of tourism demand of North Cyprus with the light of the econometric model of Tourism Master Plan.

In this study, semi-logarithmic function will use. The model constructed as below;

$$\ln T = \alpha_0 + \alpha_1 t,$$

Which T= number of tourist came to the accommodation establishments

t = time (for 1983, t =0. for 1984 t =1, ...)

Antilogarithm of α_1 and extract by 1 gives the growth rate. Necessary inputs for the model have been given in Table 19.

By using the TSP (Time Series Processor) package program, below results have been evaluated. Standard errors (s.e) of coefficients are low and the coefficients (α_0 , α_1) are statistically significant at 5% significance level. Results of model shown below;

¹²⁴ Tourism Master Plan, Tourism Application and Research Center, Bozaziçi University. 1998, p.51.

$$\ln T = 10,6 + 0,1 t$$

(s.e) (0,088) (0,008)

(T-stat.) (119,6) (12,3) , $R^2 = 0,90$, $OW = 1,48$

To apply the method of simple averages on the datum for 1983 and 2000, the growth rate of the number of tourist in accommodation establishments in North Cyprus has been evaluated. To take the antilogarithm of the coefficients of time variable and to extract 1 from it and multiply by 100 gives the average yearly growth rate of number of tourists.¹²⁵

$$\text{Growth Rate} = (\text{Antilogarithm } (\sim 1) - 1) \times 100$$

$$= 10,5\%$$

Table 19 Number of Tourists in Tourist Accommodation Establishments in North Cyprus (1983-2000).

| Years | Number of Tourists |
|-------|--------------------|
| 1983 | 9893 |
| 1984 | 113318 |
| 1985 | 125075 |
| 1986 | 131492 |
| 1987 | 184337 |
| 1988 | 229401 |
| 1989 | 274073 |
| 1990 | 300810 |
| 1991 | 220237 |
| 1992 | 267618 |
| 1993 | 134442 |
| 1994 | 160766 |
| 1995 | 179282 |
| 1996 | 146668 |

¹²⁵ Gajurani.Darnador, Basic Econometrics. Mc Graw Hill.Jrd ed., Singapore, 1995. p.123.

| | |
|------|--------|
| 1997 | 193746 |
| 1998 | 20942 |
| 1999 | 231926 |
| 2000 | 254448 |

Source: TRNC Prime Ministry, State Planning Organisation, Economic and Social Indicators, Lefko a, 2002.

By using the trend model, average yearly growth rate of number of tourists in tourist accommodation establishments from 1983 to 2000 is 10,6 % (see above calculations) in North Cyprus.

Above trend model, gives the tourist number trend of North Cyprus. By using this trend model estimated tourist numbers for 2001 and 2010 period shown in Table 20.

In 2001, bed capacity was 1023 and occupancy rate was 37,6%. In most European countries occupancy rate of tourist accommodation establishments above 50%. For North Cyprus, 50% occupancy rate assumed for making estimation of needed bed capacity. According to objected occupancy rate, for 2000 5106 bed spaces will be enough.

Table 20 Estimated Tourist Numbers (2001-2010)

| Years | Estimated Number of Tourist | Real Number of Tourists |
|-------|-----------------------------|-------------------------|
| 2001 | 242801 | 228316 |
| 2002 | 268337 | 28549 |
| 2003 | 296558 | - |
| 2004 | 327747 | - |
| 2005 | 362217 | - |
| 2006 | 400312 | - |
| 2007 | 44243 | - |
| 2008 | 488942 | - |
| 2009 | 540364 | - |

| | | |
|------|--------|---|
| 2010 | 597195 | - |
|------|--------|---|

bear in mind the 10,5% average yearly growth rate of tourist numbers, needed bed capacity calculated by using below model;

$$T=5106(1,105^Y)$$

taking the double logarithm, model will be useful as below;

$$\ln T = 8,5 + 0,099(t), \quad (\text{for } 2000, t=0, \text{for } 2001 t=1 \dots)$$

Table 21 Estimated Needed Bed Capacity of North Cyprus for 2001 - 2010 with 50% occupancy Rate Assumption:

| Years | Estimated Bed Capacity | Needed Extra Bed Capacity |
|-------|------------------------|---------------------------|
| 2001 | 5431 | - |
| 2002 | 6002 | - |
| 2003 | 6634 | - |
| 2004 | 7331 | - |
| 2005 | 8103 | - |
| 2006 | 8955 | - |
| 2007 | 9897 | - |
| 2008 | 10938 | 723 |
| 2009 | 12088 | 1875 |
| 2010 | 13359 | 3146 |

Bed capacity of North Cyprus was 10213 in 2000. According to the Table 21, which shows the expected needed bed capacity for North Cyprus from 2001 to 2007, Bed capacity is enough, there are not any extra bed capacity needed. In 2008, expected needed capacity is 10938 and 723 extra bed capacity will be needed. In 2010 expected bed capacity will increase to 13359, and there will need 3146 extra bed capacity.

Above numbers shows, there are not need extra bed capacity investments for North Cyprus until 2008. Investments in tourism sector will slide to other infrastructure areas.

Tourism Ministry of North Cyprus assumes that for extra one bed space cost is 4000\$. According to Table 21, until 2008 there are not need investment for bed capacity. By multiplying extra needed bed capacity by 4000\$, total amount of needed investments can be calculated (see Table 22).

Table 22 Investment for Needed Extra Bed Capacity:

| Years | Investments(\$) |
|-------|-----------------|
| 2008 | 2 898 000 |
| 2009 | 7 500 000 |
| 2010 | 12 584 000 |
| TOTAL | 22 976 000 |

As it can be seen from Table 22, for the estimating period 2001 and 2010, with a parallel of extra need bed capacity, North Cyprus tourism sector needs 22 976 000 \$ total investments to cover the tourism demand.

North Cyprus has 10213 bed capacity and 6049 employees, employed in tourism sector in 2000. This means that, employed personnel per bed spaces was 0,6. While estimating the number of employees in tourism sector, rate of 0,6 have been used, from 2001 to 2010.

As it can be seen from Table 23, from 2001 to 2008 employees are enough for the expected tourism demand (expected bed capacity). At the end of 2010, totally 3682 extra personnel needed in tourism sector according to the assumptions of employed personnel per bed capacity is 0,6.

Tourism Planning Office, Statistical Yearbook of Tourism, TRNC Prime Ministry, Lefko a. 2002, p.31.

Table 23 Estimated Employees Needed in Tourism Sector of North Cyprus:

| Years | Estimated Employees | Extra Need Employees |
|-------|---------------------|----------------------|
| 2001 | 3258 | - |
| 2002 | 3601 | - |
| 2003 | 3980 | - |
| 2004 | 4398 | - |
| 2005 | 4861 | - |
| 2006 | 5373 | - |
| 2007 | 5938 | - |
| 2008 | 6562 | 513 |
| 2009 | 7252 | 1203 |
| 2010 | 8015 | 1966 |

3.3 Macro-Economic Profile of South Cyprus:

As indicated in previous chapters, the peace operation on the 20th of July 1974 that Turkey conducted by using her treaty right as the Guarantor Power, resulted in the partitioning of the island. After this event, 160000 Greek Cypriots had moved from north to south section of the island.¹²⁷

The losses of the separation of the island in 1974 was as mentioned before 'enormous' for the south, the most important areas of cultivable land around Morphou and Famagusta were lost and Famagusta Harbour, Nicosia airport and several important trade routes were cut off. Almost all of modern hotels in Cyprus were situated on the north (mainly in Kyrenia and Famagusta) prior to 1974.

¹²⁷ Brey and Muller, op.cit., pp. 83-86.

In 1974 many economists had predicted a dreadful future for Cyprus if the separation becomes permanent. But the economy of South Cyprus since 1974 was shown an incredible economic growth.¹²⁸

This incredible growth of the South Cyprus economy is due to the increase in tourism, a sector that attracts millions of tourists every year and is an indispensable source of currency (2418200 tourists visited the South Cyprus in 2002).¹²⁹ This income alone made it possible to finance the enormously high trade deficit.

¹²⁸ lb.id., pp. 86-88.

¹²⁹ Department of Statistics and Research, Ministry of Finance, Statistical Abstract 100: Nicosia, Printing Office of the Republic of Cyprus, 2003, p. 289.

Cypriots made successful decisions about economy of country. They did not relying on tourism, they also invested in modern infrastructure to develop further, which included new harbor facilities in Limassol and Larnaca, a well developed network of roads and modern telecommunications facilities.

Another factor of the improvement of the improvement of the South Cyprus economy after 1974 was its successful industrialization. The refugees had provided a cheap source of labor and South Cyprus was able to take advantage of the wealthy Middle East countries.

Also, the South Cyprus authorities were very successful in promoting the island as an ideal location for business transactions with countries of the Middle East.¹³⁰

Today, South Cyprus economy is mainly based on foreign demand for tourism and other services.

Cyprus reached the well advanced economic and social developments. Per capita GNP is 13557,8 million US\$ in 2002 (see Table 24). During the investigated period 1995-2002, per capita GNP followed a stable pattern.

It can be seen from Table 26, GDP at current market prices increased during the investigated period 1995-2002. Main economic activities also are seen from Table 26. In 2001, wholesale and retail trade made the highest value added to GDP of South Cyprus. Real estate renting and business activities, manufacturing and hotel and restaurants sectors were important sectors with their big share in GDP. In 2001, almost all sectors maintain their important share in GDP, and almost all sectors increased their value added to GDP.

Table 24 GNP per capita in South Cyprus (at current market prices, US\$)

| | |
|------|---------|
| 1995 | 13892,0 |
| 1996 | 13696,0 |
| 1997 | 12866,0 |
| 1998 | 13535,0 |
| 1999 | 13645,4 |
| 2000 | 12965,3 |
| 2001 | 13106,8 |
| 2002 | 13557,8 |

Source: www.cystat/statistics.nsf/economy/_finance/

The South Cyprus economy has been operating practically at full employment level (in 2002, unemployment rate was only 3%).¹³¹ Furthermore inflation rate was very low (in 2002, inflation rate was 2,8%).¹³² These low and stable inflation rates cancelled out the uncertainties and investment made more preciously (see Table 25).

Table 16 Inflation Rate in South Cyprus (%):

| 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|------|------|------|------|------|------|------|------|
| | 3,0 | 3,6 | 2,2 | 1,7 | 4,1 | 2,0 | 2,8 |

Source: www.cystat/statistics.nsf/prices/

Table 27 shows the employed population and its distribution by economic activity. From 1995 to 2002, wholesale and retail trade sector held the big share of employees. In 2002, 55,6 thousands of total employed population stated in wholesale and retail trade sector. Manufacturing held 37,4 thousands of total employees and hotels and restaurants held 32,4 thousands of total employees in the same year (see Table 27).

Table 26 Main Macro-Economic Indicators of South Cyprus

(At current market prices, million C£):

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|--------|--------|--------|--------|--------|--------|--------|
| Total GDP | 4020,0 | 4168,3 | 4379,6 | 4704,2 | 5037,1 | 5525,3 | 5876,9 |
| GDP by economic activity: | | | | | | | |
| Agriculture | 191,0 | 188,2 | 162,9 | 174,9 | 193,7 | 185,4 | 196,0 |
| Manufacturing | 469,2 | 462,1 | 467,2 | 472,9 | 476,6 | 477,6 | 467,1 |
| Construction | 340,0 | 338,5 | 329,6 | 328,4 | 325,5 | 329,6 | 344,5 |
| Wholesale and Retail trade | 520,1 | 529,2 | 534,4 | 570,4 | 574,9 | 635,6 | 642,1 |
| Hotels and Restaurants | 338,4 | 328,7 | 350,2 | 371,5 | 406,7 | 461,6 | 429,3 |
| Transport, storage, communication | 318,1 | 332,4 | 351,7 | 382,3 | 420,9 | 516,7 | 534,7 |
| Financial intermediation | 197,4 | 205,1 | 223,6 | 239,0 | 268,8 | 296,4 | 297,4 |
| Real estate, renting, business activities | 1503,3 | 526,0 | 547,0 | 577,1 | 600,6 | 666,5 | 701,3 |
| Public Administration | 335,3 | 343,7 | 348,9 | 356,9 | 370,8 | 393,6 | 403,8 |
| Education | 177,8 | 185,1 | 192,6 | 197,9 | 202,0 | 216,1 | 223,3 |
| Health and Social Work | 125,5 | 129,9 | 133,0 | 137,8 | 141,5 | 148,0 | 154,2 |

Source: www.ctstat/statistics.nsf/

Table 27 Employed Population in South Cyprus (thousand):

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|--------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Gainfully employed population | 302,1 | 306,0 | 307,6 | 311,1 | 318,2 | 324,9 | 329,9 | 335,5 |
| By economic activity: | | | | | | | | |
| 1. Agriculture | 28,7 | 27,5 | 25,0 | 24,8 | 24,3 | 23,8 | 23,4 | 23,0 |
| 2. Manufacturing | 44,0 | 42,2 | 40,8 | 39,6 | 38,0 | 36,7 | 37,2 | 37,4 |
| 3. Construction | 27,7 | 27,3 | 26,9 | 26,1 | 26,2 | 26,5 | 26,9 | 27,3 |
| 4. Trade | 49,5 | 50,8 | 51,9 | 52,4 | 52,9 | 54,2 | 55,0 | 55,6 |
| 5. Hotels and Restaurants | 30,1 | 30,0 | 29,7 | 30,0 | 31,7 | 33,0 | 33,2 | 32,4 |
| 6. Transport and Communication | 17,9 | 18,4 | 19,1 | 19,7 | 20,4 | 21,4 | 22,3 | 22,9 |
| 7. Public Administration and Defence | 18,7 | 19,0 | 19,6 | 20,3 | 20,9 | 21,7 | 22,4 | 22,9 |
| 8. Health and Social Works | 10,3 | 10,7 | 11,0 | 11,2 | 11,5 | 12,0 | 12,3 | 12,7 |

Source: www.ctstat/statistics.nsf/

Table 28 Foreign Trade of South Cyprus (Million C£):

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|----------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Total Imports | 1670,4 | 1857,5 | 1889,3 | 1904,7 | 1970,9 | 2410,9 | 2528,7 | 2486,6 |
| Total Exportss | 555,0 | 649,0 | 640,0 | 551,1 | 542,9 | 591,9 | 628,0 | 511,3 |
| Trade Deficit | 1115,4 | 1208,5 | 1249,3 | 1353,6 | 1428,0 | 1819,0 | 1936,8 | 1975,3 |

Source: www.ctstat/statistics.nsf/foreign_trade/

As it was the case for North Cyprus, foreign trade is very important for South Cyprus as well due to the constraints of being small island economy. During the investigated period 1995-2002. South Cyprus economy gave trade deficit (see Table 28). From 1995 to 2002. trade deficit increased from 1115,4 million C£ to 1975,3 million C Pound. Total imports of country increased from 1670,4 million C£ to 2486,6 million C Pound from 1995 to 2002 respectively. Opposite of the increased in imports, total exports of country decreased from 555 million Cf to 511,3 million C£ from 1995 to 2002 respectively.

As well as North Cyprus, South Cyprus also has a serious trade deficit problem. Due to the limited natural resources (by being a small island economy), South Cyprus economy also highly depended on the import goods.

Main foreign trade partners of South Cyprus Shown in table 29. Main partners were EU countries within the investigated period 1995-2002. In 2002, total imports of South Cyprus from EU countries were 1318,7 million C£ while it exports to EU countries were only 259.1 million Cf. Within the EU countries, Greece has a big amount of total imports of South Cyprus. The highest exports of South Cyprus were 141,4 million C£ and made with United Kingdom in 2002 (see Table 29).

Table 29 Foreign Trade by Main Partner County of South Cyprus (million C£):

| | 1995 | | 1999 | | 2002 | |
|--------------------|---------|---------|---------|---------|---------|---------|
| | Imports | Exports | Imports | Exports | Imports | Exports |
| A. EU Countries | 862,8 | 192,8 | 1036,7 | 217,1 | 1318,7 | 259.1 |
| France | 68,7 | 7,9 | 103,9 | 6,2 | 126,9 | 7.0 |
| Germany | 136,3 | 29,5 | 135,2 | 22,8 | 218,8 | 15,8 |
| Greece | 120,1 | 33,4 | 163,6 | 48,9 | 237,3 | 42,5 |
| Italy | 163,6 | 7,1 | 176,6 | 9,2 | 229,7 | 12,3 |
| Netherlands | 34,2 | 9,3 | 42,2 | 13,3 | 52,9 | 13,6 |
| Spain | 35,7 | 5,4 | 60,5 | 3,2 | 87.2 | 7,6 |
| United Kingdom | 196,7 | 74,1 | 225,2 | 87.2 | 207.8 | 141.4 |
| B. Arab Countries | 46,8 | 103,8 | 91,4 | 113,6 | 130.7 | 108.8 |
| C. Other Countries | 705.4 | 213.3 | 797,6 | 173,6 | 903.3 | 143.3 |

Source: www.ctstat/statistics.nstlforeign_trade/

5.2.1 Importance of Tourism in South Cyprus Economy:

The Turkish invasion of the island of Cyprus in July 1974, at the height of the tourist season, brought the upward trend of the tourism industry along with all other economic activities to an abrupt halt. The resort of Famagusta and Kyrenia with 65% of the total bed capacity and 96% of the beds under construction at that time, as well as the main access point of Nicosia International Airport, were lost.

In the absence of the adequate planning policies and regulations, tourism development occurred in an unplanned, short-sighted and spontaneous manner, bearing no relationship to beach capacity and availability of skilled labor.¹³²

As indicated before, the peace operation on the 20th of July 1974 resulted in the partition of the island. After this event 160000 Greek Cypriots had moved from North to the South section of the island. There were 59000 people unemployed after 1974 in South Cyprus, nearly 30% of the working population.¹³³

Before 1974, most of the hotels and tourist institutions were situated in the northern section of the island and after 1974 the Greek Cypriots had left approximately 65% of the existing bed capacities in the North. The South Cyprus to restructure its economy in 1975 had announced an 'Emergency Economic Action Plan' (1975-1976) that contains the following short term aims to improve the tourism sector:

1. Re-establish links with tour operators' travel agents and journalists in the traditional markets in Europe with the object of putting Cyprus back on tourist map.
2. To attract Greek Cypriots living in foreign countries.
3. To secure satisfactory occupancy rate for the existing hotel units.
4. To encourage the completion of hotel units under construction and create new facilities.
5. To execute tourist infrastructural works, such as public beaches.¹³⁴

¹³² Tourism Management, Volume 23, No: 2&3, UK, 2002, p. 148.

¹³³ Brey and Muller, Insights Guides Cyprus, Singapore, 1993, pp. 83-86.

¹³⁴ Republic of Cyprus, Ministry of Finance, National Report, No: 32, Nicosia, 1979, pp. 1-20.

The first efforts to develop tourism in Cyprus were made in 1960. At that time, the island displayed many symptoms of underdevelopment and its tourism industry was virtually non-existent.¹³⁵ Indeed in 1960 just 25,000 visitor arrivals were recorded, with tourists' receipts contributing some 2.5 per cent of GDP. Since the early 1960's, the expansion of the tourism sector in Cyprus has been remarkable.

During this period, the most rapid development took place in the coastal resorts of Turkey Kyrenia and Famagusta, laying the foundations for the island's transformation into a major summer-sun destination.¹³⁶

The losses from the separation of the island in 1974 was as mentioned before enormous for the South, the most important areas of cultivable land around Morphou and Famagusta were lost and Famagusta Harbour, Nicosia Airport and several important trade routes were cut off. Almost all of the modern hotels in Cyprus were situated on the North (mainly in Kyrenia and in Famagusta) prior to 1974. The economy of South Cyprus has shown a huge economic growth last 20 years. The problem of unemployment was solved efficiently, thoroughly and very quickly. The duty of construction the economy and the various infrastructures (i.e. airports, roads and ports), along with the rapid growth in the construction industry, manufacturing and tourism from 1975 onwards, indicated that the unemployment could be employed quickly. Full employment was achieved in 1977; the hard work of the Greek refugees was the main factor behind the rapid economic growth between 1975 and 1980s.¹³⁷

In the early 1970s tourism was considered a 'smoke-less industry', largely dependent on using and developing the same natural and cultural resources of a country as attractions for visitors. Tourism was also looked upon as a panacea for stimulating economic development due to its extensive contribution to foreign exchange earnings, generation of income, employment and government revenue.

For the island of Cyprus, the potential of tourism growth was recognized as an important economic activity in the early 1960s with the information of the 'Republic of Cyprus'.

¹³⁵ Witt, S., Tourism in Cyprus: Balancing the Benefits and Costs, Tourism Management, Volume 12, No: 1, UK, 1991, pp.37-46.

¹³⁶ Sarpley, Richard, Rural Tourism and the Challenge of Tourism Diversification: the case of Cyprus. Tourism Management, Volume 23, No: 3, June 2002, UK, pp.235-236.

¹³⁷ Brey and Muller, op.cir, pp. 83-86.

Tourism was considered as a means of encouraging diversification of the economy and as an earner of the much needed foreign exchange. In the late 1960s, the first major sea resort hotels were developed and the further development of tourism was encouraged by both local and foreign companies as well as by the government. By the early 1970s, Famagusta on the one hand, had already developed an image of a 'sun and sea' resort, while as Kyrenia was considered as a more diverse quality resort on the other.¹³⁸

Tourism development is responsibility of the Cyprus Tourism Organization, a semi-governmental institution operating under the supervision of the Ministry of Commerce, Industry and Tourism.¹³⁹

Tourism more than any other activity, depends primarily on quality human and natural environment and resources. In its manifestation though, it is characterized by fast short-term development which, in many cases, damages those very assets it seeks to promote.¹⁴⁰

By 1986, South Cyprus had revitalized its tourism industry to extent that receipts from tourism exceeded receipts from total exports of goods by 9,7%.¹⁴¹

In general, sustainable tourism refers to any form of tourist development or activity which; respects environment; ensures long-term conservation of natural and cultural resources; is socially and economically acceptable and equitable.¹⁴²

The characteristics of tourism in South Cyprus were, and continue to be cause for concern:

- Since, the mid-1980s, when the island started playing the numbers game, the success of tourism has been measured in terms of growth in arrivals. However, arrivals throughout the 1990s were erratic, with recent growth largely attributable to the short-term popularity of Agia Napa's club/dance scene.

¹³⁸ Savariades, Alexis, Establishing the Social Tourism Carrying Capacity for the Tourist Resorts of the East Coast, of Republic of Cyprus, Tourism Management, Volume 21, nNo: 2, UK, April 2000. p.147.

¹³⁹ Anosrotides. P., A.. p. 32.

¹⁴⁰ Ib id. p. 36.

¹⁴¹ Cyprus Tourism Organisation. Annual Report. 1991. p. 71.

¹⁴² Anosrolides. P. A.. op.cit. p. 37.

Despite efforts to the contrary, South Cyprus remains dependent upon its traditional core markets. The UK, in particular, has long provided the bulk of visitors, peaking at 54.6 percent in 1992 (largely as a result of an intensive marketing campaign in the UK following the Gulf War - induced decline in 1991). Consistent with the policy of the Cyprus Tourism Organization (CTO), the UK's share fell to 36.9 per cent by 1996 but by 1999, this had climbed back to almost 47.5 per cent. South Cyprus other traditional markets, Scandinavia and Germany, each continue to account for roughly 10 per cent of arrivals.

- During the 1990s, the average length of stay of tourists in South Cyprus - though relatively long having to the predominantly inclusive-tour nature of tourism to island - has declined, falling from 12.5 days in 1991 to 10.92 days in 1996. More recently average length of stay has slightly increased, though not to the levels of 1990. Partly as a result, average visitor spending has increased less rapidly than might be expected.

Tourism in South Cyprus, remains stubbornly seasonal over a quarter of all tourists arrive in the peak months of July and August, with the summer quarter from July to September accounting for almost 40 per cent of total annual arrivals.

- The great majority of tourists travel to South Cyprus on inclusive - tour (package) arrangements. In particular, 80 per cent of the UK market and 100 per cent of the Scandinavian market in South Cyprus are typically on package holidays. Not only has this limited the potential to develop the more lucrative independent market, but also the island has become increasingly dependent upon a small number of major overseas tour operators. This, over 60 specialist and mainstream operators (including some 20 Cypriot - owned companies) in the UK alone offer holidays to South Cyprus in their programs, it has been observed that, as a result of recent restructuring within the tour operating industry, some 30 per cent of arrivals in South Cyprus are controlled by just one company, the German group Preussag.

- Tourism development has been spatially concentrated along the coastal areas of the island. In 1975 just 1500 bedspaces out of total of 4,000 were available in coastal resorts. By 1999, almost 86,000 licensed bedspaces were available, the great majority along the coast.

The type of accommodation development in particular the expansion of the self-catering apartment sector during the 1980s has had a significant impact on the nature of tourism in South Cyprus.¹⁴³

•The development of tourism in Cyprus has been characterized by the rapid growth of mass, summer-sun and increasingly price-sensitive package tourism concentrated in large coastal resorts and dominated by major overseas tour operators. Conversely, inland rural areas, once the focus of tourism in Cyprus, have gained relatively little benefit from tourism.¹⁴⁴

Since 1960, when the island gained its independence from Britain, tourism development in Cyprus occurred in two distinct phases:

(a) Tourism development in Cyprus; phase 1

The first phase, up to 1974 witnessed the beginning of the island's transformation into a major Mediterranean summer sun destination as the focus of tourism development shifted from the traditional hill resorts of the Trodos mountains to the coastal resorts of Kyrenia and Famagusta.

During this period, and particularly from the late 1960's onwards, tourism grew rapidly. Annual arrivals which totaled just 25,700 in 1960 exceeded 264,000 by 1973, representing an annual average of 22 % (Table 30). At the same time, the characteristics of tourism development on the island, even at this early stage, were following a pattern typical of many Mediterranean destinations. That is, development was focused primarily on coastal resorts (by 1973, Kyrenia and Famagusta accounted for 58 % of accommodation and 73 % of arrivals), demand was highly seasonal and the UK had already emerged as the principal market.

¹⁴³ Sharpley, Richard. The Influence of the Accommodation Sector on Tourism Development: Lessons from Cyprus; International Journal of Hospitality Management, Volume 19, No: 3, 2000, pp.275-293.

¹⁴⁴ Sharpley. (Tourism Management, Vol: 12, No: 1, 1991). op.cit. p.237.

Table 30 Tourism Growth Rates in Cyprus Republic (1960-1973):

| Years | Arrivals/Earnings | | | | Rate of Growth % | | |
|--------------------------------------|-------------------|------|-------|-------|------------------|---------|---------|
| | 1960 | 1966 | 1971 | 1973 | 1960-66 | 1966-73 | 1960-73 |
| Tourist Arrivals ('000s) | 25.4 | 54.1 | 178.6 | 264.1 | 13 | 5 | 120 |
| Foreign Exchange Earnings (£million) | 1.8 | 3.6 | 13.6 | 23.8 | 12 | 31 | 122 |
| Contribution of Earnings to GDP (%) | 2.0 | 12.5 | 15.2 | 17.2 | - | - | - |

Source: PIO, Ayers, 2000.

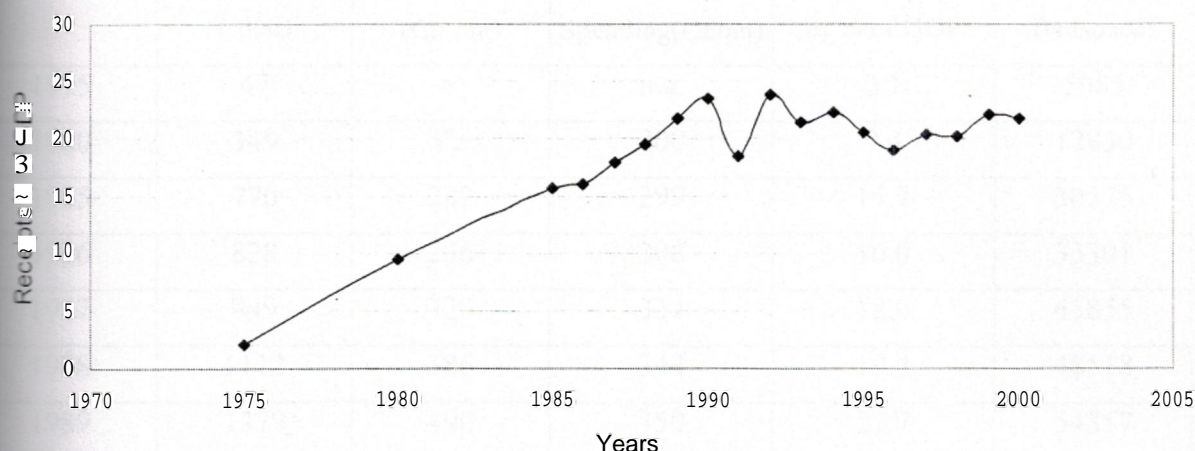
(b) Tourism Development in South Cyprus: phase 2

After 1974, the great majority of existing and planned accommodation, as well as the island's international airport Nicosia and many other tourists' facilities were lost and arrivals in 1975 amounted to just 47,000.

However, despite the enormous problems facing the country, the second phase of tourism development in Cyprus from 1975 onwards again witnessed remarkable growth. Between 1976 and 1989, annual arrivals increased by 700 %, whilst the receipts from tourism also grew rapidly.

As it can be seen from Graph 12, the share of Tourism receipts within the GDP of South Cyprus has rapidly increasing trend. In 1975, after the invasion of Turkey, tourism receipts take 2.1 % of total GDP, in 1989 the share of tourism increased to 21.7% of total GDP and in 1999 it reached to 22%. Below graph shows the sharply increased trend of South Cyprus Tourism receipts as a percentage of GDP.

Graph 12 Tourism receipts as% of GDP in South Cyprus



Source: Cyprus Planning Office (CPO) Reports, Department of Statistics and Research, Ayers, 2000.

Indeed the popularity of Agia Napa as one of the Mediterranean's premier clubbing/nightlife centers has been a major contributor to the recent growth in arrivals in Cyprus, although by early 2002, booking for Agia Napa were some 40% down on 200, the family market has been deterred by the clubbing image whilst the resort's popularity as a nightlife centre has proved to be short-lived. The key indicators of tourism development on the island since 1975 are provided in Table 31.

Notably, tourism has assumed an increasingly important role in the South Cyprus economy. Tourism receipts, in 1975, contributed 2.1% of GDP, in 1999, reached peak point, which is 22.4% and in 2000, contributed 21.7% of GDP (see Table 31).¹⁴⁵

According to the data on Table 31, arrivals was 47,000 in 1975, it increased to 1,991,000 person in 1992 and reached to 2,686,000 person in 2000.

Total licensed bedspaces also can be seen in Table 31. Total bedspaces has very high increasing speed between the period 1975 and 2000. In total licensed bedspaces was only 568, it increased to 30,375 in 1985, 78,427 in 1995 and 85,303 in 2000.

¹⁴⁵ Sarpley, Richard, Tourism Modernization and Development on the Island of Cyprus: Challenges and Policy Responses. Journal of Sustainable Tourism, Volume 11, No: 2&3, New Zealand, 2003, pp. 136-139.

Table 31 Tourism in South Cyprus 1975 – 2000 (Key indicators):

| Years | Arrivals (‘000) | Receipts (Cf mmm) | Average Tourist Spending(Cfmm) | TourismReceipts as% of GDP | Total Licensed Beds paces |
|-------|--------------------|----------------------|-----------------------------------|-------------------------------|------------------------------|
| 1975 | 47 | 5 | n.a. | 2.1 | 5685 |
| 1980 | 349 | 72 | 200 | 9.4 | 12830 |
| 1985 | 770 | 232 | 299 | 15.7 | 30375 |
| 1986 | 828 | 256 | 308 | 16.0 | 33301 |
| 1987 | 949 | 320 | 334 | 18.0 | 45855 |
| 1988 | 1112 | 386 | 344 | 19.4 | 48518 |
| 1989 | 1379 | 490 | 350 | 21.7 | 54857 |
| 1990 | 1561 | 573 | 364 | 23.4 | 59574 |
| 1991 | 1385 | 476 | 343 | 18.4 | 63564 |
| 1992 | 1991 | 694 | 351 | 23.8 | 69759 |
| 1993 | 1841 | 696 | 379 | 21.4 | 73657 |
| 1994 | 2069 | 810 | 389 | 22.3 | 76117 |
| 1995 | 2100 | 810 | 383 | 20.5 | 78427 |
| 1996 | 1950 | 780 | 382 | 19.0 | 78427 |
| 1997 | 2088 | 843 | 393 | 20.4 | 84364 |
| 1998 | 2222 | 878 | 380 | 20.2 | 86151 |
| 1999 | 2434 | 1025 | 400 | 22.0 | 84173 |
| 2000 | 2686 | 1194 | n.a. | 21.7 | 85303 |

Source: CPO Reports. Department of Statistics and Research, Ayers, 2000.

However, this figure does not indicate the true impact of tourism on the economy. That is rapid growth in tourism has stimulated growth in other sectors, particularly construction, as well as in related industries such as financial services, communications and transport, whilst agriculture and manufacturing also benefited from the increasing number of arrivals who boasted demand for a wide range of locally produced products. At the same time, the production of other products and handicrafts, such as wines and lace has been revitalized by tourism demand. It is surprising, therefore, that in a country so dependent upon tourism, no figures are published that provide an indication of overall value of tourism.

Ayers, R., Tourism as a Passport to Development in Small States: The case of Cyprus. International Journal of Social Economics, Volume 27, No: 2, 2000, pp.111-133.

It has already been established that tourism development in South Cyprus is essentially sun, sea and sand oriented. The negative impacts of the pressure exercised on the coast have already been identified. In order to alleviate pressure in coastal areas and respond more positively to environmental criteria within the concept of 'sustainability', the efforts in the tourism development policy were directed towards enrichment and diversification of the tourist product. Indeed, this is the goal for the future. These new forms of tourism are promoted in order to satisfy the additional needs and interests of the visitor and take advantage of assets of the Cypriot nature and culture.¹⁴⁷

The sector structure of the South Cyprus production structure has shifted from both agriculture and manufacturing sector dominance, towards the service sector. Factors such as, high education level of population, high life standards, mild weather conditions and efficient infrastructure in transportation, have induced the growth of the service sector.

According to the World Travel and Tourism Council's satellite accounting research, the tourism economy in Cyprus contributed almost 31 % of GDP in 2001, a figure forecast to rise to 32 % by 2011.¹⁴⁸

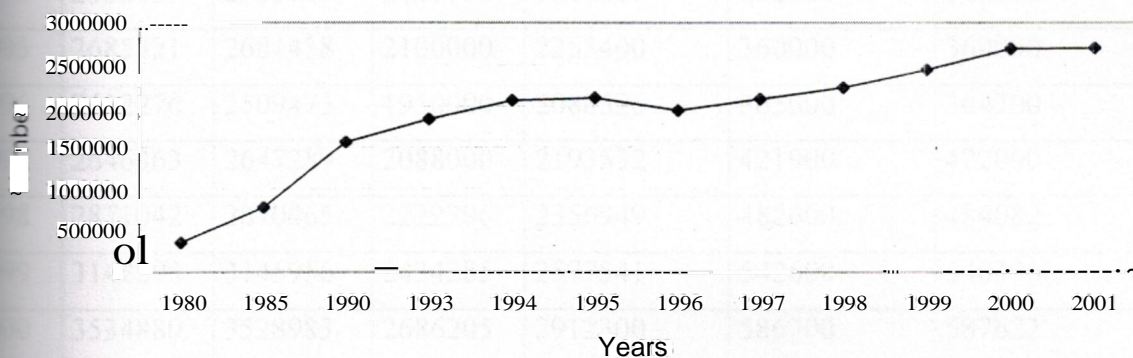
Tourism-Travel statistics between 1980 and 2001 can be seen in Table 32. In 1980 arrivals was 528,288 people and departures were 526,568 people, total tourists number was 348,530 and total visitors were 403,420 people. Residential departures and returns was 120,097 and 121,168 person in 1980 respectively.

Total arrivals of travelers increased to 2,685,321 and departures of travelers increased to 2,681,438 people in 1985. Total tourist number was 2,253,400 in 1995. In the same year, residents' departures and returns was 360,000 and 360,000 in respect. In 2001, arrivals and departures of travelers reached 3,554,314 and 3,558,873 person respectively, which was the peak point of the investigated period. Total tourist number also reached its peak point with 2,696,732 tourists. Total number of visitors was 2,840,646. In 2001, residents' departures and returns was 686,100 and 684,197 respectively.

¹⁴⁷ Vposrolides, P., A., op.cit., pp. 37-38.
¹⁴⁸ www.wttc.org/!/-/c:res/cv/as.P..., 2001

Arrivals and Departures of travelers by mode of travel, between the 1980 and 2001 shown in Table 33. Total arrivals were 528,288 people in 1980. 97,349 people chose the sea way of travel and 430,939 people chose the airway of travel. In 2001 out of 3,554,314 total tourists 3,081,5 people choose the airway of travel.

Graph 13 Number of Tourist visit the South Cyprus (1980-2001)



Source: CPO Reports, Department of Statistics and Research, Ayers, 2000.

Graph 13 shows the total number of tourists visited the South Cyprus from 1980 to 2001. As can be easily seen from the above graph, total tourist number has increasing trend. In 1980 tourist number was 348,530 people. In 2001, 2,696,732 people visited the South Cyprus.

Table 33 Arrivals and Departures of Travelers by Mode of Travel in South Cyprus,

1980 - 2001:

| Years | Arrivals | | | Departures | | |
|-------|----------|--------|---------|------------|--------|---------|
| | Total | Sea | Air | Total | Sea | Air |
| 1980 | 528288 | 97349 | 430939 | 526586 | 97723 | 428863 |
| 1985 | 1075386 | 205244 | 870142 | 1080214 | 213703 | 866511 |
| 1986 | 1160501 | 219781 | 940720 | 1171553 | 228211 | 943342 |
| 1987 | 1346413 | 630111 | 1083402 | 1346144 | 264598 | 1081546 |
| 1988 | 1526553 | 242087 | 1284466 | 1534912 | 239528 | 1295384 |
| 1989 | 1771610 | 335873 | 1435737 | 1740067 | 295227 | 1444840 |
| 1990 | 1933583 | 326186 | 1607397 | 1906165 | 301813 | 1604352 |
| 1991 | 1746048 | 291551 | 1454497 | 1716905 | 288977 | 1427928 |
| 1992 | 2437339 | 407352 | 2029987 | 2435623 | 409081 | 2026542 |
| 1993 | 2319329 | 376286 | 1943043 | 2305641 | 355138 | 1950503 |
| 1994 | 2588139 | 416090 | 2172049 | 2583707 | 419286 | 2164421 |
| 1995 | 2685321 | 395615 | 2289706 | 2681438 | 391364 | 2290074 |
| 1996 | 2512270 | 343651 | 2168619 | 2509473 | 341446 | 2168027 |
| 1997 | 2646363 | 357634 | 2288729 | 2647289 | 358766 | 2288523 |
| 1998 | 2871042 | 267683 | 2503359 | 2870465 | 369175 | 2501290 |
| 1999 | 3142293 | 411736 | 2703557 | 3145956 | 411839 | 2734117 |
| 2000 | 3534880 | 518048 | 3016832 | 3528983 | 516572 | 3012411 |
| 2001 | 3554314 | 350499 | 3203815 | 3558873 | 347463 | 3211410 |

Source: Tourism Migration and Travel Statistics, Statistical Service, The Printing Office of The Republic of Cyprus, 2001.

Table 34 shows the arrivals and departure preferences of travel from 1980 to 2001. Both arrivals and departures have, heavily choose the airway for their travels. In 1980, 81,6% of arrivals choose the airway. This share reached 90,1% in 2001. As same as arrivals, departures are chooses mainly on airway. Between the investigated period departures choose 81,4% in 1980 and 90,2% in 2001 the airway.

Table 34 Arrivals and Departures of Travelers by mode of Travel in South Cyprus

(1980- 2001). %.

| Years | Arrivals(%) | | | Departures (%) | | |
|-------|-------------|------|------|----------------|------|------|
| | Total | Sea | Air | Total | Sea | Air |
| 1980 | 100,0 | 18,4 | 81,6 | 100,0 | 18,6 | 81,4 |
| 1985 | 100,0 | 19,1 | 80,9 | 100,0 | 19,8 | 80,2 |
| 1986 | 100,0 | 18,9 | 81,1 | 100,0 | 19,5 | 80,5 |
| 1987 | 100,0 | 19,5 | 80,5 | 100,0 | 19,7 | 80,3 |
| 1988 | 100,0 | 15,9 | 84,1 | 100,0 | 15,6 | 84,4 |
| 1989 | 100,0 | 19,0 | 81,0 | 100,0 | 17,0 | 83,0 |
| 1990 | 100,0 | 16,9 | 83,1 | 100,0 | 15,8 | 84,2 |
| 1991 | 100,0 | 16,7 | 83,3 | 100,0 | 16,8 | 83,2 |
| 1992 | 100,0 | 16,7 | 83,3 | 100,0 | 16,8 | 83,2 |
| 1993 | 100,0 | 16,2 | 83,8 | 100,0 | 15,4 | 84,6 |
| 1994 | 100,0 | 16,1 | 83,9 | 100,0 | 16,2 | 83,8 |
| 1995 | 100,0 | 14,7 | 85,3 | 100,0 | 14,6 | 85,4 |
| 1996 | 100,0 | 13,7 | 86,3 | 100,0 | 13,6 | 86,4 |
| 1997 | 100,0 | 13,5 | 86,5 | 100,0 | 13,6 | 86,4 |
| 1998 | 100,0 | 12,8 | 87,2 | 100,0 | 12,9 | 87,1 |
| 1999 | 100,0 | 13,1 | 86,9 | 100,0 | 13,1 | 86,9 |
| 2000 | 100,0 | 14,7 | 85,3 | 100,0 | 14,6 | 85,4 |
| 2001 | 100,0 | 9,9 | 90,1 | 100,0 | 9,8 | 90,2 |

Source: Tourism Migration and Travel Statistics, Statistical Service, The Printing Office of The Republic of Cyprus, 2001.

Table 35 shows the arrivals of travelers by mode of travel and other country of origin between the period of 1998 and 2001. In 1998, total arrivals of travelers were 2.756,813 people. In 1999 it increased to 3,016,129 and reached to 3,429,443 people in 2001. Out of the 2,756.813 arrivals of travelers, 2.352,552 travelers came from Europe, 1,922,291 travelers came from EU Countries and 327,235 came from Asia in 1998. In 2001, total arrivals of travelers were 3,429,443, the total numbers of travelers which chose the airway was 3.208,815 persons. Out of the total 3,429.443, 3.090.722 travelers came from Europe, 2.615,021 travelers came from Asia.

From 1998 to 2001, total numbers of arrivals has increasing trend. Arrivals of travellers which were coming from Europe and EU Countries has highly increased trend but America and Asia has sharply decreased trends.

Table 35 Arrivals of Travelers by Mode of Travel and Country of Origin in South Cyprus, 1998-2001.

| Country of Origin | 1988 | | 1999 | | 2000 | | 2001 | |
|-------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Total | Air | Total | Air | Total | Air | Total | Air |
| Total | 275681 | 131250 | 335913 | 161291 | 272934 | 81332 | 530113 | 150811 |
| Europe | 235255 | 123126 | 31256 | 63741 | 25058 | 22128 | 71376 | 12808 |
| EU Countries | 192229 | 11188 | 90691 | 21478 | 72121 | 10356 | 21243 | 41611 |
| Other European | 43026 | 14235 | 3414 | 18502 | 14022 | 60 | 14372 | 15 |
| Africa | 76980 | 16734 | 138165 | 16999 | 169202 | 15105 | 135531 | 17651 |
| America | 46 | 35 | 149 | 10 | 150 | 0 | 0 | 0 |
| Asia | 327235 | 173987 | 311541 | 206527 | 284673 | 191872 | 203190 | 176438 |

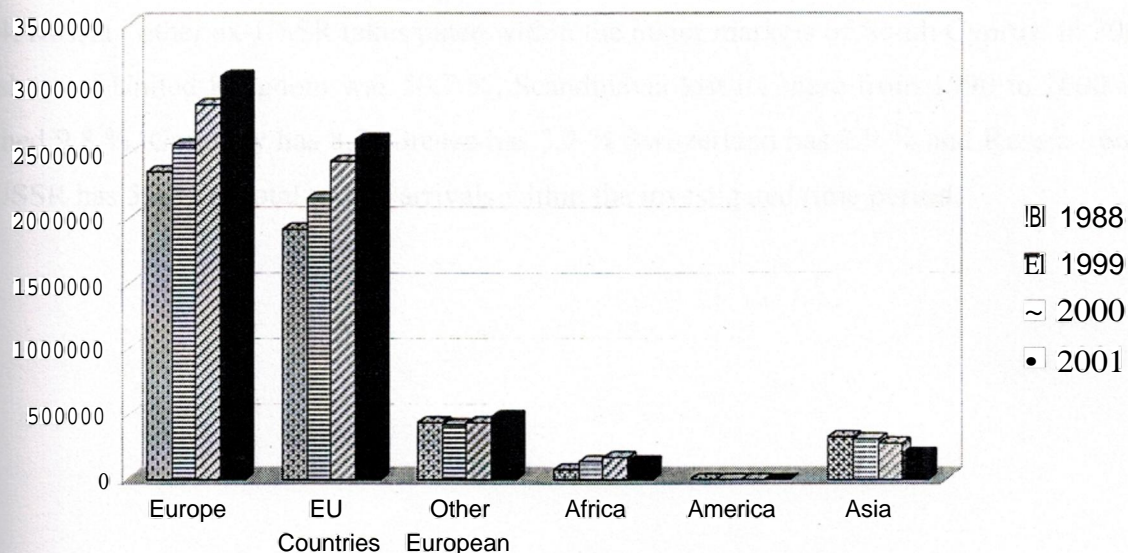
Source: Tourism Migration and Travel Statistics, Statistical Service, The Printing Office of The Republic of Cyprus, 2001.

| | | | | | | | | | | |
|-------------|------|------|------|------|-----|------|------|------|------|-----|
| Scandinavia | 17.6 | 14.1 | 12.1 | 14.0 | 9.9 | 10.9 | 12.1 | 10.6 | 10.4 | 9.8 |
| Germany | 6.4 | 4.8 | 3.7 | 6.3 | 8.4 | 5.3 | 13.3 | 11.9 | 8.7 | 4.3 |
| Greece | 13.5 | 4.1 | 3.3 | 3.0 | 2.7 | 3.1 | 4.9 | 5.3 | 3.7 | 3.0 |
| Switzerland | 2.9 | 2.6 | 2.6 | 4.1 | 0.7 | 2.2 | 3.4 | 1.8 | 13.8 | 3.6 |
| Asia/other | - | - | - | 2.5 | 4.3 | 6.7 | 18.9 | 12.9 | - | 3 |
| USSR | - | - | - | - | - | - | - | - | - | - |

Source: Annual Plan CTO, 1990-99, CTO 2001.

As it can be seen from Table 36, the major markets of South Cyprus were United Kingdom from 1990 to 2001. United Kingdom took the highest share of total tourists from 1990 to 2000. In 1990, share of United Kingdom within the total tourist arrivals was 44.3%. Share of Scandinavia followed United Kingdom with 17.6 %. Germany took 6.4 % Greece took 13.5 %

Graph 14 Arrivals of Travelers Country Origin in South Cyprus



Source: Tourism Migration and Travel Statistics, Statistical Service, The Printing Office of The Republic of Cyprus, 2001.

Table 36 Arrivals from Major Markets of South Cyprus, 1990 - 2000 (% share).

| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|----------------------|------|------|------|------|------|------|------|------|------|------|------|
| United Kingdom | 44,3 | 49 | 54,6 | 51,6 | 46,9 | 40,5 | 36,9 | 38,3 | 45,7 | 47,6 | 50,7 |
| Scandinavia | 17,6 | 14,1 | 12,1 | 8,6 | 9,9 | 10,9 | 12,1 | 10,8 | 10,9 | 10,9 | 9,8 |
| Germany | 6,4 | 4,8 | 5,1 | 6,5 | 8,4 | 11,2 | 12,3 | 11,9 | 9,4 | 9,8 | 8,7 |
| Greece | 4,5 | 4,3 | 3,3 | 3,0 | 2,7 | 3,1 | 4,5 | 3,2 | 3,2 | 3,4 | 3,7 |
| Switzerland | 2,9 | 2,8 | 2,6 | 4,1 | 4,7 | 5,2 | 5,4 | 3,8 | 3,8 | 3,6 | 2,9 |
| Russia/other ex-USSR | - | - | - | - | 12,9 | 4,5 | 6,7 | 8,9 | 8,9 | 5,5 | 5,4 |

Source: Adapted from CTO 1990-99, CTO 200 I.

As it can be seen from Table 36, the major markets of South Cyprus were United Kingdom from 1990 to 2000. United Kingdom took the highest share of total tourist arrivals from 1990 to 2000. In 1990, share of United Kingdom within the total tourist arrivals was 44.3%. share of Scandinavia followed United Kingdom with 17,6 %, Germany took 6,4 % Greece took 4,5

% and Switzerland took 2,9 %. United Kingdom reached the 54,6 %, which the highest share within the investigated period in 1992, at the same year other countries lost their share. From 1994, Russia / other ex-USSR takes place within the major markets of South Cyprus. In 2000, the share of United Kingdom was 50,7 %, Scandinavia lost its share from 1990 to 2000 and reached 9,8 %, Germany has 8,7, Greece has 3,7 % Switzerland has 2,9 % and Russia / other ex-USSR has 5,4 % of total tourist arrivals within the investigated time period.

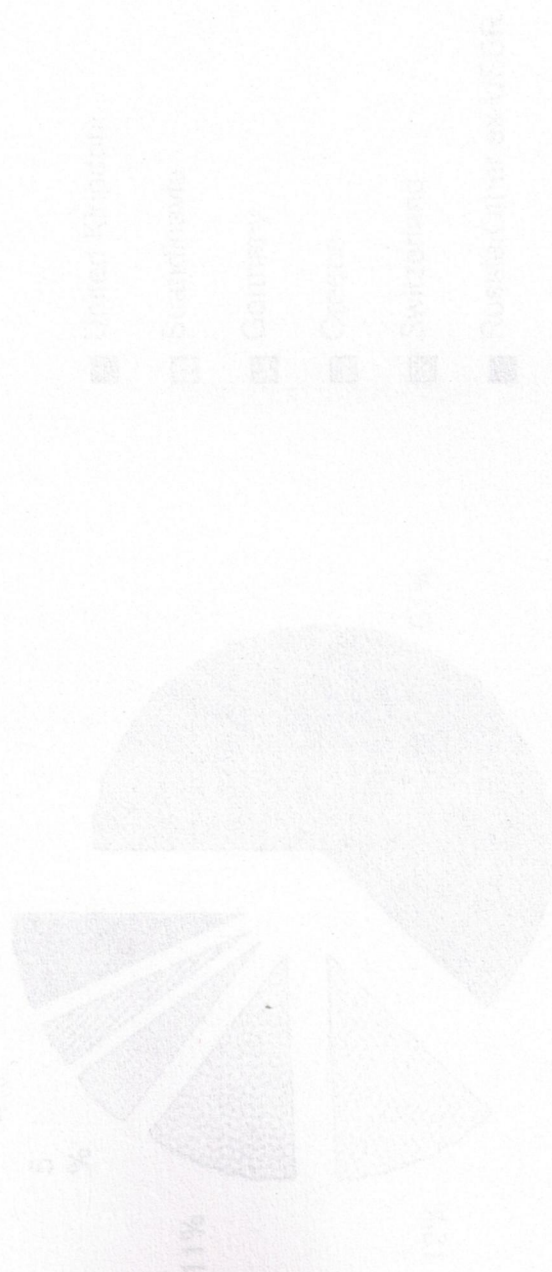
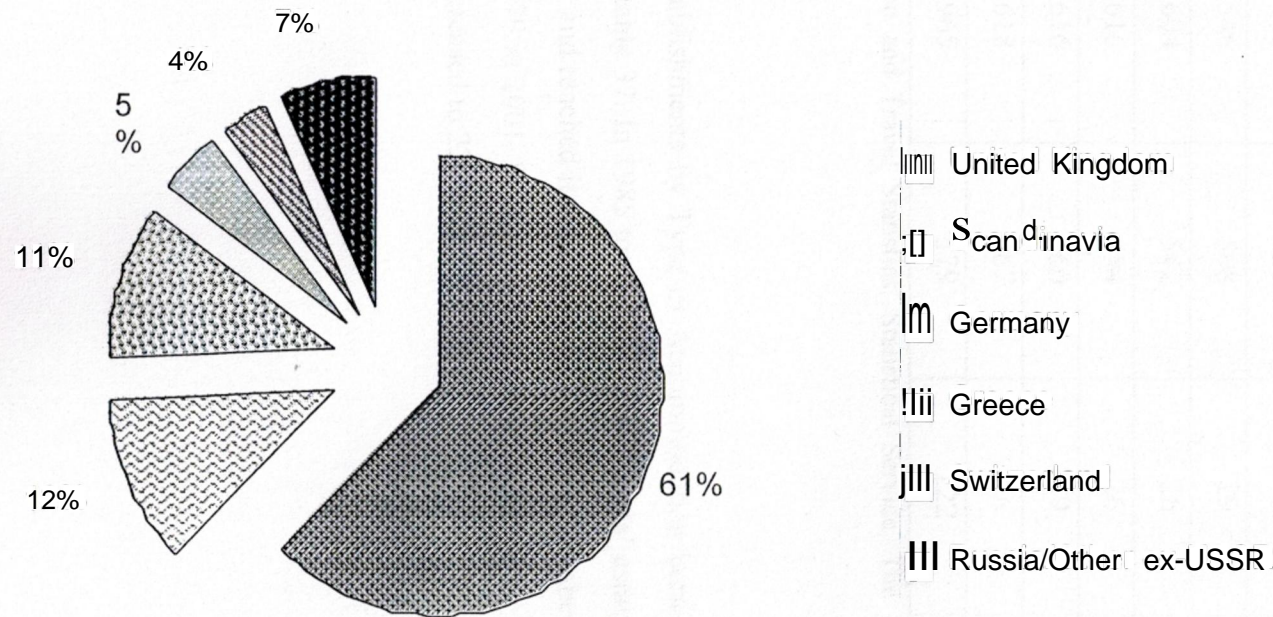


Figure 11: Arrivals from Major Markets of
South Cyprus, (%) 2000



Source: Adapted from CPO 1990-1999, CTO 2001.

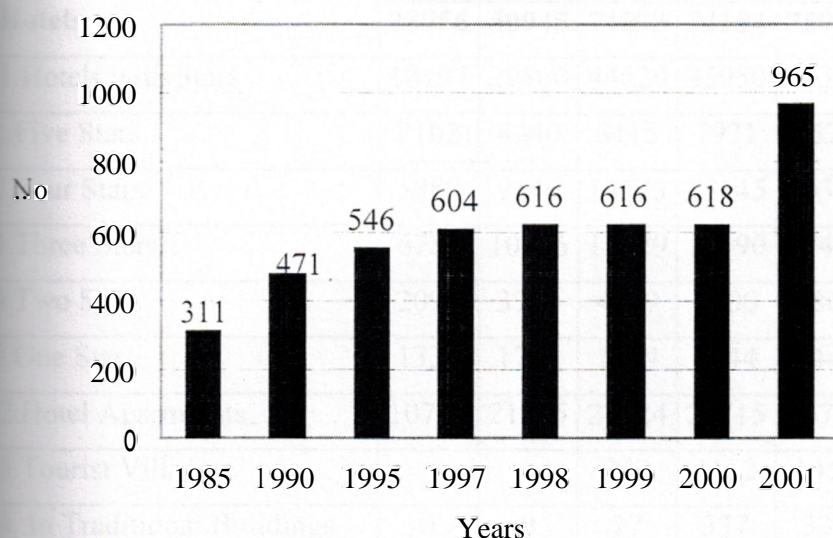
Table 37 Number of Tourist Establishments by Type of Accommodation in South Cyprus, 1985-2001:

| Years | Total | Hotels | Similar Establishments | Other Collective Accommodation Establishments |
|-------|-------|--------|------------------------|---|
| 1985 | 311 | 258 | 53 | - |
| 1990 | 471 | 420 | 43 | 8 |
| 1995 | 546 | 508 | 29 | 9 |
| 1997 | 604 | 542 | 26 | 36 |
| 1998 | 616 | 554 | 26 | 36 |
| 1999 | 616 | 560 | 19 | 37 |
| 2000 | 618 | 567 | 16 | 35 |
| 2001 | 965 | 579 | 222 | 164 |

Source: Tourism Migration and Travel Statistics, Statistical Service, The Printing Office of The Republic of Cyprus, 2001.

Table 38 shows the number of tourist establishments by type of accommodation between the years 1985 - 2001. can be seen from table 37. In 1985 total number of tourists' establishments was 311; it increased to 604 in 1997 and reached its peak point 965 in 2001. Number of hotels was 258 in 1985, 542 in 1997 and 579 in 2001. Similar establishments were 53 in 1985, decreased to 26 in 1997 and it sharply increased to 222 in 2001.

Graph.1 Number of Tourist Establishments,
in South Cyprus



Source: Tourism Migration and Travel Statistics, Statistical Service, The Printing Office of The Republic of Cyprus, 2001.

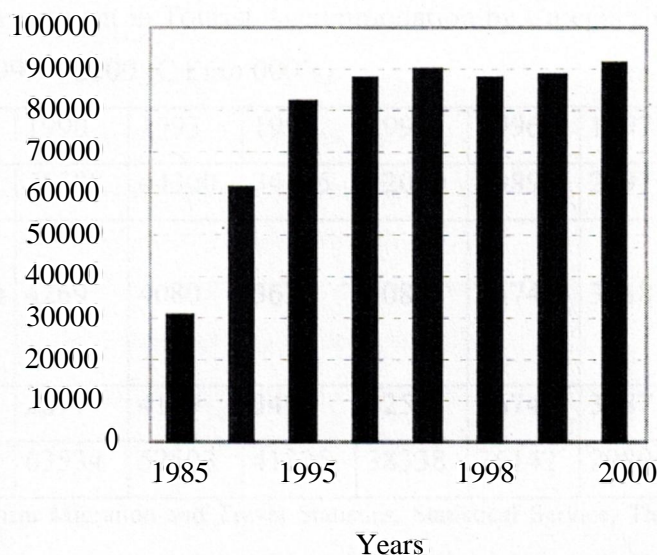
Table 38 shows the bedspaces by type of accommodation in detail, within the period of 1985 - 2001. In 1985, total bedspaces of hotels were 28,956. Hotels divided into four categories which were hotel with stars, hotel apartments, tourist villages and traditional buildings. The total bedspaces into the hotel with stars were, 18,197 and hotel apartment were 10,759. Total bedspaces and number of accommodation increased rapidly from 1985 to 2001. Total bedspaces in hotels increased to 78,488 in 2001. Hotels with stars increased to 50,820. 5 star hotels bedspaces increased from 2102 to 9,000, 1985 to 2001 respectively. Hotel apartments' bedspaces reached 23,457 in 2001. Hotels without stars bedspaces decreased from 1053 to 217 from 1985 to 2001 respectively. The total bedspaces of guesthouses also decreased from 366 to 157, from 1985 to 2001 respectively. In totally, bedspaces of all types of accommodation increased from 30,375 to 91422, 1985 to 2001 respectively.

Table 38 Number of Bedspaces with Type of Accommodation in South Cyprus, 1985 - 2001.

| | 1985 | 1990 | 1995 | 1997 | 1998 | 1999 | 2000 | 2001 |
|--|---------------|--------------|--------------|---------------|---------------|---------------|---------------|----------------|
| A. Hotels | 289561 | 50945 | 71993 | 74154 | 75931 | 74204 | 75601 | 78488 |
| A.1. Hotels with Stars | 181971 | 29860 | 44620 | 45950 | 47383 | 49062 | 49743 | 50820 |
| 1.1. Five Stars | 2102 | 4340 | 8115 | 7971 | 8323 | 8537 | 8552 | 9000 |
| 1.2. Four Stars | 5889 | 9149 | 14523 | 15545 | 16343 | 18392 | 18783 | 18983 |
| 1.3. Three Stars | 6785 | 10966 | 16329 | 17190 | 17473 | 16752 | 17135 | 17526 |
| 1.4. Two Stars | 2090 | 3704 | 4049 | 3800 | 3800 | 3974 | 3960 | 3998 |
| 1.5. One Star | 1331 | 1701 | 1604 | 1444 | 1444 | 1407 | 1313 | 1313 |
| A.2. Hotel Apartments | 10759 | 21085 | 27124 | 26715 | 26755 | 22847 | 23123 | 23457 |
| A.3. Tourist Villages | - | - | 222 | 1152 | 1456 | 1818 | 2220 | 3680 |
| A.4. In Traditional Buildings | 0 | 0 | 27 | 337 | 337 | 477 | 515 | 531 |
| B. Similar Establishments | 1419 | 6657 | 5140 | 9134 | 9230 | 9143 | 8878 | 8878 |
| B.1. Hotels without Stars | 1053 | 687 | 297 | 398 | 398 | 278 | 217 | 217 |
| B.2. Guest Houses | 366 | 381 | 435 | 210 | 210 | 157 | 157 | 157 |
| B.3. Tourist Apartments | - | 5589 | 4408 | 8526 | 8622 | 8708 | 8504 | 8504 |
| C. Other Accommodation Establishments | - | 13684 | 4702 | 4800 | 4710 | 4546 | 3944 | 4056 |
| C.1. Holiday Dwellings | - | 1912 | 1294 | 1080 | 990 | 826 | 824 | 936 |
| 1.1. Tourist Villages | - | 382 | 374 | 414 | 414 | 438 | 434 | 546 |
| 1.2. Furnished Apartments | - | 1590 | 920 | 660 | 576 | 388 | 390 | 390 |
| C.2. Tourist Campsites | - | 1712 | 3408 | 3720 | 3720 | 3720 | 3120 | 3120 |
| TOTAL | 30375 | 61286 | 81835 | 188088 | 189871 | 187893 | 188423 | 1914221 |

Source: Tourism Migration and Travel Statistics, Statistical Service, The Printing Office of The Republic of Cyprus, 2001.

Graph 17 Total Bed Spaces of South Cyprus by Years



Source: Tourism Migration and Travel Statistics, Statistical Service, The Printing Office of The Republic of Cyprus, 2001.

Table 39 shows the investments in tourists' accommodation by category from 1990 to 2000. Table 40 evaluated from Table 38 with the use of mathematical calculations and ratio analyses. Table 40 shows the percentage of the category of tourist accommodation investments. Investment in buildings took the big share of total tourist accommodation investments from 1990 to 2000. As it can be seen from the table 39 investment of buildings has a decreasing trend. In 1990 total investments in buildings were 56.388,000 C£ but it decreased to 29,071,000 C £ in 2000. From table 40, percentage of buildings investments decreased from 88,7 % to 73,9 % within the total tourist accommodation from 1990 to 2000 respectively.

Other investment categories within the tourist accommodating investments were machinery & transport equipment and furniture. Investment share of both categories increased between the periods of 1990 - 2000. In 1990 investment of machinery & transport equipment were 4.877.0000 C£ and investment of furniture were 2.877.000 C£, they increased to 5.078.000 C£ and 5.155.000 C£ in 2001 respectively. According to Table 40, the share of machinery &

transport equipment increased from 6,7 % to 12,9 % from 1990 to 2000 and furniture increased from 4,6 % to 13,2 % from 1990 to 2000 respectively.

Table 39 Investment in Tourist Accommodation by Category in South Cyprus, 1999 - 2000 (C £1111. 000's):

| Category | 1990 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|-----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Buildings | 56388 | 44300 | 34195 | 32000 | 29894 | 22971 | 21770 | 25577 | 29071 |
| Machinery | | | | | | | | | |
| Transport | 4269 | 4080 | 3636 | 3082 | 2574 | 3538 | 2963 | 3264 | 5078 |
| Equipment | | | | | | | | | |
| Furniture | 2877 | 4123 | 3494 | 3256 | 3674 | 3387 | 2149 | 4467 | 5155 |
| Total | 63534 | 52503 | 41325 | 38338 | 36142 | 29896 | 26882 | 35308 | 39304 |

Source: Tourism Migration and Travel Statistics, Statistical Service, The Printing Office of The Republic of Cyprus, 2001.

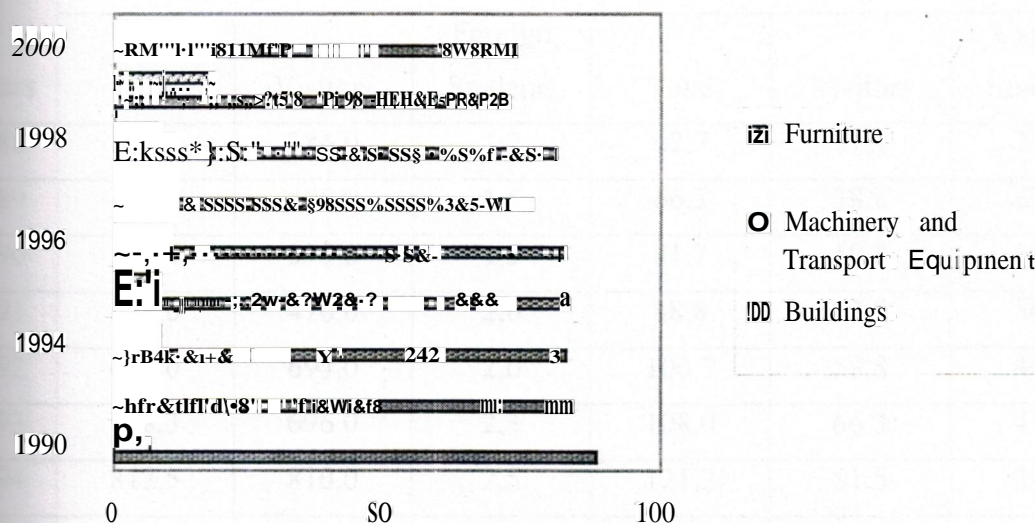
Table 40 Investment in Tourist Accommodation by Category, in South Cyprus, 1999 - 2000

| Category | 1990 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|-----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Buildings | 88,7 | 84,3 | 82,7 | 83,5 | 82,7 | 76,8 | 81,0 | 72,4 | 73,9 |
| Machinery | | | | | | | | | |
| Transport | 6,7 | 7,8 | 8,8 | 8,0 | 7,1 | 11,8 | 11,0 | 9,2 | 12,9 |
| Equipment | | | | | | | | | |
| Furniture | 4,6 | 7,9 | 8,5 | 8,5 | 10,2 | 11,4 | 8,0 | 18,4 | 13,2 |
| Total | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 |

Source: Evaluated from Table 9 & Table 10.

The other important point that have to be emphasize is income from foreign travelers and expenditure of Cypriots abroad shown in Table 36, within the period of 1988 - 2001, at the million of C£ base.

Graph 18 Investments in Tourist Accommodation By Category in South Cyprus(%)



Source: Tourism Migration and Travel Statistics, Statistical Service, The Printing Office of The Republic of Cyprus, 2001.

Table 41 Income from Travelers and Expenditure of Cypriots Abroad, in South Cyprus, 1988-2001 (C£ mn).

| Years | Income From Foreign Travelers | | | Expenditure of Cypriots Abroad | | |
|-------|-------------------------------|----------|------------------|--------------------------------|----------|------------------|
| | Total | Visitors | Foreign Students | Total | Visitors | Cypriot Students |
| 1988 | 387,2 | 386,0 | 1,2 | 62,7 | 37,1 | 25,6 |
| 1989 | 491,5 | 490,0 | 1,5 | 66,3 | 38,8 | 27,5 |
| 1990 | 574,5 | 573,0 | 1,5 | 81,2 | 50,8 | 30,4 |
| 1991 | 478,0 | 476,0 | 2,0 | 88,8 | 52,7 | 36,1 |
| 1992 | 696,0 | 694,0 | 2,0 | 100,7 | 59,8 | 40,9 |
| 1993 | 698,3 | 696,0 | 2,3 | 108,0 | 66,3 | 41,7 |
| 1994 | 812,5 | 810,0 | 2,5 | 121,2 | 81,5 | 39,7 |
| 1995 | 812,9 | 810,0 | 2,9 | 149,1 | 104,6 | 44,5 |
| 1996 | 783,1 | 780,0 | 3,1 | 170,3 | 120,0 | 50,3 |
| 1997 | 851,5 | 843,0 | 8,5 | 198,1 | 141,5 | 56,6 |
| 1998 | 888,1 | 878,0 | 10,3 | 211,3 | 144,9 | 66,4 |
| 1999 | 1036,0 | 1025,0 | 11,0 | 233,8 | 156,0 | 77,8 |
| 2000 | 1206,0 | 1194,0 | 12,0 | 257,3 | 171,4 | 85,9 |
| 2001 | 1290,0 | 1277,0 | 13,0 | 275,0 | 183,6 | 91,4 |

Source: Tourism Migration and Travel Statistics, Statistical Service, The Printing Office of The Republic of Cyprus, 2001.

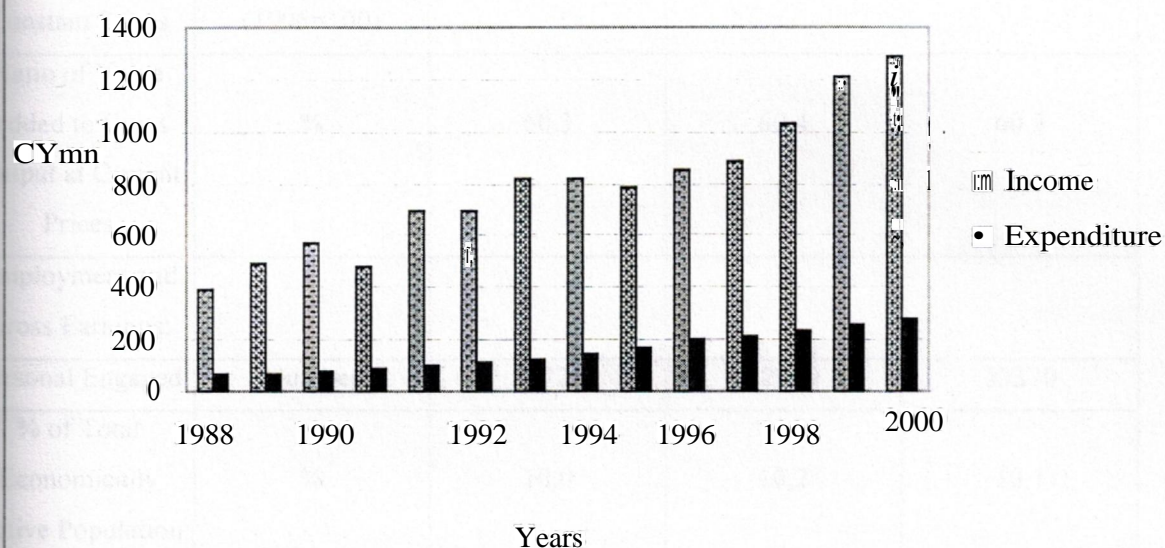
In 1988 total income from foreign travelers were 387,2 Cf mn, visitors took the 386,0 Cf mn and foreign students took 1.2 Cf mn within the total income (see Table 41). This amounts increased rapidly from 1988 to 2001. In 2001, total income from foreign travelers was 1.290,0 Cf mn. Visitors has 1.277,0 Cf mn of total income from travelers and foreign students has 13,0 Cf mn of total income from travelers. Both of them also increased rapidly within the same period.

Expenditure of Cypriots abroad sides of table divide into 3 column, which are total visitors and Cypriot students. Total expenditure of Cypriots abroad were 62,7 Cf mn in 1988 and increased 275,0 Cf mn in 2001. Expenditure of Cypriot visitors abroad was 37,1 Cf mn in

1988 an 183,6 Cf mn in 2001 and total expenditure of Cypriot students abroad were 25,6 Cf mn in 1988 and 91A Cf mn in 2001.

As it can be seen from Table 41, total income from foreign travelers and expenditure of Cypriots abroad increased from 1988 to 2001.

Graph 19 Incomes from Travelers and Expenditure of Cypriots Abroad in South Cyprus (C £ mn)



Source: Tourism Migration and Travel Statistics, Statistical Service, The Printing Off-ice of The Republic of Cyprus, 200 I.

Table 42 is the summary table which shows the main indicators in hotels and restaurants between the periods of 1999 - 200 I. According to the table main indicators divide into four categories which are, gross output value added employment and gross earnings and expenditure on fixed assets of hotels and restaurants.

| | | | | |
|-----------------------------------|------------|------|------|------|
| Building and Other Works | C£ million | 31,7 | 33,5 | 50,3 |
| Machinery and Other Equipments | C£ million | 8,3 | 9,8 | 12,8 |
| Furniture | C£ million | 8,4 | 9,9 | 11,8 |
| Vehicles, ships and aircrafts | C£ million | 0,9 | 1,1 | 1,2 |

Source: Hotels and Restaurants Statistics 2001, Statistical Service, Printing Office of The Republic of Cyprus, 2003.

Gross output was 733,7 Cf million in 1999 at current prices and increased to 903,1 Cf million in 2001. At current prices total value added increased from 442,5 Cf million to 544,9 Cf million from 1999 to 2001 respectively. The share of total value added to GDP was 9,5 % in 1999, and 4,0 % in 2001. Total number of persons engaged with hotels and restaurants were 11,726 in 1999, 32,989 in 2000 and 33,270 in 2001. Persons engaged with hotels and restaurants took the 10,0% in 2001 average labor costs per person engaged increased from 552 to 8164 Cf from 1999 to 2001. Value added per person engaged at current prices increased from 13,948 Cf to 16,378 Cf from 1999 to 2001 respectively. Expenditure on fixed assets in hotels and restaurants has increasing trend from 1999 to 2001. At current prices, expenditure on fixed assets 49,3 C£ million in 1999 54,3 C£ million in 2000 and 76,1 C£ million in 2001. Buildings and works took the big share of expenditure on fixed assets.

Table 43 gives the information about the value added by the category of factor income in 2000 and 2001, at the C£ 000's base. In 2000, compensation of employees was 219,107 C£ 000's imputed wages and salaries of proprietors and family members was 40,400 C£ 000's, depreciation was 43,020 C£ 000's indirect taxes less subsidies was 14,974 C£ 000's, interests paid on loans was 25,724, other operating surplus was 159,749 C£ 000's. In 2001 all category of factor income increased except depreciation. Total value added reached 544,886 C£ 000's.

Table 43 Value Added by Category of Factor Income, in South Cyprus, 2000 - 2001 (Cf '000).

| Category of Factor Income | 2000 | 2001 |
|--------------------------------------|--------|--------|
| Compensation of Employees | 219107 | 231138 |
| Unincorporated Wages and Salaries of | 40400 | 40486 |
| Properties and Family Members | | |
| Depreciation | 43020 | 42740 |
| Direct Taxes Less Subsidies | 14974 | 22745 |
| Interest Paid on Loans | 25724 | 30823 |
| Owner Operating Surplus | 159749 | 176954 |
| Total (Value Added) | 502974 | 544886 |

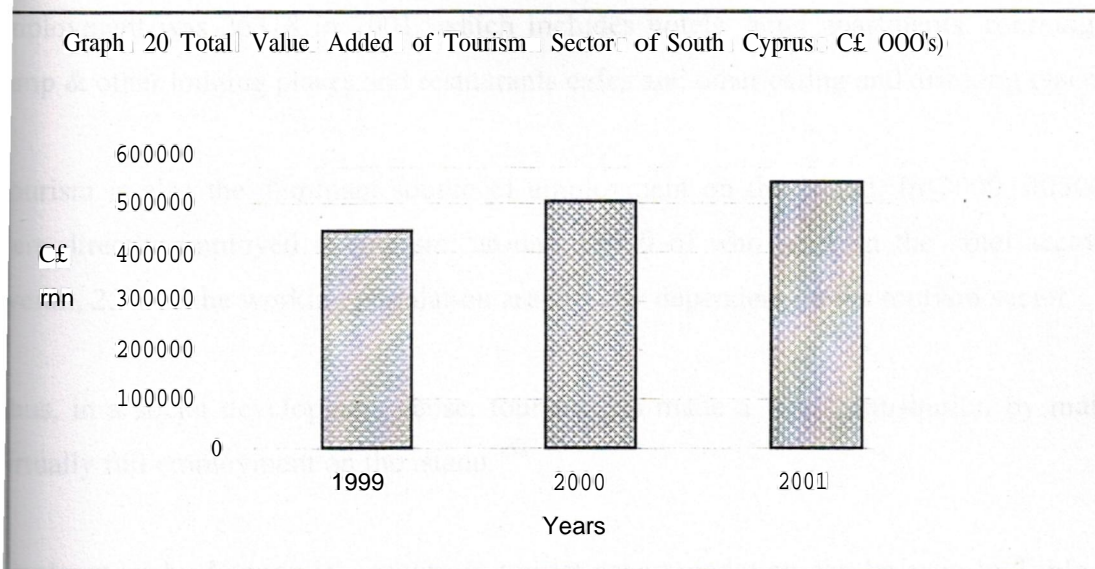
Source: Tourism Migration and Travel Statistics, Statistical Service, The Printing Office of The Republic of Cyprus, 2001.

The total value added of tourism sector divide into two economic activities, which are hotels, hotel apartments, rooming houses camps & other lodging places and restaurants, cafes and other eating and drinking places and (see Table 44). From 1999 to 2001 both economic activity increased, and also total value added increased.

Table 44 Value Added by Economic Activity, in South Cyprus, 1999 - 2001 (Cf '000's).

| Economic Activity | 1999 | 2000 | 2001 |
|-----------------------|--------|--------|--------|
| Hotels, Hotel | | | |
| Apartment, rooming, | | | |
| houses, | 233126 | 265758 | 285817 |
| Camps & other lodging | | | |
| places | | | |
| Restaurants, cafes | | | |
| and other eating and | 209350 | 237216 | 259069 |
| drinking places | | | |
| Total | 442476 | 502974 | 544886 |

Source: Tourism Migration and Travel Statistics, Statistical Service, The Printing Office of The Republic of Cyprus, 2001.



Source: Tourism Migration and Travel Statistics, Statistical Service, The Printing Office of The Republic of Cyprus, 2001.

The constraints of South Cyprus are mainly due to small island constraints of limited natural resources. The small population of South Cyprus, presents no population pressure, but it also indicates that the available human resource will grow slowly, domestic consumption is small, thus the development strategy of South Cyprus is export oriented (i.e. export-led growth).

South Cyprus has a near full employment, thus the production expansion is aimed to be achieved through increase in productivity by using technology, rather than expanded employment. At the same time, a reasonable balance is aimed to be achieved in the development of the production structure to shield against the vulnerability of being solely (i.e. tourism). These are the main constraints that South Cyprus considers when they are examining various options for future development.¹⁴⁹

The labor force in the South Cyprus, which numbered 307300 in 2001, with agriculture, 7.6%, manufacturing, 12.1%, and hotels and restaurants, 10.8% accounting for most jobs.¹⁵⁰ Total

¹⁴⁹ Republic of Cyprus, Central Bank, Bulletin March 1989, Nicosia, 1988, P. 41.

¹⁵⁰ Cyprus in Figures, 2002 edition, Statistical Services of Cyprus, Republic of Cyprus, Nicosia, 2002, p.20.

employment was 26318 in 2001, which includes hotels, hotel apartments, rooming houses, camps & other lodging places and restaurants, cafes and other eating and drinking places.¹⁵¹

Tourism is also the dominant source of employment on the island. In 2000, 40500 people were directly employed in tourism; around 18000 of who work in the hotel sector whilst, overall, 25% of the working population are directly dependent on the tourism sector.

Thus, in a social development sense, tourism has made a vital contribution by maintaining annually full employment on the island.¹⁵²

Employment by Economic Activity in tourist accommodation can be seen in Table 45 from 1999 to 2001. From 1999 to 2001 total number of workers increased from 31,726 to 33,270. Number of workers in hotels, hotel apartments, rooming houses, camps & other lodging places increased from 14,499 to 15,359 from 1999 to 2001. Also number of workers in restaurants, cafes and other eating areas and drinking places increased from 17,227 in 1999 to 17,911 in 2001.

Table 45 Number of Employments by Economic Activity, in South Cyprus, 1999 - 2001

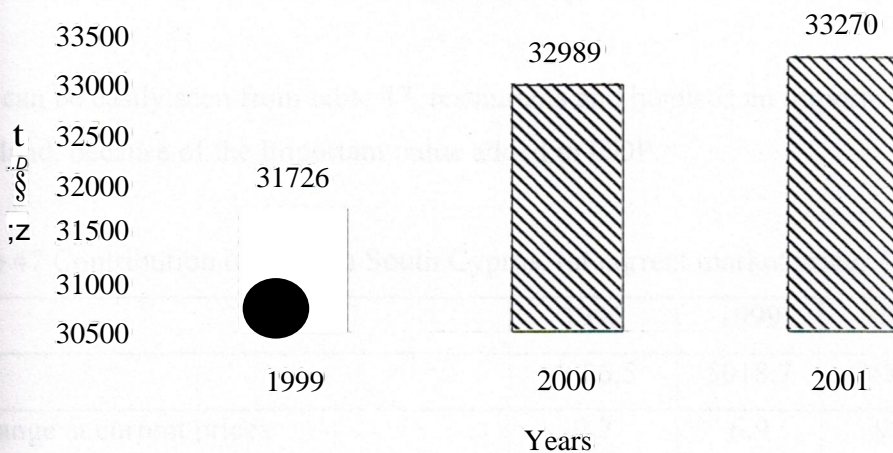
| Economic Activity | 1999 | 2000 | 2001 |
|--|-------|-------|-------|
| Hotels, Hotel apartments, rooming houses, camps & other lodging places | 14499 | 15067 | 15359 |
| Restaurants, cafes and other eating and drinking places | 17227 | 17922 | 17911 |
| Total | 31726 | 32989 | 33270 |

Source: Tourism Migration and Travel Statistics, Statistical Service, The Printing Office of The Republic of Cyprus, 2001.

¹⁵¹ Hotels and Restaurants Statistics, Printing Office of Republic of Cyprus, Series [1, Republic of Cyprus, Nicosia, 2001, pp. 34-35.

¹⁵² Journal of Sustainable Tourism, op. cit. p. 252.

Graph 21 Employment in Tourism Sector of South Cyprus



Source: Tourism Migration and Travel Statistics, Statistical Service, The Printing Office of The Republic of Cyprus, 2001.

Table 46 gives the summary information about the employment, gross output, value added and expenditure on fixed assets by economic activity in 2001.

Table 46 Employment, Gross Output, Value and Expenditure on fixed Assets by Economic Activity, in South Cyprus, 2001.

| Economic Activity | Personal Engaged (No.) | Gross Output (C£ 000's) | Value Added (C£ 000's) | Expenditure on Fixed Assets (C£ '000s) |
|---|------------------------|-------------------------|------------------------|--|
| Hotels, Hotel apartments, rooming, houses, camps and other lodging places | 15359 | 412862 | 285817 | 58630 |
| Restaurants, cafes and other eating and drinking places | 17911 | 490222 | 259069 | 17519 |
| Total | 33270 | 903084 | 544886 | 76149 |

Source: Tourism Migration and Travel Statistics, Statistical Service, The Printing Office of The Republic of Cyprus, 2001.

Table 47 shows the national accounts of Cyprus from 1995 to 2001 in detail. Table 47 also shows the contribution of GDP at current market prices at the Cf mn base.

As it can be easily seen from table 47, restaurants and hotels is an important economic activity for island, because of the important value added to GDP.

Table 47 Contribution of GDP in South Cyprus, (at current market prices (C£ 11111).

| | 1995 | 1999 | 2000 | 2001* |
|---|--------|--------|--------|--------|
| GDP | 4006,5 | 5018,7 | 5486,9 | 5865,2 |
| % change at current prices | 9,7 | 6,9 | 9,3 | 6,9 |
| % annual change at constant prices | 6,1 | 4,6 | 5,1 | 4,0 |
| Economic Activity; | | | | |
| • Agriculture and Hunting | 191,0 | 191,4 | 184,9 | 207,8 |
| • Fishing | 8,5 | 12,4 | 11,4 | 11,6 |
| • Mining and Quarrying | 11,2 | 14,9 | 15,8 | 15,0 |
| • Manufacturing | 469,2 | 526,8 | 561,0 | 562,7 |
| • Electricity, gas and Water | 82,2 | 94,9 | 112,5 | 115,2 |
| • Construction | 334,4 | 371,2 | 374,0 | 398,5 |
| • Wholesale and Retail Trade | 520,1 | 626,1 | 681,4 | 723,0 |
| • Restaurants and Hotels | 338,4 | 442,5 | 503,0 | 544,7 |
| • Transport, storage and communication | 317,1 | 446,2 | 494,5 | 557,8 |
| • Financial Intermediation | 197,4 | 345,6 | 396,4 | 410,5 |
| • Real Estate, renting and business activities | 503,3 | 676,6 | 736,0 | 783,8 |
| • Public administration and defence | 327,5 | 441,1 | 485,2 | 514,8 |
| • Education | 117,8 | 248,6 | 271,0 | 294,6 |
| • Health and Social Work | 125,5 | 170,0 | 186,5 | 200,5 |
| • Other Community, social and personal services | 132,7 | 196,5 | 218,1 | 230,2 |
| • Private Household with employed persons | 14,3 | 23,8 | 27,6 | 32,5 |
| GDP at Current Market Prices | 4006,6 | 5018,7 | 5486,9 | 5869,2 |

Source: Tourism Migration and Travel Statistics, Statistical Service, The Printing Office of The Republic of Cyprus, 2001.

*estimated

labor statistics, from 1995 to 2001 are shown in table 48. Economically active population increased from 301,6 (thousand) in 1995 to 329,7 (thousand) in 2001. These numbers also 6,8 % and 47,8 % of the total population in 1995 and 2001 respectively.

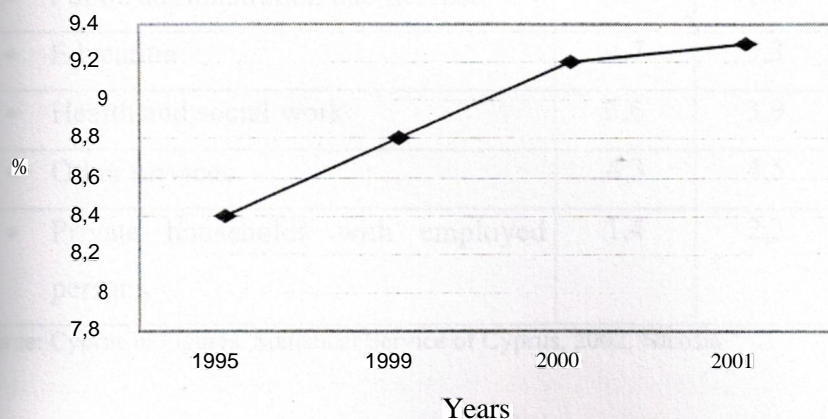
Wholesale and retail trade has a big share of labor within the investigated period, 1995- 2001. In 1995 17,5 % of total employed population worked in whole sale and retail trade and it reached to 17,9 % in 2001. Manufacturing sector is also important source of employment it was 15,5 % in 1995 and 12,1% in 2001. Hotels and restaurants also have an important share of total employed population. In 1995 10,6 % and in 2001 10,8% of total employed population worked in hotels and restaurants (see Table 49).

Table 48 Tourism and GDP of South Cyprus:

| Years | Restaurants and Hotels C£mn | GDP C£mn | % of GDP |
|-------|--------------------------------|----------|----------|
| 1995 | 338,4 | 4006,5 | 8,4 |
| 1999 | 442,5 | 5018,7 | 8,8 |
| 2000 | 503,0 | 5486,9 | 9,2 |
| 2001 | 544,7 | 5865,2 | 9,3 |

Source: Tourism Migration and Travel Statistics, Statistical Service, The Printing Office of The Republic of Cyprus, 2001.

Graph 22 Share of Tourism in GDP of South Cyprus, %



Source: Tourism Migration and Travel Statistics, Statistical Service, The Printing Office of The Republic of Cyprus, 2001.

Table 49 Labor Statistics in South Cyprus (1995-2001).

| | 1995 | 1999 | 2000 | 2001 |
|---|-------|-------|-------|-------|
| Economically Active Population (Thousands) | 301,6 | 318,0 | 324,7 | 329,7 |
| % of total population | 46,8 | 47,7 | 48,4 | 47,8 |
| Gainfully employed population (Thousands) | 283,3 | 294,5 | 301,6 | 307,3 |
| Males(%) | 61,0 | 59,6 | 58,9 | 58,3 |
| Females (%) | 39,0 | 40,4 | 41,1 | 41,7 |
| Economic Activity(%) | | | | |
| • Agriculture hunting & forestry | 10,1 | 8,3 | 7,9 | 7,6 |
| • Fishing | 0,4 | 0,4 | 0,5 | 0,4 |
| • Mining and Quarrying | 0,3 | 0,2 | 0,2 | 0,2 |
| • Manufacturing | 15,5 | 12,9 | 12,2 | 12,1 |
| • Electricity, gas and water | 0,5 | 0,5 | 0,5 | 0,5 |
| • Construction | 9,8 | 8,9 | 8,8 | 8,8 |
| • Wholesale and retail trade | 17,5 | 18,0 | 18,0 | 17,9 |
| • Hotels and restaurants | 10,6 | 10,8 | 10,9 | 10,8 |
| • Transport, storage & communication | 6,3 | 6,9 | 7,1 | 7,2 |
| • Financial Intermediation | 4,4 | 5,2 | 5,3 | 5,1 |
| • Real estate renting & business activities | 4,2 | 4,9 | 4,9 | 5,0 |
| • Public administration and defense | 6,4 | 7,0 | 7,1 | 7,2 |
| • Education | 4,7 | 5,3 | 5,3 | 5,5 |
| • Health and social work | 3,6 | 3,9 | 4,0 | 4,0 |
| • Other services | 4,3 | 4,5 | 4,7 | 4,7 |
| • Private households with employed persons | 1,4 | 2,3 | 2,6 | 3,0 |

Source: Cyprus in Figures, Statistical Service of Cyprus. 2002, Nicosia.

Table 50 Contribution of Tourism's Foreign Exchange Earnings of South Cyprus:

| Years | Tourism Receipts (Cf mn) | Tourism Receipts as a% of | | | | |
|-------|--------------------------|---------------------------|-------------------|---------------|------------------|---------------|
| | | Export of Goods | Invisible Exports | Total Exports | Imports of Goods | Total Imports |
| 1980 | 72 | 41,5 | 29,2 | 17,2 | 18,8 | 14,4 |
| 1985 | 232 | 90,8 | 39,8 | 27,7 | 32,7 | 24,0 |
| 1990 | 573 | 147,6 | 52,8 | 38,7 | 49,9 | 36,8 |
| 1995 | 810 | 158,8 | 51,0 | 38,6 | 54,0 | 37,3 |
| 1996 | 788 | 130,6 | 49,4 | 35,8 | 46,8 | 32,6 |
| 1997 | 843 | 139,3 | 49,5 | 36,5 | 49,4 | 33,9 |
| 1998 | 878 | 169,2 | 48,7 | 37,8 | 48,6 | 33,9 |
| 1999 | 1025 | 203,2 | 49,8 | 40,0 | 57,0 | 38,2 |
| 2000 | 1194 | 228,3 | 48,4 | 39,9 | 53,9 | 36,5 |

Source: Adapted from Department of Statistics and Research (2001), Statistical service, http://www.kypros.org/OSR/key_figures.htm.

Tourism has played a vital role in terms of foreign exchange earnings. As with most small island states, South Cyprus is obliged to import many raw materials and manufactured goods. Unless such essential imports can be financed by export earnings, economic growth and maintenance, development.

Tourism also has a vital role in terms of foreign exchange earnings. Since 1980, tourism has had an increasingly important contribution to invisible exports. In 2000 tourism receipts has 54 % of invisible exports, 40 % of all exports and covered 54 % of the imports of goods (see Table 50).

Receipts from tourism have had a significant influence on the island's balance of payments. Particularly in the context of relatively static earnings from the export of goods. In 1980, tourism receipts were 72 Cf mn, it reached to 573 Cf mn in 1990 and total tourism receipts were 1194 Cf mn in 2000. Since 1980, tourism receipts increased rapidly.

ib. id., p. 253.

Tourism receipts took as a 17,2 % of total exports in 1980 with a parallel of highly increased tourism receipts, it took as a 39,9 % of total export in 2000.

Tourism receipts covered the 36,5 % total imports of country in 2000. The coverage of tourism receipts to total import has been increased rapidly from 1980 to 2000.

3.1.2 Sustainable Tourism Development in South Cyprus:

In considering sustainable development it is necessary to refer to and resolve the conflict between two schools of thought;

- The development oriented approach
- The ecologically oriented approach!¹⁵⁵

Sustainable tourism development calls for a set of development policies and strategies with due respect and without detriment to the environment, the resources (natural, cultural), and quality of life on which continue human activity and further development (economic and social) depend. At the same time, it meets the own needs.

Sustainable tourism seeks harmony between the basic objectives which are inherent to any tourism development in order to meet the needs and creative right of future generations. These objectives being;

1. Economic wealth
2. Subjective well being
3. Optimum satisfaction of guest requirements
4. Health culture
5. Protection of resources and conservation of nature.¹⁵⁵

The rapid growth of the tourism sector has created some other problems in the infrastructure which is inadequate to support the foreign demand. The water supply is short during the summer season, sewerage capacity is inadequate and the pollution of water and beaches needs to be prevented.

¹⁵⁵ Aposrolicles. P., A.. op.cit.. p.37.

¹⁵⁶ Ib. id.. p. 36.

The term 'agro tourism' as interpreted in South Cyprus implies the development of villages through measures of revitalizing and enhancing village life.

Agro tourism development and promotion South Cyprus is two-fold. First, to reinstate and enhance public spaces or of buildings within a village for public use and second to reconstruct and put into profitable uses, compatible with rural life, private properties.

A major program on agro tourism has been undertaken by the South Cyprus Tourism Organization since 1991. This programmed refers to a number of selected villages within which special architectural studies are undertaken with the aim of identifying public buildings or public areas significant to the identity of each villages. These elements when restored and enhanced will add to the attractiveness of the village and serve as examples for similar actions by the private houses to improve and put them to some tourist use. The goal of the programmed, which is part of a wider programmed for rural development involving other government departments, is to install life in the villages and arrest urbanization.¹⁵⁶

'Ecotourism', a narrower concept of 'nature tourism', is an additional aspect of rural tourism promoted in South Cyprus. In spite of the small number of naturism type of tourists and even smaller number of ecotourists, this type of tourist activity is steadily growing. Although ecotourism implies nature conservation and is usually practiced by small groups of visitors, nature tourism has a wider meaning, in total simply people visit areas of natural interest and beauty. Vehicle used, or large numbers of visitors may cause irreparable damage to the resources.

Ecotourists go to natural areas which are relatively untouched, with the specific aim to admire study and enjoy the countryside and its plants and animals, and similarly to appreciate the past and present cultural characteristics of the areas visited. It is an activity, planned and carried out with environmental and social awareness. Finally it is an economic process which the concept of sustainability of natural resources is of primary consideration. Ecotourists participating in bird watching has been on the increase in Cyprus over the past few years.¹⁵⁷

¹⁵⁶ lb. id., p. 38.

¹⁵⁷ lb. id., p. 41

To facilitate nature tourism in South Cyprus, measures have been taken to:

- Identify and protect areas of natural beauty and incorporate them in National Parks and other protected areas.
- Provide for nature trails with proper information systems on the content, nature, fauna and flora and historical aspects of the findings along the trail.
- Indicate on maps the places of interest which are accessible through the open countryside.
- Confine building activities or any form of human intervention to the absolute minimum and with due respect to the environmental quality and characteristics of each areas.¹⁵⁸

Other factors that has had an influence on the achievement of the current economic growth in South Cyprus were; opportunities created by the civil war in Lebanon that helped the establishment of transshipment and re-export trade; the rapidly increasing income in the Middle Eastern oil exporting countries which helped South Cyprus to establish its exports of high manufactured goods; the rapid growth in tourism demand in Northern Europe that helped South Cyprus to promote her tourism industry.¹⁵⁹

5.4 A Comparative Analysis of North Cyprus and South Cyprus Tourism Sectors:

In the previous sections the tourism sector of North Cyprus and South Cyprus has been analyzed separately in detail. In this chapter the tourism sectors of both countries will be compared and the causes of the differences will be analyzed.

5.4.1 Differences After 1974:

Both North and South Cyprus have demonstrated an important socio-economic development, but compared to North Cyprus economy, South Cyprus economy has developed more rapidly since 1974, due to the following differences in the starting conditions after 1974;

¹⁵⁸ Ib. id. pp. 38-39.

¹⁵⁹ World Bank Report. Cyprus Long-term Development Perspective. Washington. 1987. pp. 1-5.

- After 1974, both of the economies had to be restricted, but South Cyprus had the advantage of being recognized as the only legitimate government of Cyprus (i.e. the 'Republic of Cyprus'). Thus, compared to North Cyprus, South Cyprus had easy Access to the world markets (both financial and trade).
- South Cyprus had a stronger base, in terms of highly qualified human resources (e.g. managerial entrepreneurial capabilities and relatively more skilled labor force than North Cyprus); they had accumulated financial resources (the Central Bank of Cyprus was under the control of the Greek Cypriots) and more importantly they had the seniorage in printing the currency (i.e. Cyprus Pound), right after 1974.
- By being recognized as the sole government of Cyprus internationally they have benefited from the aids (in terms of money and technical assistance) of various countries and international agents (e.g. World Bank), to reconstructed their economy and country. South Cyprus is currently a member of the United nations, the Council of Europe, the Commonwealth, the Non-Aligned Movement, the World Bank, and the International Monetary Fund; whereas, North Cyprus because of not being internationally recognized does not have access to international institutions. Turkey is the only country that recognizes and helps (monetary and technical aid) her.
- After the independence and with the declaration of the Republic of Cyprus in 1960, the Greek Cypriots were placed in the critical positions of the government and they have gained experience in organizing an economy and the structure of the government. Thus after 1974, they had minimal difficulty in organizing and restricting their economy; whereas, the Turkish Cypriots because of their limited experience in organization unfortunately even today have not established a system that would work efficiently and effectively.⁶⁰

In the following sections North Cyprus and South Cyprus tourism sectors will be compared at various perspectives such as macroeconomic level, value added of tourism sector to GNP, employment in tourism, investment in tourism, accommodation establishments and bed capacities and number of tourists arrivals, in order to present the differences and causes.

⁶⁰ Utku, F.. M., op.cit. pp.88-89.

3.1.2 Comparison of Macroeconomic Profile of North Cyprus and South Cyprus:

When the main macroeconomic indicators of both countries are analyzed, they resemble the developed countries.

As it can be seen from Table 46, GNP of both countries has an increasing trend, but GNP of South Cyprus within the investigated period, nearly ten times greater than the GNP of North Cyprus. For example, in 1995, GNP of North Cyprus was 755,7 million US \$ while the GNP of South Cyprus was 8951,4 million US \$. In 2002, both countries GNP increased. North Cyprus 941,4 million US \$ and South Cyprus has 9615,7 million US \$ total GNP. Comparison of the average yearly growth rate of both countries, North Cyprus was exhibit faster real growth rates.

The main factors that have caused this rapid growth (increased in real growth rate) in both economies are mainly from external factors and some internal factors. The rapid growth rate of North Cyprus is attributed to the financial and technical aid mainly from Turkey, the improvements in tourism and higher education sector, where both sectors are providing a flow of foreign currency into the economy.

The main factors that have caused a high growth rate in South Cyprus economy are, the political recognition of South Cyprus that gives her the advantage of finding financial and technical support from various countries of the world, (especially with EU), and their ability to take advantage of some opportunities to find markets for their products, high development in the tourism sector which attracts millions of tourists each year (e.g. 2,418,200 tourists in 2002).

Table 51 Main Macroeconomic Indicators of North Cyprus and South Cyprus:

| | North Cyprus | | | South Cyprus | | |
|------------------------|--------------|-------|-------|--------------|---------|---------|
| | 1995 | 1999 | 2002 | 1995 | 1999 | 2002 |
| GDP (million US \$) | 755,7 | 963,9 | 941,4 | 8951,4 | 9288,3 | 19615,7 |
| Per Capita GNP (US \$) | 4167 | 4666 | 4978 | 13757,2 | 13531,3 | 13557,8 |
| Unemployment Rate (%) | 0,98 | 1,08 | 1,62 | 2,6 | 3,6 | 3,0 |
| Inflation Rate (%) | 72,2 | 55,3 | 24,5 | 2,6 | 1,7 | 2,0 |
| Real Growth Rate (%) | 2,6 | 7,4 | 6,9 | - | 4,8 | 12,2 |

Source: www.devplan.org.tr and www.kvpros.org.tr figures, January 2004.

Due to the above mentioned factors and the some other factor, the per capita GNP of South Cyprus during 1995-2002 periods, nearly three times greater than the per capita GNP of North Cyprus (see Table 51).

The per capita GNP of North Cyprus was 4978 US \$ while the per capita GNP of South Cyprus was 13557,8 US\$, more than three times of North', in 2002. According to 2002 per capita income, North Cyprus falls into Higher Middle Income Countries category, and South Cyprus falls into Higher Income Countries category, of the World Bank.¹⁶¹

Inflation has been a problem of North Cyprus since being established. From 1995 to 2002, inflation rate of North Cyprus has been sharply decreased from 72,2% to 24,5% respectively. Inflation rate in South Cyprus was 2% in 2002. Inflation rate of North Cyprus is nearly 12 times greater than the inflation rate of South Cyprus in 2002.

To solve the inflation related problems in North Cyprus economy two different schools of thought have been established, one argues that North Cyprus should issue its own currency and thus acquire the control of inflation through the monetary policies, and the other school of thought indicates that the reconstruction of the economy has not been achieved; therefore, until this is done the country should not attempt to print its own currency.¹⁶²

¹⁶¹ www.worldbank.com

¹⁶² Dodd, C., H., The Political, Social and Economic Developments of North Cyprus, England, 1993, p. 282.

he high inflation rate is negatively affecting the stability of the North Cyprus economy, with continuously changing prices of imports, instability of the foreign exchange rates and interest rates. These are in turn discouraging investments (both domestic and foreign) and causing an uneven distribution of wealth and income within the economy. Also, since North Cyprus is using TL as its legal tender it has limited ability to apply a monetary policy for the macro economy of the country.

Both countries' unemployment rates were very low, during the 1995-2002 periods. North and South Cyprus economies were operating at practical full employment level. In 2002, the unemployment rate in North Cyprus was 1,6% and South Cyprus was 3%. But in North Cyprus unemployment rate only includes the registered unemployed people; there are too many unregistered unemployed people. So, full employment can not be accepted in North Cyprus.

North Cyprus (with the help of Turkey), has struggled alone to overcome the constraints and presently has achieved an economy which is steadily developing (approximately 6,95 real growth rate in 2002). The per capita GNP was 4409 US\$, and the economy was operating at practically full employment level (unemployment rate was 1,62% in 2002).¹⁶³ The well being of the population is reflecting by the high life expectancy at birth, which was 71 years in 2002.¹⁶⁴

In short, this clearly indicates that North Cyprus economy has achieved impressive real growth rate (in 2002, 6,9%) and per capita income level (in 2002 4409 US\$) which means that the material living standards of Turkish Cypriots has improved substantially.¹⁶⁵

3.4.3 Comparison of Tourist Accommodation Establishments, Bed Capacities and Number of Tourist Arrivals in North Cyprus and South Cyprus:

Both North and South Cyprus economies have gone through structural changes and currently their main tendency is towards service sector at the expense of both agriculture and manufacturing sector. The limited natural resources, the high education level of the population

¹⁶³ TRNC Prime Ministry, State Planning Organization. Economic and Social Indicators, Lefkoşa, 2002, p. 4.

¹⁶⁴ www.jevplan.org, January 2004.

¹⁶⁵ TRNC Prime Ministry, State Planning Organization. Economic and Social Indicators, Lefkoşa, 2002, pp. 3-5.

the level of the life standards has induced the transformation in favor of the service sectors.

The tourism sector has been the most dynamic sector in both economies. This has been mainly due to the increase in the tourist arrivals to North Cyprus and South Cyprus. In North Cyprus numbers of tourists were 429376 and in South Cyprus 2,418200 in 2002. From 1995 to 2002, number of tourist accommodation establishments, in North Cyprus increased from 93 to 123 and, in South Cyprus increased from 546 to 946. In 2002, total bed capacities of tourist accommodation establishments were 10916 in North Cyprus and 94466 in South Cyprus (see Table 52).

Table 52 Accommodation Establishments, Bed Capacities and Number of Tourist in North Cyprus and South Cyprus:

| | North Cyprus | | | South Cyprus | | |
|--|--------------|--------|--------|--------------|---------|---------|
| | 1995 | 1999 | 2002 | 1995 | 1999 | 2002 |
| Number of Accommodation Establishments | 93 | 115 | 123 | 546 | 616 | 946 |
| Bed Capacities | 7774 | 9932 | 10916 | 81835 | 87893 | 94466 |
| Number of Tourists | 385759 | 414015 | 429376 | 2100000 | 2434300 | 2418200 |

Source: www.devplan.org, www.kypros.orQ/DSR/key_figures, January 2002.

When tourist arrivals, bed capacities and number of accommodation establishments of North Cyprus and South Cyprus are compared, it is cleared that with the embargos and transportation problem (via Turkey), North Cyprus low level of tourist number and bed capacity has been understandable.

4.4 Comparison of Investment in Tourism Sectors of North Cyprus and South Cyprus:

After the tourism sector has chosen as a leading sector of the North Cyprus, government promoting the developments of tourism and tourism related project investments. Those investments includes below components;

1. Duty-free enters of commodities related with projects.
2. Credits with low-interest rates.
3. Charter risk promotion.

4. Brochure and other marketing papers promotions according to accommodations times.
5. Income tax and other tax exceptions.
6. Possibility for employing foreign skill-workers under the necessary conditions.

Table 53 shows the share of fixed capital investments in tourism sectors of North Cyprus and South Cyprus within the total fixed capital investments from 1995 to 2002. During the investigated period, North Cyprus tourism investments have increasing trend. For example, in 1995 share of fixed capital investments in tourism sector was 3,85%. it reached its peak point 5,4% in 1998 and in 2002 5,2% of total fixed capital investments were in tourism sector.

South Cyprus tourism investment share in total fixed capital investments has decreasing trend. For example in 1995 share of tourism investments within the total fixed capital were 4,9%, it fell to 2,9% in 1998 and 4% in 2000.

Table 53 Share of Fixed capital Investments in Tourism of North Cyprus and South Cyprus, (%)

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|--------------|------|------|------|------|------|------|------|------|
| North Cyprus | 3,8 | 3,6 | 4,8 | 5,4 | 4,8 | 5,0 | 4,1 | 5,2 |
| South Cyprus | 4,9 | 4,2 | 3,5 | 2,9 | 3,8 | 4,0 | - | - |

Source: www.devplan.org.tr, www.mof.gov.tr, January 2004.

In North Cyprus economy incentives have slow increases. Because of the political uncertainties and the limited investments choices, capital outflow can be easily seen in the North Cyprus economy.

The share of tourism was 5,2% of the total incentives in 2002. However, the other sector incentives are also important as well as tourism sector, for the improvement in tourism. Nowadays, incentives for the infrastructure give positive acceleration for the improvement in tourism.

3.4.5 Comparison of Employees in Tourism Sectors of North Cyprus and South Cyprus:

South Cyprus economy seem to be operating practically full employment but during the investigated period, there was unemployment of both economies. In 1995 total employment was 76454 people in North Cyprus while 283.300 people in South Cyprus. Total employment of both countries increased in 2002 and reached 93.114 people in North Cyprus and 312.200 people in South Cyprus. (See Table 54)

Tourism sector of North Cyprus employed 6.056 people, which were the 6.5% of the total employment. South Cyprus tourism sector employed 32.400 people, i.e., 10,4% of the total employment in 2002.

The share of tourism employment within the total employment in South Cyprus was higher than the North Cyprus during the 1995 and 2002.

Table 54 Total Employment and Employees in Tourism Sector of North Cyprus and South Cyprus:

| | North Cyprus | | | South Cyprus | | |
|----------------------------|--------------|-------|-------|--------------|--------|--------|
| | 1995 | 1999 | 2002 | 1995 | 1999 | 2002 |
| Total Employment (no.) | 76454 | 85515 | 93114 | 283300 | 294500 | 312200 |
| Employees in Tourism (no.) | 4581 | 6042 | 6056 | 30100 | 31700 | 32400 |
| % of Total Employment | 6 | 7 | 6,5 | 10,6 | 10,8 | 10,4 |

Source: www.devplan.org, www.Rio.gov/dsr/, January 2004.

3.4.6 Comparisons of Tourism Receipts and the Share of Tourism in GNP of North Cyprus and South Cyprus:

The importance given to the tourism sector, is due to the rapid growth of tourism arrivals which has increased from 385,759 in 1995 to 429376 in 2002 (see Table 5.2) and the tourism receipts from 218,9 million US \$ to 114,1 million US \$ in 1995 and 2002 respectively (see Table 55).

As it can be easily seen from Table 55, tourism receipts have an important share within the GNP of North Cyprus and South Cyprus economies.

In 2002, tourism receipts of North Cyprus were 114,1 million US \$ and tourism receipts of South Cyprus were 1,283 million US \$, which was more than ten times of North'. The share of tourism receipts within the GNP of North Cyprus decreased from 28.9% to 12,1% from 1995 to 2002. In South Cyprus, share of tourism receipts within the total GNP has stable trend, from 1995 to 2002, the percentage was increased from 20% to 20.7% in South Cyprus.

Table 55 Tourism receipts and Share of Tourism in GNP, both North Cyprus and South Cyprus:

| | North Cyprus | | | South Cyprus | | |
|----------------------------------|--------------|-------|-------|--------------|--------|--------|
| | 1995 | 1999 | 2002 | 1995 | 1999 | 2002 |
| Tourism Receipts (million US \$) | 218,9 | 192,8 | 114,1 | 810 | 1025 | 1283 |
| GNP (million US \$) | 755,7 | 963,9 | 941,4 | 4050,4 | 5048,0 | 6203,7 |
| Share of GNP | 28,9 | 20 | 12,1 | 20 | 20,3 | 20,7 |

Source: www.devplan.onl, www.pio.gov/dsr/, January 2004.

According to the above data tourism has been and continuous to be the engine driving economic growth in both North Cyprus and South Cyprus economies.

As a result of the growth in mass tourism, South Cyprus reached economic growth and social development.

Excessive tourism policy since the early 1980s have sought a more balanced approach to tourism development, whilst the most recent strategy for 2000-2010 focuses explicitly on sustainable tourism development. Sustainable tourism developments aim at the safeguarding the quality of tourist experience of environmental quality and of the quality of life of the inhabitants of all areas.

his latest policy addressing the challenges of tourism development in South Cyprus, in particular with respect to tourism's continuing contribution to the island's development."

5. Comparison The Tourism of Three EU Countries From Mediterranean Region; Spain, Greece, Portugal and North Cyprus:

Main competitor of North Cyprus in tourism is South Cyprus. But there are also many rival countries in Mediterranean region. Tourism rivals of North Cyprus separated into two categories;

1. Direct Rivals: Mediterranean Sea region countries, especially South Cyprus, Turkey, Malta, Italy, Greece, Spain, Portugal, Syria, Egypt and Israel.
2. Indirect Rivals: At the internal base, countries which sells holiday and entertainment tourism products (e.g. sun, sea, sand, alternative sport activities, casinos and health tourism).

In terms of international tourism, Europe is not only the origin of most tourists, but also the destination for most international travelers. Two out of every three international tourists are European, approximately 200 million every year, according to the Organization for Economic Cooperation and Development (OECD), which represents the industrialized countries of the world. World Tourism Organization (WTO) shows that in 1997, total receipts of international tourism around the world was 444.265 million US \$, where Europe receipted 37.017 million US \$.

In spite of being the second smallest of the seven countries, Europe attracts for more international tourists and more spending on international tourism than any other continent. According to the World Tourism Organization, Europe registered about 373 million international arrivals in 1997 (32,5% of the world total). In the same year, about 37,017 million US \$ was receipt by international tourism in Europe (8,5% of the world total).

Tourism is an economic sector of major importance in Europe, and its contribution to the economic welfare looks set to continue to increase in future decades. It offers opportunities for job creation and for developing the less prosperous regions of Europe.

"Cyprus Tourism Organization. Tourism Strategy 2000-2010, Nicosia, 2000.
Davidson, R., Tourism in Europe. London. 1992, p.3.

Within the European Union (EU) alone, tourism accounts for more than 5% of GNP and most 5% of foreign trade. It employs close to 8 million people, i.e. 6% of the total number of jobs in the community, and this figure is growing.¹⁶⁸

The share of travel receipts and expenditure in exports and imports for the individual countries is one of the main indicators of importance of tourism. The vital importance of tourism to Greece, Spain and Portugal, with tourism receipts accounting for a relatively high proportion of their total export earnings. For example in 1997, tourism receipts in Greece were 3,800 million \$; in Spain 26,595 million \$; and in Portugal 4,264 million \$ which were the three highest shares within the EU members.

The second indicator is tourism employment; although most tourism jobs in absolute terms are found in the richer EU countries (due to their domestic tourism markets), the relative importance of tourism is greater in other countries, such as Greece, Spain and Portugal. For example, in 1997, tourism employment in Greece was 7,2%; in Spain 9,3%; and in Portugal 10,6%, which were three highest shares within the EU countries.¹⁶⁹

Due to the above reasons, tourism sectors of Greece, Spain and Portugal will be compared to the North Cyprus in the following section.

5.1 Comparison of the Main Indicators in Tourism Sectors of Spain, Greece, Portugal and North Cyprus:

Tourism is an important economic activity for the Mediterranean region countries, because of the 15% of the world's tourism activity is occurring in this region.

Table 56 shows the number of arrivals in selected Mediterranean region countries which are potential rivals of North Cyprus. Spain has the highest number of arrivals both 2000 and 2003, which were 48,201,000 and 57,528,229 respectively. Greece has 14,212,343, Portugal has 13,787,343 and Turkey has 9,703,843 arrivals in 2003, while South Cyprus has 2,956,648 and North Cyprus has only 562,375 total arrivals in same year. By the comparison of the North Cyprus and other selected Mediterranean region countries, low arrivals of North Cyprus

¹⁶⁸ The World Bank. World Development Indicators. USA. 1999.
¹⁶⁹ Op.cit.

clearly seen from above table. The transportation problem and diplomatically non-recognition of North Cyprus are some of the reason that caused the low arrivals respect to other Mediterranean countries. Three EU members; Greece, Portugal and Spain covers the big share of arrivals in Mediterranean region. Especially in Spain huge numbers of arrivals creates big amount of tourism receipts of those selected Mediterranean region in 2001.

Table 56 International Tourism, Number of Arrivals:

| Countries | 2000 | 2003 |
|--------------|------------|------------|
| North Cyprus | 573,255 | 562,375 |
| South Cyprus | 2,686,000 | 2,956,648 |
| Greece | 12,500,000 | 14,212,343 |
| Portugal | 12,037,000 | 13,787,343 |
| Spain | 48,201,000 | 57,528,229 |
| Turkey | 9,587,000 | 9,703,848 |

Source: www.worldbank.com

Table 57 shows the international tourism receipts in 2001 in the selected Mediterranean countries. International tourism receipts in whole developing countries was 136,0 billion US \$ in 2001. Within the selected Mediterranean region countries Spain has the highest tourism receipts that were 32,5 billion US \$. Greece has 9,6 billion US\$, Turkey has 7,6 billion US\$. South Cyprus has billion US\$ and North Cyprus has only 0,094 billion US\$ tourism receipts in 2001, which was the lowest one in selected Mediterranean region. Tourism receipts of North Cyprus are barely perceptible by comparing the regional rival countries.

Table 57 International Tourism Receipts (current US \$), 2001:

| | |
|----------------------|---------------|
| North Cyprus | 0,094 billion |
| South Cyprus | 1,9 billion |
| Greece | 9,2 billion |
| Portugal | 5,3 billion |
| Turkey | 7,6 billion |
| Spain | 31,5 billion |
| Developing Countries | 136,0 billion |

Source: World Development Indicators Database. www.worldbank.com

Investigation of the international tourism revenues by region, Europe has 230,1 billion US\$ of tourism revenues in 2001, where the world total was 462,2 billion US \$. At the same year Europe has 49,8% of total world market. East Mediterranean region has 13,1 billion US \$ of tourism revenues which was the almost 3% of world total.¹⁷⁰

Table 58 shows the world's top 15 tourism nations by revenues according to international tourism revenues in 2001. As it can be seen from below table, United States has 72.3 billion US \$ international tourism revenues, which were the highest market share 15,6%. Spain has 32,9 billion US \$, Greece has 2,1% and Turkey has 1,9% of total world market share according to the international tourism revenues in 2001. Mediterranean region countries have an important link within the world's top 15 tourism nations. Importance of tourism sector for the economic improvement in the Mediterranean region can be clearly understandable from those data.

Table 58 World's Top 15 Tourism Nations By Revenues, According to International Tourism Revenues, 2001:

| Rank | Country | 2001 (billion US \$) | Market Share(%) |
|------|----------------|----------------------|-----------------|
| 1 | United States | 72,3 | 15,6 |
| 2 | Spain | 32,9 | 7,1 |
| 3 | France | 29,6 | 6,4 |
| 4 | Italy | 25,9 | 5,6 |
| 5 | China | 17,8 | 3,8 |
| 6 | Germany | 17,2 | 3,7 |
| 7 | United Kingdom | 15,9 | 3,4 |
| 8 | Austria | 12,0 | 2,6 |
| 9 | Canada | 10,7 | 2,3 |
| 10 | Greece | 9,2 | 2,1 |
| 11 | Turkey | 8,9 | 1,9 |
| 12 | Mexico | 8,4 | 1,8 |
| 13 | China | 8,2 | 1,8 |
| 14 | Australia | 7,6 | 1,6 |
| 15 | Switzerland | 7,6 | 1,6 |

Source: www.plunkeltresearch.com/travel/travel-statistics.

¹⁷⁰ www.cybrary.com.sg/pages/e-learning/wio2.htm

level and tourism demand of South Cyprus, Greece, Portugal, Spain and Turkey has shown Table 59. From 2000 to 2003, Spain has the highest travel and tourism demand which were 34,504 US \$ million and 56,965 US \$ million respectively. Turkey, Portugal and Greece has almost same amount of travel and tourism demand. In 2003, South Cyprus has 3,638 US \$ million, Greece has 30,198 US \$ million, Portugal has 28,381 US \$ million and Turkey has 24,657 US \$ million.

Table 59 Travel and Tourism Demand (US\$ million):

| Countries | 2000 | 2003 |
|--------------|--------|--------|
| South Cyprus | 3,234 | 3,638 |
| Greece | 23,304 | 30,193 |
| Portugal | 23,792 | 28,381 |
| Spain | 34,504 | 56,965 |
| Turkey | 23,878 | 24,657 |

Source: www.worldbank.com

2.2 Importance of Structural Funds on Tourism Sectors of EU Countries:

European Structural Funds programs support a wide range of activities that help improve the performance of enterprises in commerce and tourism. Improving the quality of hotel and guest accommodation, joint marketing initiatives for local products, joint tourism promotion activities, and training courses to improve the skills of company staff, development of new products are all just examples of activities entitled to support from the structural funds.¹⁷¹

North Cyprus, because of tourism sector is a leading sector of the economy, State Planning Organization gives incentives to the new projects in tourism sector under the 'Development Bank' control. Project analyses by State Planning Organization and appropriate projects takes credits with low interest rates and long term payment conditions.

Structural funds are available for the participation of employees in vocational training programs in fields such as consumer service quality enhancement.

In addition to direct support for business in the tourist sector, the structural funds finance projects that offer indirect benefit. Beneficiaries of these are public bodies such as municipalities; investments are aimed at making regions more attractive for visitors.¹⁷²

Investing in the cultural heritage, refurbishing museums, visitor centers and cultural heritage in general gives more for the tourist to see and raises their willingness to pay for it.¹⁷²

Networking and cooperation; diversification of the tourism product and project development often demand good networking between enterprises, tourist offices and local authorities. The structural funds programs thus support initiatives that encourage business and public-private partnerships to improve the integration of the tourism chain.

Structural funds also give credits for investing in roads and other public infrastructures, upgrading roads but also nature trails, cycle paths, routing attractive for the visitor. When cleaning out blocked waterways can look beautiful and contribute to an area's cultural beauty.¹⁷³

Structural Fund is subsidy 60% of financial support to the productive projects and programs.

For example, in the foothills of Asiko Mountain and with panoramic views of the Myrionasos Valley in Greece, the area is one of great physical beauty. It is near many monuments and the future Sissani dam which is expected will create a new dynamism in complementary tourist activities. The project was implemented by local action group. Results included construction of a small hotel (28 beds) and a local product display. Total eligible costs were 235,000 euro. Structural Fund contributed 141,000 euro, subsidy 6.0% of the project costs.¹⁷⁴

European Union member states are using Structural Fund successfully for their economic improvement.

Spain, Greece and Portugal which are the member states of the EU, are beneficiaries of this fund. Especially in tourism sector of each countries benefits from Structural Fund of EU.

172/ Financial Support for Tourism and Commerce in Greece, European Commission, Enterprise Publication.

173 Belgium, 2001, pp. 2-3.

174 Ibid., p.5.

175 www.greece.gr/BUSINESS/TourismandServicesTourismIntro.stm

According to the World Tourism Organization (WTO), countries with the largest increases in tourism in 1998 included: Portugal, Spain, Greece, Tunisia, South Africa, Croatia and Ireland. Also in 1998, Mediterranean region EU countries ranked within the first 20 countries according to the world's top tourism destinations.¹⁷⁵ EU countries have chance to use those structural Funds to give answer to their high tourism demand.

New forms of tourism are gaining ground throughout the world. Gone are the days when a country relies on one asset to attract its tourists. Today, destinations must offer variety, special interest niches, and new vibrant tourism industry.

In Europe alone, there are more than 35,000,000 tourists who are involved in alternative tourism; this number is increasing by about 20% per year. The kind of tourist who prefers alternative tourism tends to be better educated and is more affluent than most other tourists and it is this kind of tourist that Greece and other Mediterranean region countries are trying to attract.¹⁷⁶

¹⁷⁵ www.wtto.org.

¹⁷⁶ www.elke.gr/

The economy of North Cyprus is an island economy lacking both limited natural resources, transportation is a costly problem and shortages. North Cyprus also has full employment but it is not a free market economy. The geographical location, limited resources, constraints on transport and communications, distance from major sources, a highly fragmented market, lack of natural resources, weak industrial technological capacity, and difficulties in obtaining raw material supplies. The dependence on imports and small number of export products, depletion of non-renewable resources, increasing dependence on highly skilled personnel and heavy dependence on tourism.

Basic Findings

The development policy of the government of North Cyprus is to achieve a high rate of growth compatible with the maintenance of economic stability, the more equitable distribution of national income and the improvement of standard of living. For the realization of these objectives long-term plans and special programs have been prepared and put into action and the sector of tourism is chosen as the leading most productive and revenue generating sector for the economy of North Cyprus.

Tourism is an export industry where the product is produced and consumed within the country and the tourist experience is exported. Tourism's potential positively contributes towards the national balance of payments is perhaps the most important reason why governments support and encourage tourism development. Trade and tourism sector has 14.5 % of total GDP in 2001.

Tourism is becoming one of the most important social and economic activities of today's world. North Cyprus has potential advantage by its position because Mediterranean region has 43% of world tourism activities.

Environmental and climate condition of North Cyprus is its potential advantage to create tourism economy.

Tourism sector is a service sector and labor intensive sector. One of the disadvantages of the tourism industry is its usually high seasonality. A high seasonality means that many

The economy of North Cyprus has an island economy features with limited natural resources, transportation and energy problem and smallness. North Cyprus also has following features; as can be seen in most island countries, remoteness, geographical dispersion, fragility of ecosystems, constraints on transport and communications, distance from market centers, a highly limited internal market; lack of natural resources, weak indigenous technological capacity, acute difficulties in obtaining freshwater supplies, heavy dependence on imports and small number of commodities, depletion of nonrenewable resources, migration, particularly on highly skilled personal and heavy dependence on financial aid.

The development policy in North Cyprus aims to the realization of structural adjustment required for the achievement of the highest possible rate of growth compatible with the maintenance of economic stability, the more equitable distribution of national income and the improvement of standard of living. For the realization of these objectives long-term plans and annual programs have been prepared and put into action and the sector of tourism has been chosen as the leading, most productive and revenue generating sector for the economy of North Cyprus.

Tourism is an export industry where the product is produced and consumed within the country and the travel experience is exported. Tourism's potential positively contribute towards the national balance of payments is perhaps the most important reason why governments support and encourage tourism development. Trade and tourism sector has 14.6 % of total GDP in 2001.

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Tourism sector is a service sector and labor intensive sector. One of the disadvantages of the tourism industry is its usually high seasonality. A high seasonality means that many

employs have only seasonal jobs and that the high investment required for international standards hotels lay idle for several months. In 2002, total number of accommodation establishments were 123 units and total bed capacity were 10916 beds in North Cyprus.

The one of the most important economic benefit of tourism is its employment generation potential. Tourism is a labor intensive industry. The most of tourism employment areas are hotels, restaurants, souvenir shops, travel agencies and transportation and entertainment facilities. Indirect employment generated through tourism supply its construction sector.

Most of the tourism accommodation establishments situated in Kyrenia region. In 2002, 74% of total tourism accommodation establishments were situated in Kyrenia. Out of 123 units, Kyrenia region has 96 accommodation establishments and 8065 bed capacity out of 10916 total beds in North Cyprus.

Occupancy rate of tourist accommodation establishments of North Cyprus was low. In 2002, occupancy rate was 38,6% where in most European countries occupancy rate of tourist accommodation establishments above 50%.

In North Cyprus most of the tourist came from Turkey. In 2002, almost 62% of total tourist of North Cyprus came from Turkey and nearly 31 % came from foreign countries.

North Cyprus, as can be seen in many small island states, gives huge trade deficits. In 2002, trade deficit was 245,7 million\$. Net tourism income is a main opportunity to cover the trade deficits of country. In 1993 the ratio of net tourism income to the trade balance was 72,6%. In 2002, net tourism income covers the 38,7% of total trade deficit of North Cyprus.

Because of the fluctuations in foreign exchange rates and the huge value losses of the TL respects to the US \$, net tourism income in S base, has very sharp decline from 1993 to 2002. In TL base, contribution of tourism in GDP increased from 1977 to 2001 and the total share of tourism in GDP also increased in same periods. Devaluation of TL respect to foreign currencies is in other disadvantages of overall economy of North Cyprus and the one of the reason of low tourism income.

Incentives for tourism sector are the most generous. These incentives are also still insufficient by the international standards. In 2001, tourism sector has 4,1% of total fixed capital investments where public services has 14,7%, education has 5,4%, agriculture has 8%, industry has 10,9%, transport and communication has 10,1% and ownership of dwellings has 41,85% of total fixed capital investments.

Tourism sector is an important sector for economy of North Cyprus. Availability of natural resources gives chance to the tourism sector to create comparative advantage and improve the gains from tourism. But economic embargoes impose from the rest of the world (except Turkey) and diplomatic non-recognition restricts the sector. Transportation problem and political instability creates demand problem of tourism sector in North Cyprus. All flights can be occurring via Turkey, because of non-recognition of North Cyprus, this increases transportation costs and length of flight.

As a route of leading sector of tourism in North Cyprus, governments give various incentives in tourism related projects. Investors have many opportunities in tourism sector. Incentive system has only supportive effect on tourism investments. System has exceptions in the long-term sustainable tourism development plans. Incentives support small-scale tourism investments and secondary tourism product investments.

Tourism sector of North Cyprus has financial problems under the non-recognition and low-level of domestic resource conditions. Financial resources of tourism sector in North Cyprus are domestic resources and foreign resources. Financial foreign resources are mainly coming from Turkey.

Because of above reasons North Cyprus has very restricted market. In recent days trade between foreign countries is harder than before. This means that, expectations from trade sector is insufficient. Trade deficit is increasing day by day. At this point, especially the foreign exchange income, tourism sector gains the important role.

Tourism potential of North Cyprus is as high as the South Cyprus. With appropriate tourism policies and rationalist tourism development plans, like South Cyprus, tourism sector in North Cyprus become one of the high value added sector in national income.

Until now, tourism sector can not be gain maximum benefits because of unplanned tourism, political instability, and insufficient use of incentives and lack of transportation.

Until 1999, tourism sector try to improve itself unless any long-term plan. In 1999, tourism master plan come to account as its last version and sector investigated at the different perspectives. After 1974, 25 years there were no any tourism plan and this long time period was lost. This was the factor creating unproductive tourism sector.

By the comparison of the North Cyprus and South Cyprus; they have similar small island state features. Tourism sector is important for both economies. In South Cyprus, tourism sector has greater scale than North Cyprus. In South Cyprus total number of tourists was 2,418,200 in 2002, while North Cyprus has 429,376 tourists in the same year. South Cyprus has nearly 6 times greater tourist number that North Cyprus. With a parallel of this total bed capacity is greater in South Cyprus which was 94,466 and 10,916 in 2002 respectively.

As a result of non-recognition, economic embargoes, transportation problem (via Turkey) and lack of foreign aid, low level of tourist number and gains from tourism can be understandable.

Investment in tourism sector is necessary, but under the control of tourism development plan controllers. For example further estimation in tourism sector says that, there are no extra needs in the bed capacity in tourism sector. In North Cyprus share of tourism investments in total investments was 5% in 2002, while 4% in South Cyprus.

As a result of the high tourist number in South Cyprus, total number of employees in tourism sector is greater than North Cyprus. In 2002, 6,5% of total employment in North Cyprus (6,042 people) while South Cyprus has 10,4% (32,400 people) of total employment in the same year.

South Cyprus tourism sector is more active than the North Cyprus tourism sector. In the way of the development of the country, South Cyprus tourism sector creates 11 times tourism receipts than North Cyprus sector. In 2002, tourism receipts of South Cyprus was

1.283 million US\$ and in North Cyprus was 114.1 million US \$, it took 20,7% and 12,4% of total GDP of both countries respectively.

South Cyprus success in tourism sector is a result of planned tourism policy. They imposed their tourism development plan in 1980s however in North Cyprus until 1999 there were no any tourism development plan. Tourism Master Plan began to use in 1999 for the planned tourism development in North Cyprus, but this time was too late compare to South Cyprus. These differences between two sides of island also result of above reasons.

Recommendations

Conclusion

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Recommendations

North Cyprus has the typical Mediterranean climate with long, dry summers and short rainy winters. The average annual temperature is 19°C. Seasonality problem should be solved, because weather available in whole year. In winters average temperature changes between 9°C and 12°C, this will give chance to sustain tourism season during the winters by appropriate tourism products. Winter tourism by appropriate tourism to be put on the agenda in recent years by many tourism based countries. By using the appropriate winter tourism product (such as group tom for old aged people in winter season with quit, lonely and green environment) and appropriate marketing strategy, North Cyprus have chance to create an alternative tourist group.

To increase the overall average length of stay in North Cyprus tour operators and tour programs had an important role. Historical places are abundant in North Cyprus. Tourism not only base on sea, sand and sun tourism, it can be widening by daily free tours to historical places, this will increase the average length of stay.

North Cyprus has a problem with non-recognition and economic embargoes. Political instability and existence of huge number of soldier in island make negative effect in demand for tourism. Air flights can be occurring only via Turkey, this makes time of arrive longer and increase the time spending during the flight. Tourist doesn't want to spend too much time during the transportation and doesn't want to make extra payments to transportation. This problem must be solved immediately by giving incentives to the airline companies and impose them to put the ticket fees low. To arrive in South Cyprus cheaper than to arrive in North Cyprus, this gives advantage to South Cyprus comparing to North Cyprus. Governments should cover the difference between the transportation fees to arrive in North Cyprus and South Cyprus by using appropriate policies, this will remove the comparative arrive disadvantage of North Cyprus.

In North Cyprus Tourism Master Plan is the only wide range development plan which is to be revealed in 1994 but to be applied in 1999. North Cyprus be late applying tourism development plan comparing to South Cyprus. Tourism sector of North Cyprus can only success under the planned, reasonable, rationalistic and isolate from political behaviors decisions.

To increase the tourist number of North Cyprus, primarily target market, target group of tourist must be chosen and than appropriate marketing policy must be apply. In the international tourism markets, to set out the niche group for North Cyprus will help to increase the tourist number in a shorter time period. For example, the rapid aged in European countries will be potential target market for North Cyprus by using appropriate advertise and appropriate tourism products.

To make out the tourist profile analyses for South Cyprus and South coastal region of Turkey will give chance to impose appropriate tourism policy. This can help to call these groups of tourist' attentions.

North Cyprus must be improving the tourism product of country for increase the tourism potential by increasing the quality of all factors of tourism industry. As well as sea, sand and sun nature, historical background of North Cyprus to be the initiator of tourism sector. Culture tourism can be the one of the important product of North Cyprus which has potential to be a tourism product.

Universities have an important infrastructural base for the conference tourism in North Cyprus. It must be imposes available policies to improve this tourism type.

Environmental effects of tourism sector are a disadvantage of sector. Tourism sector should be improve under the planned policies and environmental degradation must be stay as minimum as possible. Future development plan for tourism sector of North Cyprus must be consider the natural environment for long-term sustainable tourism development. At this point North Cyprus is available for the agro-tourism with its unspoiled nature. Recently agrotourism is widely using all around the world, however North Cyprus tourism authority not consider the agro-tourism yet. There are no any project and plan for this type of tourism. This must be investigated and North Cyprus tourism sector must be to bear in mind the increasing interest in agro-tourism all around the world.

According to the further estimation about the tourist number, needed bed capacity and needed employees in tourism sector of North Cyprus, until 2008 accommodation establishments and bed capacity will be enough. By the light of those estimations, investments in tourism sector must be used for create new tourism product. to solve

transportation cost, to solve seasonality problem, to find out the way to increase tourism demand and make possible to increase the average length of stay.

Tourism activity of North Cyprus heavily occurs in Kyrenia region. 7.6% of total bed capacity situated in Kyrenia. Other appropriate coastal regions such as Karpas are available for tourism activity of North Cyprus. New investments should be apply in these regions for avoid the dense tourist potential of Kyrenia. This can also helps to increase the economic activity of these regions.

As well as creating new tourism product, tourism marketing policy must be improved. To increase the foreign tourist number, the relationships between foreign tour operators is important. To increase the marketing activity has an important role. For example, to open new advertisement office in dense tourism potential country will help to increase the tourist number.

Today's global world, Internet based marketing policies for tourism sector of North Cyprus has an important role. Appropriate web site will include wide information about North Cyprus and tourists can be arranged their holiday via web pages. Internet based marketing must be improved, because by using web pages more tourist will be reached.

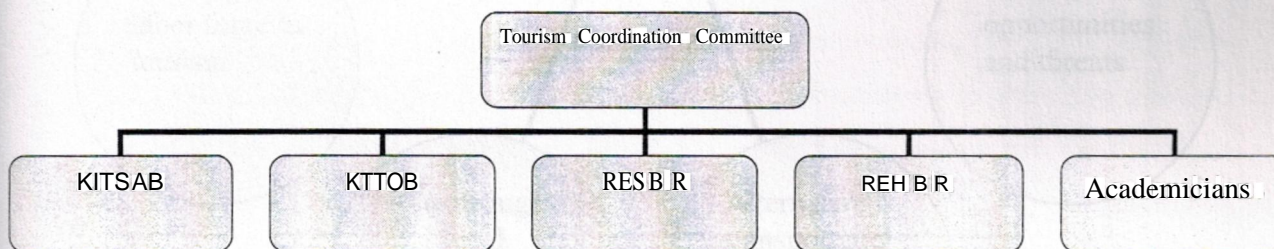
Casinos in North Cyprus have a potential group of tourist which is coming to the country. These types of tourists are ready to lose money in gamble games. By using the available marketing policies for this type of tourist, average length of stay in North Cyprus will be increasing. It should be to call theirs attention to shopping in sovereign shops by advertisements, daily shopping tours and so on. It will be increase the average length of stay in this tourist group.

As a whole economy of North Cyprus, investments have slow acceleration during the years. Political instability and insufficient investment resources creates outflow of domestic capital, especially Turkey and England. Tourism has 4.13% of total investments in 2001. However, other tourism support sectors are also important as well as tourism sector for the sustainable tourism development. So, investments to transportation, telecommunication, construction and other sectors are also important. Recent infrastructural developments have positive effects on sustainable tourism development.

Possible EU membership of whole Cyprus, North Cyprus may solve its financial problems. Possible EU membership give chance; to use structural funds, to gain foreign aids, to create new market, to solve transportation problem (via Turkey will not-necessary any more, direct flight is necessary), to increase quality level and to reach.EI.I standards.

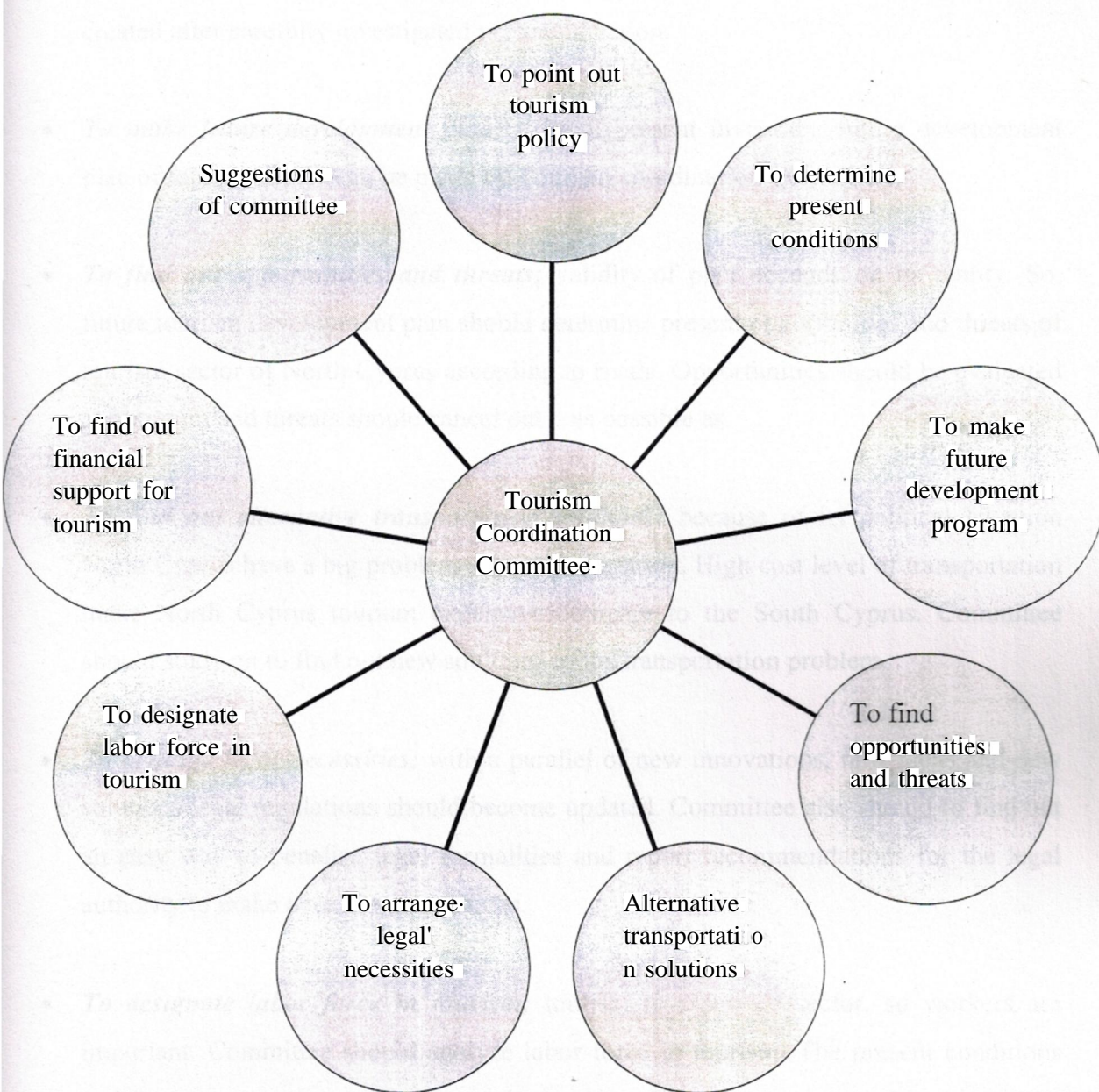
As a result, to reach sustainable development in North Cyprus, planned tourism is necessary. To objective application of tourism development plans are needed. To do this Ministry of Tourism must be avoid political decisions while imposing and applying tourism development plan. It should be better to create independent authority which includes academicians, tour operators and other tourism related groups. This kind of independent tourism authority will be make long-term tourism policies and apply them unless any pressure and uncertainty of higher authorities.

Diagram 1 Tourism Coordination Committee:



As it can be seen from the Diagram 1, tourism coordination committee includes KITSAB, KTOB, RESB R, REHB R and Academicians. It should work independently from the political authority and have to be making regular meetings. Decisions and recommendations of the committee should be published and distributing to all related areas. Suggestions and complaints should be evaluated by the committee.

Diagram 2 Functions of Tourism Coordination Committee:



Functions of the Tourism Coordination Committee have been shown in Diagram 2. Main recommended functions of committee are;

- *To point out the tourism policy of North Cyprus:* according to the previous experiences and investigate tourism rivals of North Cyprus, committee should determine future tourism policy.

- *To determine present conditions;* committee should point out the present conditions, to find out expectations and necessities. Successful tourism development plan only created after carefully investigated present situation.
- *To make future development plan;* light of present invention, future development plan of tourism sector can be made by Tourism coordination Committee.
- *To find out opportunities and threats;* validity of plan depends on its reality. So, future tourism development plan should determine present opportunities and threats of tourism sector of North Cyprus according to rivals. Opportunities should be evaluated at optimum and threats should cancel out as possible as.
- *To find out alternative transportation solutions;* because of its political situation North Cyprus have a big problem with transportation. High cost level of transportation make North Cyprus tourism expensive compare to the South Cyprus. Committee should study on to find out new solutions to the transportation problem.
- *To arrange legal necessities;* with a parallel of new innovations, new ideas and new solutions legal regulations should become updated. Committee also should to find out an easy way to penalize legal formalities and report recommendations for the legal authority to make necessity regulations.
- *To designate labor force in tourism;* tourism is a service sector, so workers are important. Committee should analyze labor force in tourism. The present conditions and future expectations will arrange the workers. Committee may organize courses to increase the quality of workers and make progress in service.
- *To find out financial support for tourism;* committee should to point out necessary investment areas according to the future expectations and direct financial resources to those areas.
- *Suggestions of Committee;* committee should make some recommendations and suggestions for the tourism environment regularly. This will help to improve tourism.

sector of North Cyprus, sector will become more professional and independent from political authorities.

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