

**THE FINANCE OF TOURISM PROMOTION IN THE TRNC IN THE  
LIGHT OF EUROPEAN UNION (EU) PERSPECTIVE**

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**ABSTRACT**

The main objective of this study is to analyze the tourism promotion activities and to finance such activities in the Turkish Republic of Northern Cyprus (TRNC) and make recommendations accordingly. Although tourism is identified as locomotive sector in development, the contribution of this sector hasn't occurred at desired levels. The basic reasons of this can be grouped as internal and external factors. The internal factors may be defined as general lack of planning, the lack of cooperation between related institutions, basic infrastructure problems, lack of financial resources, disorganized tourism structure and lack of scientific management understanding in tourism sector. The external factors can be viewed as; non-recognition, embargos and obstacles in direct access arisen due to Cyprus issue.

Some failures and deficiencies in practice of promotion and financing of TRNC tourism are observed. The marketing and promotion of tourism activities on the island are carried out according to the daily policies rather than a general strategy. Furthermore the promotion activities were carried out towards mass tourism and target segments were not defined scientifically. On the other hand, the financial resources separated for the advertising activities have not been used optimally towards relieving the negative effect of external factors. Furthermore, it is not possible for the actors of tourism sector in the TRNC to apply for external sources especially EU to finance their promotional and other needs because of the internationally unrecognized position of the country.

**Keywords:** TRNC, Promotion, Finance, Government.

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## ÖZET

Bu çalışmanın amacı, Kuzey Kıbrıs Türk Cumhuriyeti'nde (KKTC) yürütülen turizm tanıtım faaliyetlerini ve bu faaliyetlerinin finansmanını analiz etmek ve bu yönde öneriler geliştirmektir.

KKTC'de turizm sektörü kalkınmada öncelikli ve lokomotif sektör olarak belirlenmesine rağmen ülkeye olan katkısı beklenen düzeyde gerçekleşmemiştir. Bunun temel nedenleri iç ve dış etkenler olarak sıralanabilir. İç etkenler kısaca, genelde plansızlık, ilgili kurum ve kuruluşlar arası eşgüdüm eksikliği, temel altyapı sorunları, finansmanda kaynak yetersizliği ve turizmde yetersiz örgütlenme ve bilimsel yönetim anlayışının olmayışdır. Dış etkenler ise; Kıbrıs sorunundan dolayı ortaya çıkan tanınmamışlık, ambargolar ve KKTC'ye doğrudan ulaşım engelidir.

KKTC turizminin tanıtımı ve finansmanında uygulamaya yönelik yanlışlık ve eksiklikler gözlemlenmektedir. Adadaki turizm faaliyetlerinin pazarlama ve tanıtımı genel bir strateji ve buna bağlı taktiklere göre değil gününbirlik politikalarla yürütülmektedir. Ayrıca, günümüze değin kitle turizmüne göre tanıtım faaliyetleri gerçekleştirilmiş ve bilimsel olarak hedef kitlelerin belirlenmesine yönelilmemiştir. Öte yandan, tanıtım faaliyetleri için ayrılan finansal kaynaklar özellikle dış etkenlerin yarattığı olumsuzlukları giderici yönde optimal düzeyde kullanılmamıştır. Ayrıca, KKTC'nin uluslararası tanınmamış kimliğinden dolayı sektörün gerek tanıtım gerekse diğer ihtiyaçları için başta Avrupa Birliği (AB) olmak üzere uluslararası kurum ve kuruluşlara kaynak temini için başvurulamamaktadır.

**Anahtar Kelimeler:** KKTC, Tanıtım, Finansman, Devlet

## 1. INTRODUCTION

In this study tourism promotion activities and their financing in TRNC will be the main focus to be analyzed. In this regard, firstly the concept of tourism promotion will be clarified. After this conceptual framework, the case of TRNC consisting of the importance of tourism, tourism promotion activities, sources of finance for tourism promotion, the finance of tourism promotion and the fundamental problems affecting tourism promotion will be handled as the main body of the paper. Finally, conclusive remarks and recommendations will be made in order to improve the promotional efficiency of tourism sector in the TRNC.

## 2. THE CONCEPT OF TOURISM PROMOTION

It seems essential to touch on the concept of tourism promotion before concentrating on the finance of it in the TRNC. From the theoretical point of view it is not possible to differentiate tourism promotion from the promotion of other sectors apart from the specific features unique to different sectors. Hence, first of all concept of promotion will be focused on.

Promotion is one of the four classical marketing mix elements. Under marketing philosophy, 4Ps as product, price, place and promotion are utilized to anticipate demand, recognize it, stimulate it and finally satisfy it (Kotler, 1994;100; Holloway & Plant; 1990; 3). In this context, promotion is the function of informing, persuading, and influencing the buyer's purchase decision (Boone & Kurtz, 1995; 566). It should be noted that promotion decision can not be isolated from other aspects of the marketing mix because any change in any one of these elements will directly or indirectly affect the success of other elements. Therefore, they should be simultaneously considered as a whole (Jain, 1997; 469).

A wide variety of promotion tools are available to the market planner in both consumer and industrial products companies. These are called promotion mix or marketing communication mix which consists of five major tools as *advertising, direct marketing, sales promotion, public relations and publicity, and personal selling*. (Kotler, 1994; 596). These tools are applied to provide information, increase demand, differentiate a product, accentuate a product's value and stabilize sales as the primary objectives of promotion (Boone & Kurtz, 1995; 570-572).

Promotion mixes differ widely from one type of product to another, as would be expected. Each mix must be planned carefully to fit the nature of the product or service and especially, the characteristics and interest of the market (Myers, 1986; 363). In this regard, nature of the market, nature of the product, stage in the product life cycle, price and funds available for promotion should be taken into account in order to develop an optimal promotional mix (Boone & Kurtz, 1995; 579-581).

The size of the promotional budget is naturally a real barrier to implementing any promotional strategy. Traditional methods for creating a promotional budget are percentage of sales, fixed sum per unit, meeting the competition, and task objective (Myers, 1986; 369-372; Kotler, 1994; 611-613).

As it is understood from the explanations above, marketing philosophy should be adopted at the beginning of tourism promotion strategy. According to this philosophy, the authorities of tourism sector should be market and consumers oriented, should meet consumer needs and want and determine the best market segments (İçöz, 1996; 35-37). Furthermore, natural, cultural and special types of attractions that are artificially created and the most effective promotional tools for tourism sector should be taken into account in order to develop an optimal promotional strategy (Inskeep, 1991; 77-93). Promotional tools that potentially affect tourism demand can be directed towards tourist and/or travel companies and tour operators. Among these tools; free samples, price discounts, coupons/vouchers, gifts, 'give-aways' (pens, ashtrays, calendars, diaries, etc), contests, trade exhibitions, increase in commissions paid to travel agencies and tour operators, gifts given to travel companies and their representatives, point of sale (POS) material and joint promotional shames (financial, organizational help) with travel companies and tour operators are the most effective ones (İçöz, 1996; 175-178; Holloway & Plant; 1990; 276-277).

### **3. THE CASE OF TRNC**

The main body of the study concretes on the case of TRNC consisting of the importance of tourism, promotion activities, sources of finance for tourism promotion, the finance of tourism promotion, EU support for tourism promotion and the fundamental problems affecting promotion activities.

#### **3.1 The Importance of Tourism Sector**

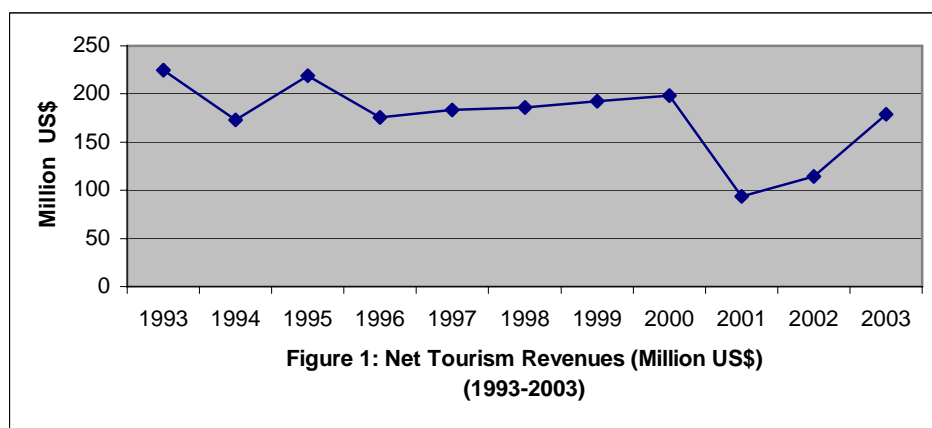
Tourism sector of TRNC carrying the characteristics of small island economics is given priority as the locomotive sector on the development of the country (Şafaklı, 2004; 123). However, even though tourism played important role in the economy when tourism revenues and balance of payments are considered its contribution has not been enough to carry the full responsibility of locomotive position as shown in Table 1.

**Table 1: The Economic Importance of Tourism in TRNC (1993-2003)**

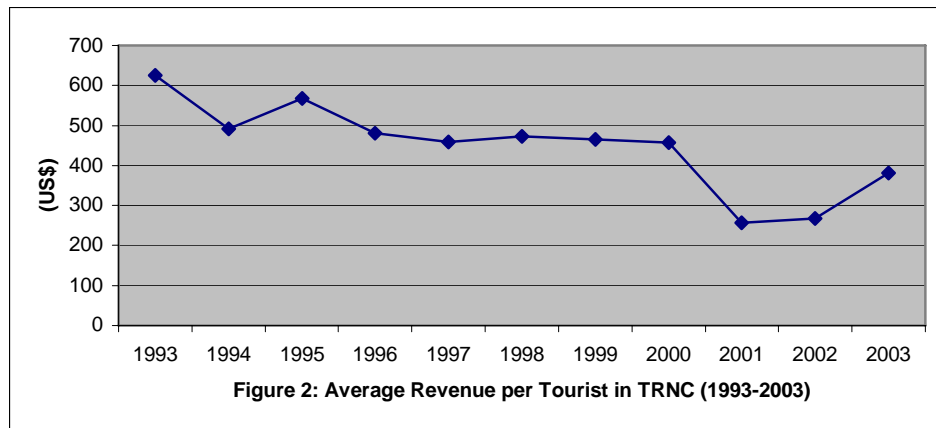
Years	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Net Tourism revenues (US\$)	224,6	172,9	218,9	175,6	183,2	186	192,8	198,3	93,7	114,1	178,8
Tourist Arrivals	359313	351628	385759	365116	399364	393027	414015	432953	365097	425556	469867
Revenue Per Tourist (US\$)	625,0	491,7	567,4	480,9	458,7	473,2	465,6	458,0	256,6	268,1	380,5
The Ratio of Net Tourism Revenue To Trade Balance (%)	72,6	74,1	73,3	70	61,3	55,2	53,5	53	39,5	43,2	41,9
Share of Tourism in GDP (%) (1977 Prices)	3	3,3	3,3	2,8	3	3	3,1	3,2	3	3,4	3,2
Share of Tourism in Employment (%)	3,6	3,7	3,8	3,6	3,8	3,8	4	4,1	4	4,5	4,4

**Source:** 1- SPO (2004), *Economic and Social Indicators 2003*, State Planning Organization Follow up and Coordination Department, Nicosia, pp. 2-3, 11, 70-71.  
 2- Tourism Planning Office (2003), *Statistical Yearbook of Tourism 2002*, TRNC Deputy Prime Ministry, Nicosia, p. 61.  
 3- Tourism Planning Office (2003), *Statistical Yearbook of Tourism 2003*, TRNC Deputy Prime Ministry, Nicosia, p. 57.

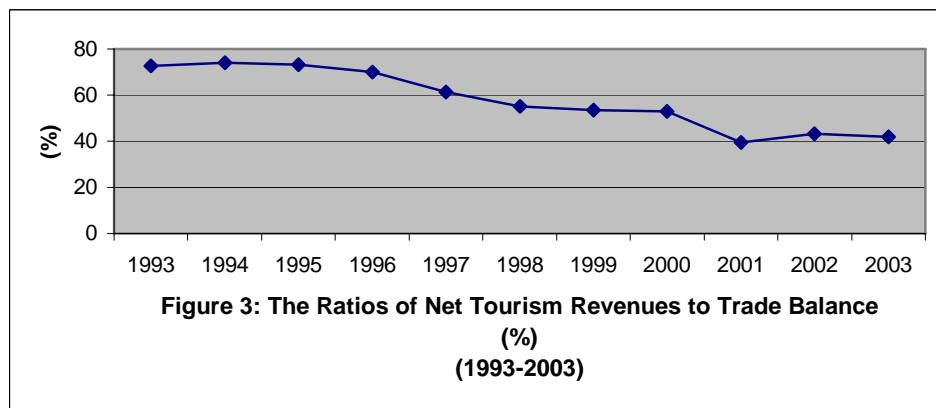
As clearly seen in Figure 1 tourism revenues did not show stability during the period between 1993-2003. Furthermore, they fell down when 1993 figures are considered. Such that tourism revenues of 2003 occurred approximately 80 % of 1993's with the effect of economic and foreign currency crises observed.



Expectedly, net tourist revenue showing the quality of tourist also did not show stability. Furthermore, there had been a net decrease in per tourist revenue when the years of 1993, 1995, 2000 and 2003 are analyzed (Figure 2).



Both the downfall of net tourism revenue and instability of per tourist revenue naturally influenced the share of net tourism revenue to trade balance in a negative way. As indicated in Figure 3, the share of net tourism revenue has begun to decrease since 1994, and the rate of 74.1 % in 1994 regressed to the rate of 41.9 % in 2003.



Share of tourism in Gross Domestic product (GDP) did not demonstrate remarkable change and limited to around 3 % during the years between 1993-2003. According to this figure, tourism proved to have lowest share in GDP. Such that, the shares of public sector, transportation-communication, trade, industry and agriculture reported for the year of 2002 were 15,1 %, 12 %, 12,7 %, 11,6 % and 10,6 % respectively (SPO, 2004; 10-11).

Contrary to expectations the assumed role of tourism as locomotive is not reflected according to financing and investment figures as shown in Table 2. Even though a relative increase has been observed, the share of tourism in fixed capital investments did not exist 6 %. More desperate issue of fact is realized when bank loans are taken into consideration. While the share of tourism in total private bank loans was 2 % in 1995, it regressed to the rate of 1 % in 2003. On the other hand, Development Bank credits to tourism sector showed the similar instability. While the Development Bank credits to tourism sector showed increases in US\$ terms till 1998, after this year it recorded enormous and hard to explain decreases as shown in Table 2:

**Table 2: Fixed Capital Investments and Financing Figures of TRNC Tourism (1995-2003)**

	1995	1996	1997	1998	1999	2000	2001	2002	2003
Fixed Capital Investments of Tourism (Current Prices Million TL)	161602	323437,2	1049479	2201158,6	3469195,3	5108314	5822411	10996958	10996958,4
The Ratio of Tourism in Fixed Capital Investments (%)	3,8	3,7	4,8	5,4	4,8	5,0	4,1	5,9	5,9
Bank Loans to Tourism Sector (Current Prices Million TL)	493305	714424,1	1533509	3832464	8782531	4438017	10454780	10454780	7.745.439,00
The Ratio of Total Bank Loans to Tourism i(%)	2,0	1,6	1,4	1,6	1,6	0,8	2,0	1,4	1,0
Development Bank Credits to Tourism (US\$)	3037109	5582698	7556133	10487036	9395259	2015564	780073		

**Source:** 1- SPO (2004), *Economic and Social Indicators 2003*, State Planning Organization Follow up and Coordination Department, Nicosia, pp. 28-29, 48-49.

2- TRNC Development Bank

When compared with similar tourism centres in the Mediterranean region, the TRNC is well below its potential with regard to tourism indicators. First of all, The Greek Cypriot which has been controlling Republic of Cyprus, earns in excess of USD 2 billion annually from tourism compared with the TRNC earnings of around USD 200 million in a successful year. Furthermore, when the most vital indicators such as tourist arrivals, bed capacity, share of tourism in GDP and share of tourism in employment are compared in Table 3; tourism industry of TRNC lags behind its biggest competitor, the Southern Cyprus. Specially it should be cited that, share of tourism in employment, share of tourism in GDP and average revenue per tourist in Southern Cyprus is approximately three, five and two and half times respectively greater than Northern Cyprus.

**Table 3: Basic Economic and Tourism Indicators of Northern and Southern Cyprus (2003)**

	Northern Cyprus	Southern Cyprus
GNP (Million US \$)	1283.7	10027.89
Per Capita GNP (US \$)	5949	13947
Inflation Rate (%)	12,6	4.14
Number Of Accommodation Establishments	128	951
Bed Capacities	11858	95185
Number of Tourists	469867	2303246
Share of Tourism in Employment (%)	4,4	13
Tourism Receipts (Million US \$)	178.8	1986
Share of Tourism Receipts in GNP (%)	13.9	19,8
Share of Tourism in GDP (%)	3,2	15,5
Average Revenue Per Tourist (US\$)	380,5	862.2

**Source:**1- SPO (2004), *Economic and Social Indicators 2003*, State Planning Organization Follow up and Coordination Department, Nicosia, pp. 2-3, 58-59.

2. <http://www.cyprus.gov.cy/cyphome/govhome.nsf/LookupIDs/9DBD25AB8A81C9FAC2256B6B002F977A?OpenDocument&languageNo=1>, May 29, 2005.

3- <http://www.odci.gov/cia/publications/factbook/geos/cy.html>, May 30, 2005

4- <http://www.studentsoftheworld.info/infopays/rank/PNBH2.html>, May 30, 2005

5- [http://www.centralbank.gov.cy/nqcontent.cfm?a\\_id=1130](http://www.centralbank.gov.cy/nqcontent.cfm?a_id=1130), May 30, 2005

6- CT (2004), *Tourism in Cyprus 2003*, Cyprus Tourism Organization, Nicosia.

### 3.2 Tourism Promotion Activities

Primarily the Tourism Promotion Office, within the Tourism and Environment Ministry, carries out the promotion of tourism in the TRNC. Other organizations involved in the promotion of tourism include the Cyprus Turkish Tourism and



Travel Agencies Association (KITSAB) and the Cyprus Turkish Hoteliers Association (KITOB). The summary of activities undertaken to promote tourism can be classified as follows:

- Activities linked to tourism fairs organized abroad;
- Promotion activities in the TRNC (Organizing and encouraging music or traditional festivals. Organizing statue and ceramic exhibitions in TRNC, Printing TRNC highway map. Updating the TRNC web site);
- Publications (brochures and booklets);
- Advertising (newspapers, radio, television and other media);
- Invitations to visit the TRNC (foreign tour operators, journalists and writers);
- Tourism offices (within the TRNC and abroad).
- Contributions to charters, transportation, advertising and providing duty exemptions in accordance with Tourism Industry Incentive law.

The Tourism Promotion Office sets up stands at various tourism fairs around the world in order to promote the TRNC as a tourism centre. Hotel managers and travel agents, from the TRNC, also attend these fairs. Publications, in the form of brochures and booklets, about Northern Cyprus have been prepared and distributed freely since the formation of a separate Turkish state in the north of Cyprus. Advertising of Northern Cyprus as a tourism centre in its primary markets, comprising the British Isles, Germany and Turkey, has been a relatively recent activity. Northern Cyprus is being marketed as an unspoilt Mediterranean paradise, using the symbol of the endangered *Caretta Caretta* sea turtle, which comes to lay its eggs on the Northern Cyprus beaches (Vehit, 2003). As a general promotional strategy, mass tourism is adopted rather than focusing on target segments carrying competitive advantage.

### **3.3 Sources of Finance For Tourism Promotion**

The Tourism Industry Incentive Law passed in 1987 set up the “Tourism Development and Promotion Fund” under the control of the ministry in charge of tourism. The purposes of the Fund are:

- (1) to provide loans and/or subsidize interest payments for tourism investments approved by the ministry;
- (2) to subsidize tourism transportation;
- (3) to market and promote TRNC tourism at home and abroad;
- (4) to provide financial incentives for tourism projects;
- (5) to develop tourism.

The sources of revenue for the Tourism Development and Promotion Fund are (Yeşilada, 1994; 292 – 293);

- (1) a charge equal to 2 percent of the CIF value of petrol and 1 percent of the CIF value of diesel fuel imported into the TRNC;
- (2) half of the service charges collected from travelers entering and leaving the country;
- (3) collections from bank letters of guarantee;
- (4) rent collections;
- (5) casino concession charges;
- (6) casino entrance charges;
- (7) tourism and travel agencies' licence fees;
- (8) other incomes.

The table 4 shows the projected income for the year 2002 and the actual income for the first three quarters, ending on 30.09.2002, of the Tourism Development and Promotion Fund.

**Table 4: Projected and Actual Income of the Fund for the year 2002 (millions TRL)**

Income type	Projected Income for 2002	Actual Income (1.1.02-30.9.02)
Surcharge on fuel	1,444,000	715,269
Passenger port service charges	2,034,912	1,157,412
Bank letters of guarantee	5,000	331
Rent	144,338	101,464
Casino concessions	4,237,250	4,059,959
Casino entrance charges	1,233,000	82,640
Travel agency licence fees	1,500	1,522
Other income	257,000	10,798
<b>Total</b>	<b>9,357,000</b>	<b>6,129,395</b>

Source: Tourism Promotion Office

### 3.4 The Finance of Tourism Promotion

So far, we have looked at the sources of revenue available to the Tourism Development and Promotion Fund, now we shall look at how the Fund uses these amounts to further its aims. The table 5 shows the spending budget of the Fund for the year 2002, and the actual amounts spent in the first three quarters, ending on 30.09.2002.

**Table 5: Projected and Actual Amounts Spent by the Fund in 2002 (million TRL)**

Expenditure type	Allowance for 2002	Actual Expenditure (1.1.02-30.9.02)
<b>Tourism Promotion Expenditure</b>		
Tourism Fairs Abroad	1,000,000	812,665
Domestic Promotion Activities	370,000	348,346
Publications	562,500	233,519
Advertising	1,350,000	628,191
Invitations	200,000	105,918
Tourism Offices	1,000,000	530,214
Foreign Promotion Support	415,000	103,744
Technical equipment and stationery	60,000	42,268
<b>Promotion sub-total</b>	<b>4,957,500</b>	<b>2,804,865</b>
<b>Tourism Development Expenditures</b>	<b>3,685,000</b>	<b>1,967,336</b>
<b>Personnel Expenses</b>	<b>120,000</b>	<b>83,155</b>
<b>Training Expenditures</b>	<b>114,500</b>	<b>91,310</b>
<b>Other Expenditures</b>	<b>480,000</b>	<b>389,000</b>
<b>Total</b>	<b>9,357,000</b>	<b>5,335,666</b>

Source: Tourism Promotion Office

The Fund earmarks and spends over half of its monies to the promotion of tourism; the breakdown of its allocations is as follows:

**Table 6: Percentage allocations of the Fund**

	2002 Budget (%)	Actual Expenditure (%) (01.01.02-30.09.02)
Promotion	53.0	52.5
Development	39.4	36.9
Personnel	1.3	1.6
Training	1.2	1.7
Others	5.1	7.3

Source: Tourism Promotion Office

Within the promotion expenditure, although more funds were earmarked for advertising, actual expenditure, during the first three quarters, on activities related to tourism fairs abroad exceeded the amount spent on advertising.

Besides the figures mentioned in the tables above, the amount of incentives paid for the transportation and charter flights and for the printed materials according to Tourism Industry Incentive Law by years is exhibited in Table 7. When the data expressed in US dollars are evaluated, we observe fluctuations in great magnitude. This expresses the absence of effective planning and financing in tourism promotion.

**Table 7: The Amount Of Incentives Paid In Accordance With Tourism Industry Incentive Law In TRNC (US\$) (1994-2002)**

	1994	1995	1996	1997	1998	1999	2000	2001	2002
Charter And Transportation Incentives	226065.4	89478.2	81513.6	157117.6	455543.8	632720	737578	426885.8	649717.6
Promotional And Advertorial Incentives	92475.8	221838.7	83621.2	172291.6	433856.8	306730	17954	20345.5	529799.2
Duty Exemption For Touristic Accommodation	2306634	4730818	7535722	5953677	13318155.4	10451582	50779554.9	2844110.4	5628375.5
Duty Exemption For Tourism And Travel Agents	210474.8	277112.2	190730.6	223622.3	162304.4	45333.2	90667	14705.4	52951.1

Source: Tourism Planning Office (2003), *Statistical Yearbook of Tourism 2002*, TRNC Deputy Prime Ministry Tourism Planning Office, Nicosia, p. 49-50.

Despite of the above figures tourism sector in the TRNC experienced great difficulties in financing investment and promotion activities. Until 1993, tourism enterprises applied to commercial banks for financing in addition to “tourism development and promotion fund”. However due to the instability in tourism demand and income, commercial banks hesitated in granting loans to this sector and exposed high interest rates. Although the establishment of “Development Bank” increased the financial sources available to touristic institutions all demands have not been able to meet until today due to financial straits. According to the research conducted toward financing touristic institutions in TRNC the following conclusion is made: *“Financial obstacles asserted to be prerequisite for the solution of most of the problems faced by tourist accommodation establishments in the TRNC have reached to a chronic level. Such that neither the equity of establishments nor the funds provided by Development Bank is sufficient to finance all of the feasible*

*projects. Unfortunately they could not also afford to raise favorable commercial bank credits due to high interest rates and insufficient collateral. Additionally, it is not possible for them to apply for international funds including Turkey because of the reasons beyond the scope of this study. Therefore, equity is the primary and inevitable source of finance for them” (Şafaklı, 2004; 99).*

Due to the Cyprus issue as the agenda of United Nations (UN) almost always mediating to solve the problem between Turkish Cypriots and Greek Cypriots and consequential diplomatic non-recognition of TRNC, tourism enterprises also have not been able to apply for external tourism loans and Institutions. European Investment Bank and European Union (EU) which is expressed in details make the most important aspect of external tourism loans and Institutions among the International Bank for Reconstruction and Development (IBRD), OPEC Fund for International Development, United States Information Service (USIS) and World Tourism Organization (WTO) (KKTC Devlet Bakanlığı ve Başbakan Yardımcılığı, 2000;18; Kahraman, 1997; 59 – 60 ).

### **3.5 Potential EU Support for The Tourism Promotion of TRNC**

It is obvious that after a comprehensive settlement to Cyprus issue TRNC will be the full member of EU. Consequently, all sectors of the TRNC economy including tourism will be reorganized, revised and directed according to acquis of EU. Expectedly, TRNC as the full member of EU will get the chance of applying for all types of EU support for tourism promotion. In this respect, many different schemes exist which provide funding for suitable proposals in the EU. Sources of possible funding for tourism projects that directly or indirectly contribute to the financing of tourism promotion are as follows:

- the major funds for promoting regional, economic and social development in the Union (the Structural Funds);
- programmes and actions in various policy fields (e.g. environment, training, research and development, promotion of cultural heritage). These often require co-operative efforts between organizations in two or more Member States;
- loans from the European Investment Bank.

The single largest source of European Union funding for tourism, in particular in the less prosperous regions, are the Structural Funds (the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the European Agricultural Guidance and Guarantee Fund (EAGGF)). It is widely recognised that tourism is contributing to regional development and job creation, and 7.3 billion

ECU represents the total Community contribution to tourism projects over the period 1994-1999 through the Structural Funds ([www.euclid.info/](http://www.euclid.info/); Lök, 1995; 80 – 83). The major co-financing/grants provided for tourism marketing and export promotion in the EU and Accession Candidate Countries is summarized below (European Commission, 2002; 9-10):

- European Regional Development Fund (ERDF): Financial assistance to disadvantaged regions.
- INTERREG (Community Initiative for Trans-European Co-operation For Balanced Development): Action to support co-operation between regions within the European Union.
- LEADER+ (Community Initiative for Links between actions for the development of the rural economy): Help to restore the vitality of rural areas and to stimulate the creation and maintenance of rural activities.
- Phare Trans-European Co-operation: Phare finances the co-operation of accession candidate countries with EU countries in the framework of Interreg programmes.
- SAPARD (Special Accession Programme for Agriculture and Rural Development): Provides financial and technical assistance for agriculture and rural development in candidate countries.
- Tacis Trans-European Co-operation: Tacis finances the co-operation of countries of the Community of the Independent States with EU countries in the framework of Interreg programmes.
- Market Access Data base: Tool for businesses to seek help from the Commission when encountered with unfair market barriers in countries outside the EU.

Among the various Community programmes, the new Multiannual Programme for Enterprise and Entrepreneurship (2001-2005) is in particular aiming at small and medium-sized enterprises (SMEs). The programme focuses on new economy challenges to SMEs, regardless of their sector, legal status or geographical location. All actions under this new programme are also relevant to tourism SMEs (<http://europa.eu.int/comm/>).

As emphasized before, due to the Cyprus issue and consequential diplomatic non-recognition of TRNC, touristic institutions in TRNC cannot afford to apply for EU funding explained in detail above. However, EU support for tourism promotion can be counted as potential source for the tourism sector of TRNC because comprehensive settlement to Cyprus problem and/or any creative attempt by EU

towards preparing TRNC to EU membership will most probably make it possible for TRNC to utilize this support in a short period of time.

### **3.6 Fundamental Problems Affecting Tourism Promotion**

The most important problems that either directly or indirectly affect the success of tourism promotion activities can be classified under the following headings.

#### **a) The Lack Of Institutional Planning**

Marketing and promotion activities in the tourism sector are not carried out according to institutionalized scientific planning, as it is general case on the island. Neither national physical plan, which is required for identifying physical areas for tourism and other sectors, has not being prepared yet nor “Tourism Master plan”, which has already being prepared, has not been put into practice in TRNC (Şafaklı & Özdeşer, 2002). Furthermore, the planning of tourism products necessitating market research principles which consist of an effective information flow system which includes encouraging sales, modern advertising, public relations and other advertising activities, has not been build yet.

#### **b) The Lack of Market Segmentation**

Even though comparative advantages and limitations with particular characteristics of the island are not appropriate for development of mass tourism, promotion activities in TRNC depended on mass tourism until today (KKTC Devlet Bakanlığı ve Başkan Yardımcılığı, 2000; 11). Such that, unspoiled environment, geographic structure and climate besides historical and cultural mosaic reveals the comparative advantage of TRNC in special interest tourism. (Şafaklı & Erkut, 2002). Religious, cultural, natural health, countryside tourism, yachting, tracking, air and water sports can be identified as areas of special interest tourism. Additionally the importance of congress tourism, which brings individuals together due to occupational and common interest and organizes the relationships, increased because of the international conferences and congresses organized five universities located in TRNC. Eventually, they also contribute to the promotion of TRNC tourism (Şafaklı & İnançoğlu, 2002).

### c) Tourist Profile

Primary market segment of TRNC consists of Turkey, United Kingdom, and Germany. Secondary segment consists of other European nations, Scandinavian countries and Israel. However, impossibility of direct access to TRNC as a natural result of Cyprus issue and non-recognition causes the number of tourists coming from countries other than Turkey to stay at low levels. As it appears in table 8 and figure 4, primary market of TRNC tourism is Turkey, which accounted for 74.3 % of total tourist arrivals in 2002. This is followed by United Kingdom (% 14.7) and Germany (% 2.1) respectively. Each of the others that are more than 40 countries can not even constitute 1 % of tourist profile in TRNC.

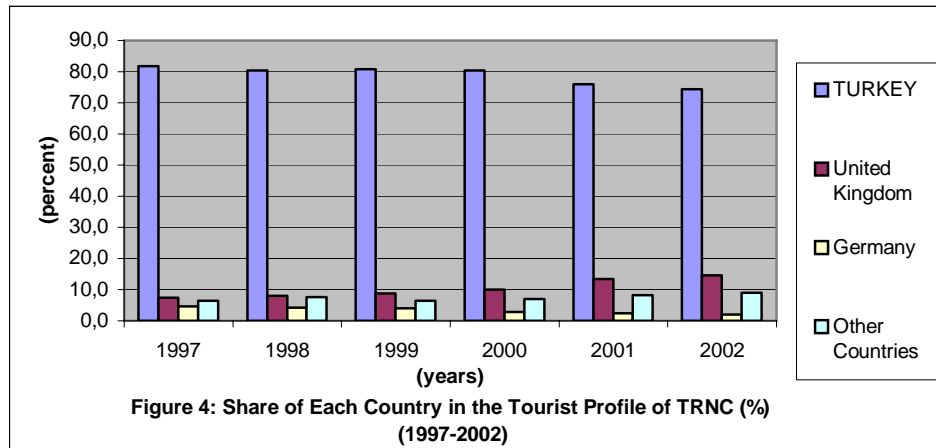
**Table 8: Tourist Profile In TRNC (1997-2002)**

	1997	1998	1999	2000	2001	2002
Total	399364	393027	414015	432953	365097	425556
Turkey	326364	315797	334400	347712	277739	316193
United Kingdom	29645	31256	36827	43100	48898	62519
Germany	18184	16284	16296	11867	8769	8812
Other Countries	25171	29690	26492	30274	29691	38032

**Source:** SPO (2004), *Statistical Yearbook 2002*, State Planning Organization Statistics and Research Department, Nicosia, pp. 217-218.

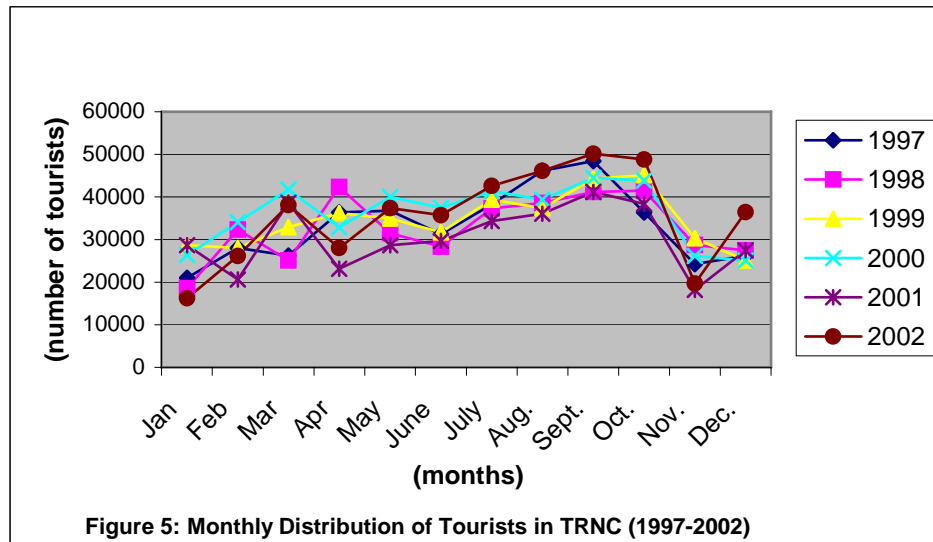
As mentioned before the main reason for Turkey being the primary market of TRNC tourism is the impossibility of direct access to the island from countries other than Turkey. Consequently, this case increases the cost of indirect access to island and hence reduces travelers' satisfaction. As it is shown in figure 4 the share of United Kingdom tends to increase while the shares of Turkey and Germany decrease.





#### d) Seasonality

Although the climate, natural conditions and special interest tourism in TRNC are suitable for spreading out tourism season to the whole year, basically “sand, sun, sea” tourism has been observed. Figure 5 exhibit the number of tourists coming to TRNC between the years 1997 and 2002 distributed by months. As it is obvious in figure 5 that tourism activities in TRNC remain behind in November, December, January and February when compared to other months.



**Source:** SPO (2004), *Statistical Yearbook 2002*, State Planning Organization Statistics and Research Department, Nicosia, pp. 215.

#### e) Political Instability

Although not an attraction as such, the extent of political stability of an area and the popular perception of political stability, whether realistic or not, by the potential tourist markets is a significant factor in attracting tourists (Inskeep, 1991;92). Unfortunately, the level of political instability creating high country risk potentially constitutes negative tourist attractions. Internationally non-recognized position, absence of indirect flight to TRNC, embargos, the ruling of the European Court of Human Rights asserting that Turkey violates property rights in Cyprus, the existence of United Nations (UN) showing the continuation of cease -fire and possibility of war are the most important sources of this instability (Şafaklı, 2002).

#### f) The Lack of Autonomous Tourism Management

Generally the countries experiencing great innovation in tourism sector such as Italy, delegate the planning and supervision activities to independent tourism organizations. For example, Cyprus Tourism Organization (CTO) in Southern Cyprus is autonomous in management and consists of members from government and Non-Governmental Organizations (NGOs). On the other hand, In the TRNC,

this function rests with Ministry of Tourism, which is inevitably subject to populist and political tendencies. This case is also observed in the usage of 'Tourism Development and Promotion Fund'. Such that the mentioned fund is used in unrelated areas such as unnecessary employment and other type of populists' activities which do not have to do with tourism management and hence increases the difficulty in finding resources for optimal promotion activities.

#### **g) Other Problems**

The following factors also influence the success of promotional activities in addition to above the ones mentioned above.

- Tourism offices and relationships with tour operators at abroad are insufficient (Yeşilada, 1994; 29 – 30).
- Bed capacity in TRNC is not enough for attracting tour operators. Such that minimum bed capacity to organize a tour is 10,000 whereas bed capacity is approximately 10,000 in TRNC. On the other side 80 % of market is served by one tour operator called Thomas Cook U.K in Southern Cyprus having bed capacity of 85,000. Furthermore, bed capacity is also not adequate for mass tourism due to same reason.
- Holiday package is priced almost same when compared to foreign competitors in order to survive against competition. However, composition of package is different. Such that two-third of it goes to transportation cost while one-third remains for accommodation. On the other hand, these figures are reverse for Southern Cyprus. Inevitably, this case negatively affects quality of tourism product and hence the competitiveness of TRNC tourism.
- Tour operators and travel companies are subsidized between 15 \$ and 40 \$ on an individual basis according to mass tourism strategy pursued by state. However, this subsidy turns out to be ineffective due to transportation problem. There is only one Airlines Company in the TRNC, which is local while 35 foreign and 2 domestic airlines company exist in the Southern Cyprus. Because of this it is almost impossible for travel and tourism companies to find enough places in order to attract and bring tourists.
- Even though electronic commerce became popular in today's globalised world, only about 40 % of touristic institutions in the TRNC have Internet connections. Moreover, e-commerce facility is utilized by only around 15 % of them.
- The sources of income for the Tourism Development and Promotion Fund include a charge on all entrants to casinos, and were introduced at the beginning of 2002. However, the casinos have proved reluctant to collect this charge,

subsequently the income generated from this has been far short of projections as shown in the Table 4. This anomaly was explained by stating that due to government spending cuts, the ministry cannot work staff overtime or hire new personnel to check that casinos are collecting the entrance fee, even though the extra income generated by this will be far in excess of the expenditure involved (Vehit, 2003).

Consequently, it can be said that international promotion of TRNC tourism has not been undertaken at desired levels (Martin, 1993; 368).

#### **4. CONCLUSION AND RECOMMENDATIONS**

It can be concluded that tourism promotion activities and their financing in the TRNC are not carried out at an optimal and satisfactory level. In this respect, various internal and external factors have direct or indirect negative influence on the tourism promotion and its financing. Among these the most vital ones are Cyprus issue and non-recognition, embargoes, high cost of indirect access to the TRNC and hence lower traveler satisfaction, the lack of institutional planning, the lack of market segmentation, tourist profile, seasonality, political instability and the lack of autonomous tourism management. Parallel with this reality, it gets more difficult to establish tourism offices abroad, carrying out promotion activities and building systematic relations with tour operators. In addition to these the absolute amounts and allocation of funds unique to promotion activities are not sufficient, stable and optimal due to the factors cited above. Furthermore, touristic institutions can not afford to raise appropriate state and private bank credits while non-recognition abolishes the possibility of sector to find funds from external institutions especially EU for using in investment and promotions. It should be noted that comprehensive settlement to Cyprus issue and EU membership would automatically solve the vital problems of international non-recognition, political instability, high country risk and indirect access to country. Therefore, comprehensive settlement to Cyprus issue it will make it possible for touristic institutions in TRNC to apply for the external sources of finance. After these conclusive remarks following recommendations can be made related with tourism promotion and financing activities in TRNC;

- Preparation of natural physical and environmental plans, putting the tourism master plan into practice in order to harmonize and coordinate environmental factors with tourism sector.

- Leaving the supervision of tourism with its financial resources to independent organizations.
- Carrying the tourism promotion and financing activities out in accordance with tourism master plan in order to optimally direct and manage financial sources and promotion activities toward the development of tourism sector.
- Adopting special interest tourism instead of mass tourism and performing market research towards this objective. In this regard, subsidies should be given based on special interest tourism rather than mass tourism. Moreover, various areas of special interest tourism such as health tourism, congress tourism, yachting, tracking, air and water sports should be considered to spread the tourism season to the whole year.
- Assigning active role to Cyprus Turkish Airlines, which is official transportation agent in TRNC, in recovering the problem of indirect access to TRNC such that subsidies and other decisions related to Cyprus Turkish Airlines should be evaluated in order to facilitate tourists' access to TRNC.
- Decreasing the cost of access to TRNC and doing required attempts for making the journey more comfortable in order to increase quality and profitability of touristic services.
- Encouraging touristic institutions to establish cooperatives that can be organized for marketing, financial and other purposes.
- Providing bail and guarantee of Turkish Republic and its institutions to be able to apply external financial resources.
- Electronic marketing and electronic commerce facilities should be utilized to promote and sale tourism product with the help of government. In this way, market potential of TRNC tourism can be expected to increase.
- Bed capacity should be increased in order to be more appealing to tour operators.

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