

THE FINANCIAL BOTTLENECKS OF TOURISM PROMOTION IN THE TRNC

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ABSTRACT

The main aim 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 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 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: Finance, Promotion, TRNC

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.

1. 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 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^{314, 315}. In this context, promotion is the function of informing, persuading, and influencing the buyer's purchase decision³¹⁶. 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 whole³¹⁷.

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 a *advertising, direct marketing, sales promotion, public relations and publicity*, and *personal selling*³¹⁸. 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 promotion³¹⁹. 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 market³²⁰. 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 mix³²¹. 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^{322, 323}.

As it is understood from above explanations 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 consumer oriented, meet consumer needs and wants and determine the best market segments³²⁴. 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 strategy³²⁵. Promotional

³¹⁴ P. Kotler , *Marketing Management*, (United States of America: Prentice Hall İnter. Ed, 1994), p. 100 .

³¹⁵ J.C Holloway &, R. V. Plant , *Marketing For Tourism*, (Singapore: Pitman Publishing, 1990), p. 3.

³¹⁶ L. E. Boone &, D. L. Kurtz, *Contemporary Marketing*, (United States of America: Dryden Press 1995), p. 566.

³¹⁷ S. C. Jain, *Marketing Planning and Strategy*, (United States of America: South – Western, 1997), p. 469.

³¹⁸ P. Kotler , *Marketing Management*, (United States of America: Prentice Hall İnter. Ed, 1994), p. 596 .

³¹⁹ L. E. Boone &, D. L. Kurtz, *Contemporary Marketing*, (United States of America: Dryden Press 1995), p. 570-572.

³²⁰ J. Myers, *Marketing*, (Singapore: Prentice Hall İnter. Ed, 1986), p. 363.

³²¹ L. E. Boone &, D. L. Kurtz, *Contemporary Marketing*, (United States of America: Dryden Press 1995), p. 579-581.

³²² J. Myers, *Marketing*, (Singapore: Prentice Hall İnter. Ed, 1986), p. 369-372.

³²³ P. Kotler , *Marketing Management*, (United States of America: Prentice Hall İnter. Ed, 1994), p. 611-613.

³²⁴ O. İöz , *Turizm İşletmelerinde Pazarlama* , (Ankara: Anatolia Yayıncılık, 1996), p. 35-37.

³²⁵ E. Inskeep , *Tourism Planning*, (Canada: John Wiley & Sons, Inc, 1991) , p. 77-93.

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^{326, 327}.

2. 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.

2.a The Importance Of Tourism Sector

Visitors staying longer than 24 hours at a destination, but less than three months are classified as tourists by the World Tourism Board. In this respect there are three main categories of tourist, excursion, health and education. The TRNC is active in education and excursion, but so far has not attracted health tourists, although there is potential for this. In TRNC occupying an area of 3355 km² on Cyprus island, the tourism sector has been defined to be locomotive sector in development as a part of governmental policy due to natural wealth, archeological sites, large and clean beaches, the structure away from environmental problems besides its geographic location and appropriate climate conditions³²⁸. Although it is locomotive sector, there are some problems related with innovation, development and leveraging the demand for tourism sector. Transportation is the most important one due to non-recognition of TRNC. The other problems can be ranged as; lack of physical planning as a part of tourism planning and not putting the master plan into practice, unsolved infrastructural problems such as water and electricity, the lack of tourism organizations independent in administration and supervision of activities, lack of cooperation with other sectors such as transportation, education and environment, lack of financial resources for tourism investments^{329, 330, 331}. Beyond this, high country risk as a natural result of Cyprus issue makes it impossible to attract foreign capital to the island³³². Although the major problems experienced, especially foreign currency earnings potential of tourism sector justify its priority in development in addition to being assisting to sectors such as construction, trade, agriculture, and industry and due to characteristic of creating employment. Such that The annual trade deficit for the TRNC has fluctuated between USD 233m and USD 363m for the period 1990-2000, at the same time net tourism revenues have fluctuated between USD 153m and USD 224m. The prospects of reducing the trade deficit by increasing exports of industrial and agricultural

³²⁶ O. İöz , *Turizm İřletmelerinde Pazarlama* , (Ankara: Anatolia Yayıncılık, 1996), p. 175-178.

³²⁷ J.C Holloway &, R. V. Plant , *Marketing For Tourism*, (Singapore: Pitman Publishing, 1990), p. 276-277.

³²⁸ DPÖ , *Yabancı Yatırımcılar İin Yatırım ve Teřvik Rehberi*, (Lefkořa: Devlet Planlama Örgütü İzleme ve Koordinasyon Dairesi, 1993), p. 2.

³²⁹ O. řafaklı , 'KKTC'nde Turizm Teřvikleri ve Uygulamalı Bir Çalıřmanın Deęerlendirilmesi.', *Turizmde Seme Makaleler*:32, NO:49, (İstanbul: TUGEY Yayını , 1999), p. 14-24.

³³⁰ O. řafaklı &, H. Özdeřer, 'The Contribution of The Environment to the TRNC Economy', *International Conference on the Environmental Problems of the Mediterranean Region*, 12-15 April, 2002, Nicosia –TRNC: Near East University.

³³¹ DPÖ , *2002 Geiř Yılı Programı*, (Lefkořa: Devlet Planlama Örgütü , 2001), p. 208-209.

³³² O. řafaklı , 'The Importance of Foreign Investments for the Tourism Sector: Case of TRNC', *1st International Tourism Congress on Challenges and Prospects for the New Millennium*. November 20-23,2002, Famagusta-Northern Cyprus:Eastern Mediterranean University – Turkey: Dokuz Eylul University.

products are not good. In fact foreign currency earnings due to textile and citrus exports, two traditional mainstays of the TRNC, are declining. Exports of agricultural products are especially difficult, due to the fact that the European Union refuses to accept these with TRNC documentation since 1994³³³. This leaves TRNC with tourism as the remedy for the trade imbalance. When the values in 2000 is examined, the value added by tourism sector, net tourism income and trade deficit coverage ratio with the fixed prices of 1997 were recorded as 288.2 million USD, 198.3 million USD and 53.0 % respectively^{334, 335}. However 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 1; tourism industry of TRNC lags behind its biggest competitor the South Cyprus.

Table 1:
Basic Economic and Tourism Indicators of North and South Cyprus

| | North Cyprus | | | South Cyprus | | |
|--|--------------|--------|--------|--------------|---------|---------|
| | 1995 | 1999 | 2002 | 1995 | 1999 | 2002 |
| GNP (Million US \$) | 755,7 | 963,9 | 941,4 | 8951,4 | 9288,3 | 9615,7 |
| Per Capita GNP (US \$) | 4167 | 4666 | 4978 | 13757,2 | 13531,3 | 13557,8 |
| Inflation Rate (%) | 72,2 | 55,3 | 24,5 | 2,6 | 1,7 | 2,0 |
| 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 |
| Share of Tourism in Employment (%) | 6 | 7 | 6,5 | 10,6 | 10,8 | 10,4 |
| Tourism Receipts (Million US \$) | 218,9 | 192,8 | 114,1 | 810 | 1025 | 1283 |
| Share of Tourism Receipts in GNP (%) | 28,9 | 20 | 12,1 | 20 | 20,3 | 20,7 |

Source: www.devplan.org; www.kpros.org/DSR/key_figures, January 2004; www.pio.gov/dsr/, January 2004

2.b 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);

³³³ TÜSİAD , *Kuzey Kıbrıs Türk Cumhuriyeti Ekonomisi: Sorunlar ve Çözüm Önerileri*, Temmuz 1998 (İstanbul:Yayın No. TÜSİAD-T/98-7/232, 1998).

³³⁴ KKTC Turizm Bakanlığı , *Turizm İstatistikleri Yıllığı 2001*, (Lefkoşa: Turizm Planlama Dairesi, 2002), p. 57-58.

³³⁵ O. Şafaklı & Z. Erkut, 'The Importance of Special Interest Tourism in TRNC', *Maltepe Üniversitesi Meslek Yüksek Okulu Dergisi*, 2001/2, (İstanbul: Maltepe Üniversitesi Yayınları, 2001).

- 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 beaches³³⁶. As a general promotional strategy, mass tourism is adopted rather than focusing on target segments carrying competitive advantage.

2.c 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 subsidise interest payments for tourism investments approved by the ministry;
- (2) to subsidise 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 are³³⁷:

- (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 income.

The following table 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 2:

³³⁶ Y. Vehit , *Interview*, Undersecretary for Tourism and Environment Ministry, January 15, 2003, (Nicosia, 2003).

³³⁷ E. Yeşilada, *Kıbrıs'ta Turizm*, (İstanbul, 1994), p. 292-293.

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 |
| Total | 9,357,000 | 6,129,395 |

Source: Tourism Promotion Office

2.d The Finance Of Tourism Promotion

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 monies to further its aims. The following table 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 3:

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 |
|---|--------------------|--------------------------------------|
| Tourism Promotion Expenditure | | |
| 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 |
| <i>Promotion sub-total</i> | 4,957,500 | 2,804,865 |
| Tourism Development Expenditure | | |
| Tourist Transportation Subsidies | 1,500,000 | 974,018 |
| Development of Boarding Houses | 300,000 | 87,066 |
| Support of touristic side establishments | 250,000 | |
| The Spread of Handicrafts | 30,000 | |
| The maintenance of Karaman and Ilgaz villages | 20,000 | |
| The maintenance of recreation areas | 44,000 | 42,291 |
| General environmental cleaning | 340,000 | 313,663 |
| Purchase, use and maintenance of vehicles | 25,000 | 13,507 |
| Tourism Master Plan | 1,000 | |
| Support of municipal pest control program | 15,000 | |
| Energy cost support for touristic establishments | 79,000 | |
| Repair and restoration of museums and antiquities | 800,000 | 482,926 |
| Improvement of air and sea ports | 80,000 | 20,654 |
| Infrastructure and development of touristic areas | 221,000 | 33,211 |
| Development sub-total | 3,685,000 | 1,967,336 |
| Personnel Expenses | 120,000 | 83,155 |
| Training Expenditure | | |
| OTEM and Tourism School expenses | 39,500 | 19,539 |
| Training and seminars abroad | 75,000 | 71,771 |
| Training sub-total | 114,500 | 91,310 |
| Other Expenditure | | |

| | | |
|--|------------------|------------------|
| Entertainment expenses | 40,000 | 32,195 |
| Local newspaper and magazine advertising | 10,000 | 1,300 |
| Other unforeseen expenses | 200,000 | 179,887 |
| Transfer of Fund resources to the State Budget | 100,000 | 77,141 |
| Borrowings from the previous year | 130,000 | 98,477 |
| Others sub-total | 480,000 | 389,000 |
| Total | 9,357,000 | 5,335,666 |

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 4:
Percentage allocations of the Fund.

| | 2002 Budget | 01.01.02-30.09.02 Actual Expenditure |
|-------------|-------------|---|
| Promotion | 53% | 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 5. When the data expressed in US dollars as Table 5 are evaluated, we observe fluctuations in great magnitude. This expresses the absence of effective planning and financing in tourism promotion.

Table 5:
The Amount Of Incentives Paid In Accordance With Tourism Industry Incentive Law In TRNC (1993-2002)

| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|--|----------|----------|----------|----------|----------|------------|----------|------------|-----------|-----------|
| Charter And Transportation Incentives | 57971.2 | 226065.4 | 89478.2 | 81513.6 | 157117.6 | 455543.8 | 632720 | 737578 | 426885.8 | 649717.6 |
| Promotional And Advertorial Incentives | 118821.8 | 92475.8 | 221838.7 | 83621.2 | 172291.6 | 433856.8 | 306730 | 17954 | 20345.5 | 529799.2 |
| Duty Exemption For Touristic Accomodation | 1631892 | 2306634 | 4730818 | 7535722 | 5953677 | 13318155.4 | 10451582 | 50779554.9 | 2844110.4 | 5628375.5 |
| Duty Exemption For Tourism And Travel Agents | 213966.6 | 210474.8 | 277112.2 | 190730.6 | 223622.3 | 162304.4 | 45333.2 | 90667 | 14705.4 | 52951.1 |

Source: TRNC Deputy Prime Ministry , *Statistical Yearbook of Tourism 200,* (Nicosia :Tourism Planning Office, 2003). 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’ provided relaxation all demands have not been able to meet until now due to financial straits. Due to the Cyprus issue and non-recognition, 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)³³⁸, ³³⁹.

2.e EU Support For Tourism Promotion

Many different schemes exist which provide funding for suitable proposals in the EU. Sources of possible funding for tourism projects 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 organisations 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^{340,341}. The major co-financing/grants provided for tourism marketing and export promotion in the EU and Accession Candidate Countries is summarized below³⁴²:

- 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.

³³⁸ KKTC Devlet Bakanlığı ve Başbakan Yardımcılığı , *KKTC Turizm Gelişim Planı-Özet Rapor*, (Lefkoşa: Turizm Bakanlığı, 2000), p. 18.

³³⁹ N. Kahraman , *Turizm Yatırım Projeleri Analizi*, (Ankara: Siyasal Kitabevi., 1997), p. 59-60.

³⁴⁰ <http://www.euclid.info/panfund/tourprog.html>

³⁴¹ H. Lök , *Avrupa Birliği’ne Entegrasyonda Türk Turizm Sektörünün Rekabet Şansını Artırıcı Yeni Teşvik Politikaları*, (İstanbul: Sinai Yatırım ve Kredi Bankası A.O, 1995), p. 80-83.

³⁴² European Commission, *EU Support for Tourism Enterprises and Tourist Destinations: An Internet Guide*. Retrieved on 29th of October, 2002 from the (http://europa.eu.int/comm/enterprise/services/tourism/tourism-publications/documents/internet_guide_en.pdf), p. 9-10.

- 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 SMEs³⁴³.

2.f 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.

- 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 TRNC³⁴⁴. 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.

- 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 depended on mass tourism until now³⁴⁵. Such that, unspoiled environment, geographic structure and climate besides historical and cultural mosaic reveals the comparative advantage of TRNC in special interest tourism.³⁴⁶ 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 tourism³⁴⁷.

³⁴³ <http://europa.eu.int/comm/enterprise/services/tourism/policy-areas/instruments.htm>

³⁴⁴ O. Şafaklı & H. Özdeşer, 'The Contribution of The Environment to the TRNC Economy', *International Conference on the Environmental Problems of the Mediterranean Region*, 12-15 April, 2002, Nicosia –TRNC: Near East University.

³⁴⁵ KKTC Devlet Bakanlığı ve Başbakan Yardımcılığı, *KKTC Turizm Gelişim Planı-Özet Rapor*, (Lefkoşa: Turizm Bakanlığı, 2000), p. 11.

³⁴⁶ O. Şafaklı & Z. Erkut 'Kuzey Kıbrıs Türk Cumhuriyeti'nde Özel İlgi Turizminin Karşılaştırmalı Üstünlüğü', *Anatolia: Turizm Araştırmaları Dergisi*, Cilt 13, Sayı 1, Bahar 2002.

³⁴⁷ O. Şafaklı & E. İnançoğlu, 'Yüksek Öğretim Sektörünün KKTC İçin Önemi', *XI. Eğitim Bilimleri Kongresi*, 23-26 Ekim 2002, Nicosia –TRNC: Near East University.

- Tourist Profile

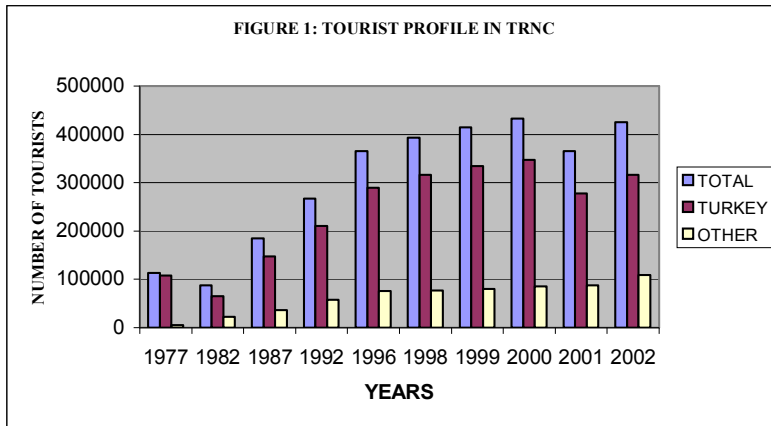
Primary market segment of TRNC consists of Turkey, Great Britain, and Germany. Secondary segment consists of other European nations, Scandinavian countries, Israel. However, impossibility of direct access to TRNC as a natural result of Cyprus issue and non-recognition causes the number of tourists coming from countries other than Turkey to stay at low levels. As it appears in table 6 and figure 1, primary market of TRNC tourism is Turkey, which 80 % of tourists come from.

Table 6:
Tourist Profile In TRNC

| | 1977 | 1982 | 1987 | 1992 | 1996 | 1998 | 1999 | 2000 | 2001 | 2002 |
|---------------|--------|-------|--------|--------|--------|--------|--------|--------|--------|--------|
| TOTAL | 113146 | 87629 | 184337 | 267618 | 365116 | 393027 | 414015 | 432953 | 365097 | 425556 |
| TURKEY | 108016 | 65018 | 147965 | 210178 | 289131 | 315797 | 334400 | 347712 | 277739 | 316193 |
| OTHER | 5130 | 22611 | 36372 | 57440 | 75985 | 77230 | 79615 | 85241 | 87358 | 109363 |

Source: SPO, Economic and Social Indicators 2002, (Nicosia: TRNC State Planning Organization Follow Up and Coordination Department, 2002) , p. 2-3

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.



- 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. Table 7 and Figure 2 exhibit the number of tourists coming to TRNC between the years 1996 and 2000 distributed by months.

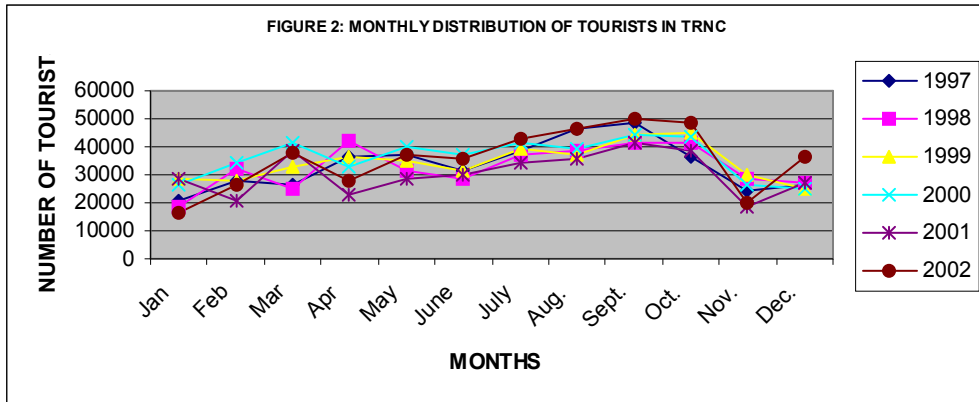
Table 7:
Monthly Distribution Of Tourists In TRNC

| | Jan | Feb | Mar | Apr | May | June | July | Aug. | Sept. | Oct. | Nov. | Dec. |
|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 1997 | 21040 | 28053 | 26189 | 36393 | 36786 | 31235 | 38288 | 46135 | 48418 | 36349 | 24273 | 26205 |
| 1998 | 18583 | 32349 | 25137 | 42391 | 31473 | 28312 | 37285 | 38561 | 41184 | 41517 | 28741 | 27494 |
| 1999 | 28623 | 28057 | 32936 | 36209 | 34937 | 31722 | 39390 | 37395 | 44223 | 45135 | 30306 | 25082 |
| 2000 | 26411 | 34082 | 41763 | 32837 | 40029 | 37471 | 41394 | 39343 | 44470 | 43889 | 26146 | 25116 |

| | | | | | | | | | | | | |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2001 | 28659 | 20609 | 38681 | 23119 | 28661 | 29718 | 34315 | 36040 | 41203 | 38382 | 18222 | 27455 |
| 2002 | 16229 | 26179 | 38096 | 28015 | 37393 | 35750 | 42628 | 46117 | 50185 | 48831 | 19694 | 36440 |

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

As it is obvious in Table 7 and Figure 2 that tourism activities in TRNC remain behind in November, December, January and February when compared to other months.



- 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 tourists³⁴⁸. 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 instability³⁴⁹.

- 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.

- Other Problems

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

³⁴⁸ E. Inskeep, *Tourism Planning*, (Canada: John Wiley & Sons, Inc, 1991), p. 92.

³⁴⁹ O. Şafaklı, ‘The Importance of Foreign Investments for the Tourism Sector: Case of TRNC’, *1st International Tourism Congress on Challenges and Prospects for the New Millennium*, November 20-23, 2002, Famagusta-Northern Cyprus: Eastern Mediterranean University – Turkey: Dokuz Eylül University.

Tourism offices and relationships with tour operators at abroad are insufficient³⁵⁰.

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 has 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 relevant Table. 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 involved³⁵¹. As mentioned above, direct flight and transportation to the TRNC are not possible due to political instability. Thus, this leads to the higher cost and dissatisfaction in relation to traveling to the TRNC. Consequently, it can be concluded that international promotion of TRNC tourism has not been undertaken at desired levels³⁵².

3. 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 influence tourism promotion and financing negatively. 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. Furthermore, non-recognition abolishes the possibility of sector to find funds from external institutions especially EU for using in investment and promotions.

³⁵⁰ E. Yeşilada (1994). *Kıbrıs'ta Turizm*, (İstanbul, 1994), p. 29-30

³⁵¹ Y. Vehit, *Interview*, Undersecretary for Tourism and Environment Ministry, January 15, 2003, (Nicosia, 2003).

³⁵² Martin, J., 'The History and Development of Tourism', In C.H. Dodd (Ed.) *The Political Social and Economic Development of Northern Cyprus*, (England: The Eothen Press, 1993), p. 368.

As a conclusion of this study the following suggestions 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.
- 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.
- 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.
- Decreasing the cost of access to TRNC and doing required attempts for making the journey more comfortable.
- Encouraging touristic institutions to establish cooperatives to be able to create sources.
- 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.
- Bed capacity should be increased in order to be more appealing to tour operators.

In addition to the conclusions mentioned above, it should be noted that comprehensive settlement to Cyprus issue and EU membership will automatically solve the vital problems of international non-recognition, political instability, high country risk and indirect access to country. Furthermore, it will be possible to apply for the external sources of finance.