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# **Impacts of the Global Economic Crisis on Cyprus Tourism and Policy Responses**

## **Abstract**

This study examines the impacts of the global economic crisis on Cyprus tourism and the pertinent policy responses. A qualitative approach was adopted by conducting eight semi-structured interviews with tourism authorities and suppliers/professionals. Findings indicated the main impacts of the crisis on Cypriot tourism: lack of competitiveness, decreased visitation/revenues, inadequate quality, and escalated pricing. Furthermore, findings identify three types of policy measures: (a) immediate response measures, (b) foreign investment in tourism, and (c) diversification of the tourism product and quality improvement. The study highlights the need for Cyprus to develop a comprehensive tourism planning framework. It is suggested that crisis plans of small island states should be developed upon a holistic framework that leverages their destination capitals.

**Keywords:** globalisation, economic crisis, small island states, destination capitals, competitive advantages, destination policy/planning

## **Introduction**

Islands depending upon their location, natural resources and morphological/cultural characteristics constitute sites of extensive (or even unregulated) tourism development (Bastin, 1988; Ioannides, 1992; Niles and Baldacchio, 2011). In the case of small island states, it is notable that although these islands have the capacity to formulate their own policies for tourism development, usually they are over-reliant on foreign investment and the associated global capitalist system that tends to control decision-making regarding their tourism development (Butler, 2011; Lewis-Cameron and Roberts, 2010). This does not only pose challenges for the sustainability of their local natural, socio-cultural, and

economic environments but also makes them susceptible to the tensions and crises that manifest at the global level.

The tensions and crises are part of globalisation processes that restructure the world economic, political and cultural systems (Stiglitz, 2003). In the realm of tourism, globalisation has intensified the competition among destinations to attract tourist flows (Meethan, 2001). Within this context, island destinations have to reconfigure their tourism product and respond with policy measures to the intensified competition and/or crises that emerge in the global system.

The impact of economic crises can be catalytic on the tourism development of island states inasmuch as the previously significant contribution of tourism in their local economies wanes (Briguglio and Briguglio, 1996; McElroy, 2003; Tsartas, 2003; Wilkinson, 1989). Specifically, economic crises decrease tourism demand since they reduce the available income and hence affect the local economy (Henderson, 2007), especially when the host destination is greatly dependent on tourism. In this respect, the recent global economic crisis has had a great impact to many destinations worldwide. In the case of small island states that rely heavily on tourism the crisis has caused serious problems for their long-term tourism development.

In this context, the small island state of Cyprus faces a steady decline of its tourism industry. According to Archontides (2007), the Cypriot tourism is not competitive anymore and it lacks a comprehensive tourism strategy although during the last decade Cyprus faces fierce competition from other destinations. Thus, the traditional mass tourism of the island, that actually helped the development of the Cypriot economy

in the past, is not appropriate anymore. Additionally, the global economic crisis has affected in various ways the already problematic situation.

The need for a more diversified quality product has been underlined by the Cypriot tourism policy since many years ago (Andronikou, 1986). Furthermore, the tourism policy in trying to effectively redress the problems of Cypriot tourism has adopted measures that focus mainly on the diversification of the tourism product. Among these measures were the: development of marine tourism, emphasis on sport tourism, creation of convention centres, improvement of hospitality operations, and golf tourism development (Archontides, 2007; Boukas, Boustras and Sinka, 2012). Despite the efforts, Cyprus currently struggles to deal with the negative consequences of the crisis, while remaining an expensive mass tourism destination.

The aim of this study is to examine the approaches that the Cypriot tourism policy has adopted for dealing with the continuing tourism decline. Specifically, the study analyses the impacts of the global economic crisis on Cypriot tourism from the perspective of policy-makers and in doing so, it assesses the effectiveness of the already adopted measures for the long-term growth of the island as a destination. The study provides insight regarding the opportunities and challenges that each of these measures may face, in relation to the sustainable development of the island and the maximisation of its potential as an insular Mediterranean destination. Finally, the implications of the study for small island states are discussed suggesting the need to develop a holistic framework that enables the leveraging of destination capitals and copes with any type of crisis.

### **Defining small island states**

Small islands have common characteristics with microstates (Wilkinson, 1989).

According to Wilkinson (1989), the term “microstate” is used to explain various forms of political units with population under one million. The term applies both on small islands and continental small states. On the other hand, Rich (2008) argues that the existence of no clear definition of microstates produced definitions based upon two determinants: population and size. The author defines microstates of size 20,000km<sup>2</sup> and less without considering the size of the population. In any case, since several islands are small countries having their own political administration, they could also be qualified as microstates.

Wilkinson (1989, p. 154) suggests that island microstates: ‘constitute a relatively distinct subset of microstates which are worthy of study: smaller, many characteristics of Third World countries, and important (and often dominant) tourism sectors’. Despite the fact that many small island economies have higher income per capita than OECD countries (Hampton and Christensen, 2007) and that many belong to the First World according to the World Bank standards (Wilkinson, 1989), there is a tendency for over-dependence of microstate islands on tourism. For instance, Craigwell (2007) argues that for small island developing states, tourism is an essential part of their economic activity and thus competitiveness since it is the principal market of the service industries with the potential to contribute both to the economy of the microstates and to the society at large.

## **Tourism development of small islands**

The morphology of islands creates attractive characteristics for tourists. Carlsen and Butler (2011) argue that islands are desirable destinations because of the unique elements that offer to tourists such as the authentic cultural/natural experience and their exceptional scenery. Regarding small island states, Lewis-Cameron and Roberts (2010, p. 7) mention:

Processing natural comparative advantages such as salubrious climate, pristine coral reefs, compelling architectural heritage, a smorgasbord of culinary offerings, rich and vibrant cultures and friendly and welcoming people, many small island states have explicitly and deliberately chosen tourism as development option.

As Butler (2008) argues, islands in the Mediterranean, Caribbean and South Pacific are significant destinations. Tsartas (2008) suggests that since 1960s the Greek islands are major destinations –mostly for mass tourism– and because of the industry’s economic significance, they have been developed in such a way to satisfy mass tourist needs.

The economic contribution for small island states often creates challenges for these locations such as monothematic tourism, seasonality, and crowdedness. Moreover, according to Niles and Baldacchino (2011), islands are featured as places with rich and diverse flora/fauna but simultaneously they face resource deficiency, segregation, and dependency on the rest of the world. The same authors argue that islands struggle to balance two opposite positions: (a) to keep the ecological integrity, and (b) to strive for the economic development and community quality of life, considering also the urgency to preserve social/spatial characteristics. Consequently, islands need to face problems such

as climate change and scarcity of resources while dealing with dependencies on the global economy and on tourism.

In this respect, Lewis-Cameron and Roberts (2010) argue that for many small island states, tourism development is tightly connected to the existence of foreign capital. The natural scenery of the islands attracts many foreign investors. Even if this is a positive aspect for the islands, there is always the risk of over-dependence on foreign investments. Lewis-Cameron and Roberts (2010) add that in many cases the foreign ownership of the tourism superstructure is evident, while local people and residents of the island are on the base of the pyramid regarding ownership and employment. This happens because the majority of the local residents do not have the financial power to support large-scale projects such as hotels. In addition, Carlsen and Butler (2011) add that island tourism development faces a number of challenges such as dependency on external forces, reduction of traditional economic activities, vulnerability in various crises, and isolation.

Therefore, even if tourism is considered significant for the economic growth of small island states, sometimes tourism development threatens sustainable stewardship of the limited resources and socio-cultural character. Moreover, the over-reliance of the small island economies on tourism and the existence of many types of crises, raise questions about how they can become competitive destinations without forfeiting their natural character and harming their socio-cultural fabric in the long-term. Cyprus is an example of a small island microstate with tourism tradition but also with a fragile environment and structural characteristics that immediately affect its competitiveness when a crisis occurs. Towards this direction, Ritchie and Crouch's model of destination competitiveness and sustainability (Goeldner and Ritchie, 2009) is heuristically useful.

According to this model, effective tourism planning needs to be based on several axes that determine a successful destination: (1) core resources/attractors, (2) supporting factors/resources, (3) qualifying and amplifying determinants that define the scale/limit of tourism development, (4) destination policy, planning, and development, (5) destination management, (6,7) comparative versus competitive advantage, and (8,9) macro versus micro environment. The model suggests that a destination is characterised by several resource endowments called comparative advantages. However, these resources need to be utilised and employed effectively in order to become competitive advantages. The success of a competitive destination is an equation based on economic/socio-cultural/environmental variables.

Along the same lines, Sharpley (2009) suggests that the productive assets of any tourism destination are based on destination capitals: socio-cultural, human, environmental, financial, political, and technological. The author adds that the most important task for every destination is not to consider each capital in depth, but to find out their nature and inter-connectedness as a basis to appreciate the potential to generate a flow of benefits to both tourists and tourism producers (destination communities). In this regard, destination capitals could be considered as the resources/ assets endowed to any destination or, in other words, its comparative advantages. Additionally, their effective exploitation and utilisation could transform them into the destination's competitive advantages based on sustainable standards.



### **Impacts of crises and disasters on small island tourism economies**

In the context of tourism, globalisation has influenced both production processes and consumption patterns (Ioannides and Debbage, 1997; Meethan, 2001). For instance, it enhanced the active promotion of international destinations to new segments and therefore created demand for new travel experiences (Shaw and Williams, 2004). In this respect, the tourism product of many destinations has become dependent on global markets that are highly sensitive to global economic crises. Indeed, economic crises result in long-term recessions. Such recessions, can lead to sudden cut in tourism demands from various significant tourist markets for a destination (Beirman, 2003). As Nankervis (2009, p. 100) argues: 'Economic vulnerabilities encompass global, regional and national economic performance and may have positive or negative impacts', and mentions as an example the Asian economic crisis in 1997 that created significant currency fluctuations.

Ritchie (2004) indicates that without a doubt globalisation of the tourism industry led to fast paces of growth of tourism businesses in an international level, but it also brought tourist enterprises closer to a wider exposure on risks resulted from the operation of businesses globally, named 'global risks'. The author argues that in the global context, tourist enterprises are susceptible to political, economic, social and technological changes that require effective handling by tourism managers. The fact that tourism of many small island states is dependent on foreign investors and that many of the tourism and hospitality operations are of foreign ownership makes small island tourism highly sensitive towards external global factors and pressures. Moreover, given that many small island states find tourism a significant generator of income for their economies, crises such as economic ones, may have detrimental impacts since they harm their

competitiveness as destinations. At the same time, they can benefit other competitive destinations that offer more attractive products in terms of pricing and available services.

In this context, small island states tend to be vulnerable on crises and disasters, which makes important the interrelations among the stakeholders and tourist authorities of a destination for overcoming the problems that inhibit their tourism development. For instance, Ioannides (1992, p.727) applied the destination life cycle on Cyprus to describe the transformation of Cypriot tourism from a:

predominantly hill resort-base of small family-run establishments patronized by individual travellers in the early 1960s, to an organized coastal-based industry of a variety of accommodation forms catering increasingly to mass tourists from northern Europe.

According to the author, throughout the stages of the destination life cycle the presence of exogenous involvement in tourism is increasing (i.e., transnational tour companies, international organisations, etc.) highlighting their involvement in the decision-making process. Yet, Ioannides (1992) argued that the role of the state for tourism development and its response to external pressures is active. In this respect, the state is a key player for shaping future strategies and it is also influenced by foreign stakeholders. The development of a tourism policy-making scheme based on interrelationships may be complicated when a crisis occurs, especially because there is a need for rapid decision-making that satisfies both the interests of international companies and the community welfare. In other words, a crisis management plan needs to consider all the key players and their roles when dealing with an occurrence.

Henderson (2007) suggests that in economic crises many businesses in the tourism sector are harmed mostly because of the intense competition. In this case,

policies need to be immediately introduced aimed at minimising costs and/or mitigating damages. Josephides (1993) argued that during a recession while the crisis affects mostly smaller companies, it can also harm every tourism-related business, and underlined: 'Never assume that your best-selling resort will remain so for ever' (Josephides, 1993, p. 165). Therefore, several recovery strategies include price differentiations for achieving a competitive advantage, quality and sales improvements, effective advertising, and public relations.

In this respect, the importance of communication channels and especially the role of public relations as a crisis management function are noteworthy. Fall (2004) argues that public relations are an important marketing tool for the revitalisation of the tourism industry. The author states that in contrast to 'hard-sell' advertisements, public relations is a medium that can offer to potential travellers a sense of connectedness with the destination after the crisis. As she states: 'Often, incorporating softer overtones of primary publics' personal values in targeted messages is a far better choice than blatant statements of obviousness' (Fall, 2004, p.248). Finally, the author argues that communication management needs to keep monitoring and interpreting travellers' behaviours and trends. This is imperative since in time of economic crises there is an evident fluctuation in the tourism flows.

Undoubtedly, an economic crisis is not always an individual occasion. For example, the financial crisis of 2007-2010 was almost a global recession (Tribe, 2011). As Tribe (2011) mentions, the international connectivity gave the opportunity to the crisis to expand quickly throughout the whole world. In any case, economic crises in tourism need to be effectively managed. In terms of crisis tourism management, Prideaux (2009,

p.133) presents a framework with three phases: (a) pre-crisis stage, which has the form of a contingency planning prior any event, (b) crisis stage, which includes four main management tasks: dealing with the crisis itself, responding to concerns and needs of people directly affected, minimising the damage which might result directly from adverse publicity, and resolving difficulties with suppliers and other business patterns, and (c) crisis recovery stage, which deals with the post-recovery strategies in order to make tourists return to the harmed by the crisis destination; a difficult task especially when the global industry offers a variety of other options. Similarly, Ritchie (2004) suggests a holistic and proactive approach to crisis management that incorporates: (a) the proactive scanning and planning development, (b) the implementation of strategies (i.e., strategy evaluation and strategic control, crisis communication and control, resources management, understanding and collaborating with stakeholders), and (c) the evaluation and refinement of these strategies with emphasis on the resolution and restoration of the destination and the organisational learning and feedback.

Miller and Ritchie (2003, p. 169) argue that: 'The nature of the tourism industry dictates that the industry should be better prepared for dealing with crises, disasters and fluctuations of demands'. This needs to be emphasised when developing crisis management on destinations. Henderson and Ng (2004), emphasise the time management and the appropriate organisation for dealing with the crises. They propose that the pre-crisis stages need to address preparation issues where several systems, processes and personnel can be employed together at the least time and with the maximum effectiveness. They stress that with immediate measures, normal business operations can begin to be restored. Finally, they underline the importance of marketing and

development programmes and the involvement of the government when necessary in order for the operations to return in normal conditions.

To implement effectively and efficiently a holistic crisis management plan, several variables need to be considered. As Evans and Elphick (2005) argue, the travel industry needs to concentrate on the preparation of contingency planning, the definition of decisional and informational tasks, and the maintenance of a level of flexibility for reacting appropriately without however rushing in decision-making. The authors conclude that the implementation of the strategic management process should be dynamic and incorporate lessons and techniques learnt once the immediate crisis is over. As Miller and Ritchie (2003) argue, attention needs to be paid to how crisis and disasters are managed since valuable lessons both for destinations and organisations may result into more mature and efficient crisis management plans for future crises and disasters. This is of great importance for small island destinations, because their nature and characteristics tend to be susceptible on any type of crisis.

### **Tourism in Cyprus**

Cyprus' unique characteristics such as climatologic conditions, large coastlines, Mediterranean cuisine, heritage, were mainly used by the tourism industry for attracting visitors. The first traces of tourism development on the island can be found back in 1960s where the new-born independent island tried to stand on its own feet after a long period under the British Empire. Back then, tourism was considered as an important medium for the revitalisation and diversification of Cyprus' economy (Ioannides, 1992). Thus, tourism started being systematically organised and achieved significant performance

scores: a rapid growth of international tourist arrivals of approximately 900% in almost thirteen years (25,000 arrivals in 1960 to 225,000 arrivals in 1973) (Witt, 1991).

Though, the political instability due to the Turkish invasion on the island (and the illegal occupation of the 37.3% of its north), as well as the series of other social and structural problems, affected seriously the economy and the tourism industry of the whole island (Ioannides, 2001; Sharpley, 2002; Witt, 1991). Despite that until today the northern part of Cyprus (where the most attractive areas regarding natural scenery, used to be prior the invasion) is controlled by the self-declared Turkish Republic of Northern Cyprus (Barkey and Gordon, 2001), the Cypriot tourism in the free areas recovered relatively fast. For instance, in 1980 tourist arrivals on the island reached the 348,530 supplying CYP 71 million (EUR 121 million) to the economy (Cyprus Tourism Organisation – CTO Information Centre, 2005). Undoubtedly, under these circumstances, tourism was seen as a panacea for many problems of the island. The dominant form of tourism development was mass tourism targeted mostly at Northern European markets, mainly English and Scandinavians (Ioannides, 1992) offering sun-based elements (3Ss tourism).

However, the rapid development of mass tourism was also accompanied by a series of negative impacts such as seasonality, an unbalanced development on only some coastal areas (Sharpley, 2002), and questionable service quality (Archontides, 2007). As a result, the Cypriot tourism reached its peak in 2001 and after that year, the arrivals of international visitors in Cyprus started to decrease (Table 1). Furthermore, the global economic crisis appears to influence the bed occupancy rates. It is notable that after 2008

the occupancy rates of the total accommodation units of the island have been decreased (Table 2).

[TABLE 1]

[TABLE 2]

## **Method**

This study employed an exploratory qualitative approach to investigate the impact of the global economic crisis on Cypriot tourism and analyse the responses of tourism policy. The primary method of data collection was semi-structured interviews since they allow to flexibly delve on the issues under study by using probes that elicit in-depth responses (Weiss, 1994; Yin, 2009). The sample of interviewees included tourism policy-makers and representatives of tourism entrepreneurs/professionals (Table 3). An interview guide was prepared to facilitate the conduct of the interviews. Since the sample consisted of two distinct groups the interview guide questions were adapted for both groups of respondents respectively (Table 4).

On the whole, three interviews were conducted with tourism policy-makers of two organisations (Cyprus Tourism Organisation and Cyprus Investment Promotion Agency) in their offices lasting 40-60 minutes. Government representatives from the Ministry of Commerce and Tourism were not interviewed to avoid political biases in assessing the effectiveness of policy measures, and particularly, because strategic plans are formulated and implemented by the Cyprus Tourism Organisation. Five interviews were conducted with representatives of hotel managers, tour agents, and tourism professionals to

understand the impact of crisis and responding policies on the suppliers' side. These interviews also lasted 40-60 minutes and were conducted in the offices of the interviewees. Furthermore, tourism policy reports and documents were collected and treated as secondary data.

[TABLE 3]

[TABLE 4]

All the interviews were tape-recorded and transcribed verbatim in the Greek language. Afterwards, the interviews were translated in English and analysed manually by each author independently. Data were analysed iteratively (Miles and Huberman, 1994) adopting a constant comparison method (Glaser and Strauss, 1967) aimed to discover inductively emerging themes and discern their relationships. Once theoretical saturation was reached, the authors compared their interpretations and coding themes in order to agree on a coding scheme that best fits with and describes the emerging data.

As the authors worked independently, their interpretations generated alternative themes. These themes were checked for content and accuracy. This helped to identify patterns and contradictions in the data, which enhanced understanding of the issues under study. On this basis, the authors reached an agreement on the final coding scheme. Finally, to establish trustworthiness of the coding scheme (Yin, 2009), a summary of the findings was presented to two independent researchers. Feedback received was in agreement with the core themes presented in the results section.



## **Results**

In this section, the findings of the study are presented in the order of the themes that emerged from the data. First, the impacts of the global economic crisis on Cypriot tourism are discussed. Second, the responding policy measures of Cyprus to deal with the Cyprus are examined.

### ***Impacts of the global economic crisis***

#### *Decreased visitation/revenues*

As with many other countries worldwide, Cyprus has also been influenced by the global economic crisis. However, the consequences of the crisis affected the island later than other countries (i.e., Northern European countries). As a respondent argued:

We are somehow deferred from most destinations; they faced the crisis during 2008 and early 2009, while we had to deal with it at the middle and even the end of 2009. (Respondent 1)

The main indication that signals the ‘stroke’ of the global economic crisis on Cypriot tourism was the drop in arrivals and tourist revenues (Table 1). Regarding arrivals, another respondent indicated that the impacts of the crisis on Cypriot tourism were considerable since the crisis influenced the British market’s travel behaviour, which historically represents almost the 50% of Cyprus’ tourists (Respondent 2). This is justified by Table 5 that presents the arrivals of the three main tourist markets for Cyprus: British, Russian and German tourists.

[TABLE 5]

The crisis deteriorated the island's already saturated tourism industry. Moreover, the tourist expenditure was also significantly decreased. As mentioned:

Even in the case that the arrivals start recovering, the current tourist will spend less on Cyprus or will stay for shorter periods. All inclusive packages lead to this direction. In the end, less and less income stays on the island. (Respondent 5)

### *Escalated pricing*

Pricing was identified as another impact. As one respondent indicated: 'The fall of arrivals by the British started before the crisis because of problems such as high prices and the 'value for money' of Cypriot tourism' (Respondent 3). Another respondent mentioned:

The crisis did not leave any other choice than raising the prices of our offerings in order to have profit. The result is that we have become a very expensive destination in comparison to other competitors. (Respondent 4)

### *Lack of competitiveness*

Respondents agreed that Cyprus is no longer a competitive destination:

The economic crisis highlighted the chronic problems of Cypriot tourism. The most important is the low hotel occupancy rates. When hoteliers face low occupancy rates, they can no longer cover their expenses, and so they shut down their hotels during winter, aggravating the problem of seasonality. Moreover, tours operators treat Cyprus mainly as a summer destination because we have given the message that we don't operate during winter.

Because of this, the island's competitiveness becomes weaker. (Respondent 5)

And,

We are concerned how we can become again competitive. Since Cyprus is an expensive destination we must tailor our products toward high-spending tourists. However, the crisis does not help us [tourist enterprises] to upgrade our products and services because we do not have enough revenues to invest. (Respondent 5)

#### *Inadequate quality*

The findings show that the impacts of global crisis on Cypriot tourism brought about a re-orientation of the national tourism strategy. The new orientation is related to the shortening of the tourism strategy's time-horizon and trying to enforce accountability of pertinent organisations for improving the tourism product's quality. As explained:

The major change in tourism planning concerns the new five-year strategy. The previous plan was for 10-15 years. In today's global conditions you cannot plan for many years ahead because the changes are rapid. The new strategy identifies the priorities/responsibilities for upgrading the tourism product's quality, and keeps respective organisations accountable for that. (Respondent 2)

Overall, the findings demonstrate that the crisis was not the prime reason for generating problems in Cyprus. However, it was the 'spark' that brought into the surface the long-term problems of the island's tourism: decreased number of arrivals/revenues, high pricing, lack of competitiveness, and low quality of service provision by tourist enterprises. Though, the crisis brought the need for applying policy measures in order for Cyprus to recover. Therefore, the Cypriot tourism policy-makers introduced certain strategies to counterbalance the negative impacts of the crisis.

### *Policy measures*

The advent of the global economic crisis made imperative the need for developing a comprehensive strategic plan in order to tackle the challenges posed. However, even if an organised crisis management plan would be essential to deal with the crisis, such a plan was never applied to Cyprus. As indicated:

Unfortunately, there was not a crisis management plan designed, mostly because of the government's lack of understanding how to support hotel and tourism enterprises dealing with the crisis. This is a reality but we need to admit that this attitude is also because of the dramatically reduced government funds. (Respondent 7)

Nonetheless, in responding to the emerging problems that the Cypriot tourism currently faces and the crisis has intensified, the tourism authorities of the island adopted a series of policy measures. These measures could be classified in three categories: (1) immediate response measures, (2) foreign direct investment in tourism, and (3) diversification of the tourism product and improvement of its quality.

#### *Immediate response measures*

The fact that the crisis arrived at other destinations earlier, afforded valuable time to the policy-makers to implement some immediate response measures. These measures were related to the three following aspects:

(a) the pause by municipalities and local authorities from receiving the taxation fees charged on the accommodation overnights and restaurant services for two years,

(b) the pause of the government share from the airport fees in order the price of the tickets to be reduced, and

(c) the introduction of a social tourism plan addressed to local tourists in order to reinforce the inbound tourism on the island (Respondent 1 and 2).

Specifically, as mentioned: ‘The government gave the support of fifty million Euros through the form of measures in the previous two years in order to support the tourism industry’ (Respondent 2).

Regarding the effectiveness of these measures, the tourism policy-makers indicated that they received positive feedback from tourism professionals who considered the measures as being helpful for the island’s tourism industry:

After consultation with the private sector the government proceeded to these measures, which the hoteliers and generally the tourism industry found them very helpful. They even wanted for these measures to continue being applied. This is something that currently cannot be done because of reduced budgets. (Respondent 2)

However, representatives from the tourism industry mentioned the insufficiency of the measures:

Measures taken by the government were not enough. We always need to make comparisons with other competitive destinations in order to see what they do in similar cases. In this case, we’ll see that countries like Turkey or Greece give more incentives than what we do. (Respondent 4)

or in terms of time-horizon:

Some measures were given by the government such as reduction in taxes etc. for the next two years after the crisis but after the third year these were withdrawn. (Respondent 3)

Furthermore, in terms of the time taken to respond to the crisis the tourism industry appears to have a different opinion from the policy side:

The tourism policy did not react rapidly to the crisis. There was a huge fight in order for the state to give some incentives and any action taken was the result of constant persistence by us [the industry]. (Respondent 4)

Lastly, regarding the funding to support tourism on the island it was stated:

The decrease of the government budget for tourism leads to the cut of the promotional budget for tourism and will deteriorate the problems of tourism in Cyprus. We have left behind matters such as tourism infrastructure [...] we should have our marinas, our theme parks and so on. (Respondent 3)

Overall, the findings illustrate that there is a discrepancy between the arguments of the tourism policy-makers and the industry about the immediate handling of the crisis. Though, both of the sides identify that the reduction of the budget makes the situation more challenging. Moreover, the tragic incident of the 11th July 2011 threatened to harm the tourism on the island. In particular, an enormous explosion of 98 containers filled with munitions that were confiscated from a ship sailing from Iran to Syria, and had been stored at the naval base in Mari (next to the island's largest electricity plant at Vassiliko) was blown up killing 13 people and causing serious energy problems for the whole

country for several months. This incident led also to another significant economic crisis for the state without however, harming directly the tourism of the island according to the respondents.

#### *Foreign direct investment in tourism*

The second category of policy measures is related to the foreign direct investment on the island on many sectors/ industries, among them tourism. Cyprus being a small island state needs foreign investments for its long-term prosperity. The recognition of the importance of foreign investments resulted in the establishment of an independent company named Cyprus Investment Promotion Agency (CIPA). CIPA was established in 2007 with a Council of Ministers decision and is a not-for-profit agency. The agency is fully funded by the government and employs eleven directors (nine from the private and two from the public sector) (Respondent 6). The main purposes of the agency are:

- To promote Cyprus as an attractive international investment centre in key priority growth sectors,
- To advocate reform in Cyprus required to improve the regulatory and business environment and infrastructure,
- To provide investor support with after care and further development services (CIPA, 2011).

The same official indicated that the agency deals with many fields of interest, and tourism is one of them. The agency prepares and implements promotional strategies that

encompass the approach of interested parties and the presentation of the benefits of Cyprus as an attractive investment destination, such as the ease of doing business on the island, the taxation system, the well-structured banking sector, the human capital of Cyprus, but also elements related to tourism such as the quality of life on the island, natural and cultural landscape, and variety of activities offered. As a respondent indicated:

There are a remarkable number of projects related to the tourism sector that include investments in hotel and leisure complexes, golf courses and convention centres. Among all the various types of investments that the agency promotes are also alternative types of tourism such as medical and wellness tourism and business/convention tourism. (Respondent 6)

Additionally, the tourism policy-makers view residential tourism as a significant source of foreign direct investment that contributes significantly to the real estate and tourism industries of the island. However, there does not appear that policy measures have been taken to restore the decrease of foreign citizens who would be interested in purchasing property in Cyprus. Specifically, an official stated:

An important source of investment on the island comes from the foreign people who purchase a second home in Cyprus. This does not only help the construction and real estate industries but also the tourism industry. These people are tourists that represented in 2009-2010 approximately the 6.4% of all tourists coming in Cyprus and usually they stay about three weeks in a trip. This kind of tourism helped us deal with the decrease in tourist arrivals. However, the crisis in other countries decreased the discretionary income/interest of foreigners to purchase houses in Cyprus, which, in turn, has resulted in developers to have many unsold properties. (Respondent 1)

In terms of direct foreign investments in Cyprus, it appears that the crisis did affect tourism. Particularly, the hotel and restaurant industries had a decrease in investments from EUR 9.1 million in 2008 to EUR 5.8 million in 2009 (Central Bank of Cyprus,



2011). Overall, the most popular markets for foreign investments in Cyprus are Russia (more than EUR 1.5 billion), the Netherlands (almost EUR 800 million), Greece (EUR 756 million approximately), and UK (EUR 222 million approximately) (Central Bank of Cyprus, 2011). Finally, important markets that CIPA targets are also China and Dubai (Respondent 6).

*Diversification of the tourism product and improvement of its quality*

The findings demonstrate that the Cypriot tourism policy seeks to refine the tourism product by emphasising on quality and sustainable development. To do so, specific actions are initiated and implemented by the national tourism organisations. In particular, an official explained:

Our new strategy defines quality in relation to sustainable development incorporating all the special forms of tourism that complement the tourist activities. For example, we have the project entitled 'Cyprus: all-year destination' that aims to extend the tourist season, and additionally, we add a variety of new specialised activities in order for tourists to choose visiting Cyprus. [...] specifically, for the winter off-season we subsidise sport teams to come for training in Cyprus. Also, we subsidise the 'short-escapes' tourist packages from October until June that target Cypriot tourists. These packages offer discounted accommodation, food, excursions, wine-routes, well-being services, etc. (Respondent 2)

Along the same lines, tourism suppliers argue that the problem of seasonality needs urgently measures for diversifying of the tourism product:

The increased cost of operation made hotels to shut down during the winter. The problem of seasonality needs to be addressed by turning [attention]

towards other forms of tourism like winter tourism. There is demand during the winter but we need to bring them to the island by offering them activities. (Respondent 3)

To tackle the problem of seasonality, another respondent indicated that Cyprus needs to attract new airline carriers from other countries enhancing the air connections to/from the island. Specifically:

We need to attract individual travellers through connections with low-cost airlines in order to have tourism during the winter and to stop depending so much on tour operators [...] we should bring special interest tourists that travel in non-peak seasons in order to make Cyprus more competitive as an all-year destination. (Respondent 8)

As a whole, the findings indicate that both tourism policy and professionals recognise the need for diversification of the tourism product. According to the interviews, diversification needs to emphasise largely on quality. As reported:

We need actions to enrich the product of Cyprus such as the introduction of theme parks, the withdrawal of old bed-spaces from hotels, and the promotion of new forms of tourism like golf, convention or medical tourism. However, to increase our competitiveness we need to offer products in competitive prices and good quality. We need to have a consistent pricing policy that will be in harmony with the competition that is “very-very” sharp. (Respondent 5)

In this regard, tourism suppliers express the urgent need for developing more comprehensive policy measures to improve service quality. As explained:

To reach our current markets, the upgrading of quality and tourist experiences is imperative. I’m not sure whether this effort stems from the intention to attract high-end tourists or whether the arrival of those tourists

brought the demand to upgrade the quality [...] the Russian market that keeps increasing in Cyprus demands high quality services. (Respondent 4)

The significance of the Russians for up-market service quality is notable: ‘Russians spend more money than others, since many of them stay in four and five-star hotels and consume more’ (Respondent 7). In this respect, the crisis generated an opportunity for Cypriot tourism to address the over-dependence on the British market. Specifically, a respondent supported that the crisis served as a stimulus for the tourism authorities of Cyprus to re-orient its marketing towards targeting other segments and domestic tourists besides the British market:

Due to the crisis the hoteliers and government started targeting also the Cypriot market through various incentives such as social tourism programmes [...] but also other international markets that were not considered so important before, such as the Russians, Germans and Scandinavians. This resulted in a mentality change that tries to understand/attract these markets. Before, we used to “put all the eggs in the same basket”. (Respondent 8)

Furthermore, tourism suppliers emphasise their concerns about the product quality, which is constrained by the hiring of low-wage personnel. This issue remains unaddressed by the island’s tourism policy. As argued:

To substantially improve the quality of the tourism product, the situation with the low-wage personnel that comes from foreign countries has to be redressed. This hurts the service delivery and identity of our tourism product, since most of this workforce is inexperienced, untrained with no knowledge about Cypriot culture, and not speaking Greek. (Respondent 8)

According to tourism suppliers there are important structural problems that hinder the establishment of new types of tourism development that would create a competitive

sustainable destination. Particularly, interviewees mentioned the huge bureaucratic system that makes decision-making and implementation of strategies challenging: 'Unfortunately, the bureaucracy that currently exists in Cyprus is one of the most important problems. Projects are not implemented because of that' (Respondent 5), or:

Cyprus has a variety of resources but we don't exploit them [...] we are afraid every change, every development and anything different from what we have been used to. For instance, we want to make Cyprus a golf destination because golfers are high-spenders and travel during the whole year. If Cyprus is to become a golf destination, we need to have at least 10-12 golf courses because golfers won't play in the same course every day. However, in order to give investors permission for a new golf course to be built, we require so many different documents [...] we don't move. The same is with the marinas [...] we require so many different studies and reports [...] it's all about bureaucracy. These barriers make the Cypriot and foreign investor to avoid Cyprus for an investment. (Respondent 4)

In general, the findings indicate the diachronic problems of intersecting responsibilities and lack of accountability on the side of governmental authorities. As argued:

We have a serious problem because of the lack of those mechanisms that should be in charge for ensuring the implementation/ coordination of plans. There are no authorities responsible to monitor and check the projects by providing reports in certain timelines [...] We have so many offices that deal with tourism and all these have their personal agendas. It is unproductive to set a long-term plan but work with annual budgets. In the end, we have accountability problems and we need to change this mentality in order to recover from the crisis. (Respondent 7)

Moreover, despite the fact that the stakeholders cooperate closely with the government for decisions to be made, there are also problems with the implementation of those decisions:

The cooperation of the basic tourism stakeholders with the government is a given. However, we face obstacles when we try to implement the projects that were agreed with the government. When we say that we'll do something but in the end we do not do it, we damage our credibility and the confidence that private investors have on us. (Respondent 7)

On the whole, the findings indicate that both tourism policy-makers and professionals identify that serious decisions need to be made in order Cypriot tourism to recover from the constant fall of the last decade. They recognise that the crisis has made imperative for Cyprus to employ strategies for the diversification of the tourism product and improvement of its overall quality. However, time is not an ally for the tourism policy-makers, and certain micro-scale crises like the one of the 11th July 2011, complicate further the situation.

### **Discussion and Conclusion**

As this study demonstrates, Cyprus has not adopted yet a crisis management plan as part of a comprehensive tourism policy to cope with the crisis' causes/consequences. As a result, the tourism policy responds with ad-hoc measures to the array of emerging problems without analysing the factors, relationships and multifaceted implications that impact upon another, hence decreasing the island's competitiveness. In other words, it seems that the current measures of the tourism policy heal symptoms rather than cure the causes of problems, which have their roots at chronic structural problems of the island's economic/political system and social fabric. The challenge, hence, for Cyprus is to redress its long-term problems that have been intensified due to the changing global

economic conditions. In response, the Cypriot tourism policy should build a robust ground for re-establishing its competitiveness and sustainability.

In this respect, Cyprus needs to invest in its comparative advantages. Adopting the theoretical framework of Goeldner and Ritchie (2009), Cyprus is a destination endowed with rich comparative advantages (e.g., climate, natural and cultural resources, etc.). The current economic crisis brought into the surface the inefficient deployment and utilisation of these comparative advantages that constrain their potential to become competitive advantages and boost Cyprus competitiveness in harmonisation with sustainable practices. Those assets are the various destination capitals (Sharpley, 2009) and need to be leveraged for optimising the benefits for satisfying both tourists (competitiveness) and local communities (sustainability). On these grounds, it is suffice to say that tourism development in Cyprus is a paradigm where the need for competitiveness and economic growth through tourism development battles against the need for stewardship and balanced use of the limited resources.

Cyprus has certain characteristics that affect the quality and competitiveness of its tourism product. However, the uniqueness of Cyprus as a small island state lies in its geopolitical location and the political/ethnic division where the north part of the island is occupied and constitutes a tourism competitor. Furthermore, the over-dependence of the island on the tertiary sector/tourism and on the foreign capital makes it susceptible to the global crises. For this reason, Cyprus' scarce resources should be used optimally and any type of development needs to lead to its long-term sustainability. This is even more imperative since global changes influence any aspect of the island's vulnerable status.

In this regard, the already saturated Cypriot tourism product mix has to be refined and redesigned according to the consumption patterns that globalisation poses. The main areas of concern include the selective attraction of foreign direct investment in tourism, the improvement of tourism product quality, the diversification of the saturated tourism product, and the understanding of the constantly changing nature of tourist flows. As this study shows, the Cypriot tourism policy merely reacts to the changes of the incoming foreign tourist flows in trying to harness their visitation, rather than fully understanding the factors/characteristics of their altered travel behaviour and the long-term implications for the island's tourism. The crisis was a sign for Cyprus that the over-dependence on certain markets such as the British could become fatal. For this reason, a comprehensive plan should include also other markets based on diversity and quality criteria.

However, this study reveals that there is a discrepancy in the views of tourism policy-makers and professionals on how to prepare for the crisis and how to implement appropriate measures for preventing and/or mitigating its ramifications. Most importantly, there is a lack of confidence from the suppliers' side about whether agreed decisions/measures with the tourism policy authorities will actually be implemented. This invokes a vacuum between the participatory grassroots consultation and the centralised policies taken by the tourism authorities that would enable collaboration and coordination among all tourism stakeholders in order to deal with the crisis effectively. Perhaps this is a root cause of inhibiting yet Cyprus to adopt a tourism crisis plan.

In this regard, useful lessons can be drawn from other small island states. As such, in examining the case of Iceland during crisis Jóhannesson and Huijbens (2009, p.431) indicate that policy-making needs to be counted on a: 'sustained engagement with the

tourism resources in all their complexities'. They conclude that the best alternative for dealing with future challenges is by linking all the diverse actors related to planning and future development (i.e., institutions of tourism, public) based on a sustained engagement of tourism resources. In doing so, tourism policy should encourage stakeholders to reach a consensus through negotiating trade-offs for the efficient distribution of tourism benefits that will satisfy environmental, social, and economic concerns, hence leading to sustainability. Similarly, Cyprus tourism policy needs to concentrate on all those actors involved in the tourism process by developing communication schemes that pay attention to sustainable development.

Moreover, as Bianchi (2004) argues in studying Canary Islands, consideration needs to be given on specific territorial differences for the politics of sustainable tourism in order to be defined and fully developed. These aspects should emphasise the ideological values and related associations of power, the role of the institutional and policy environment, as well as, the regional patterns of capitalist development. Based on Fall's (2004) argument, for facilitating this communication scheme with all stakeholders of tourism, especially during a post-crisis period, public relations highlighting the importance of sustainable values for Cypriot tourism's future should be an integral part of Cyprus tourism crisis plan.

In this respect, the development of such a plan could be facilitated by understanding the beliefs of all tourism stakeholders that are largely based on residents' perceptions. Thus, it is important to examine residents' perceptions for the types of tourism investment plans and associated policy measures that could support tourism development strategies. In this respect, a conceptual framework regarding community



perception of tourism in small islands has been proposed in the literature (Nunkoo and Ramkissoon, 2010). This model defines attitudes of small island states' residents towards the positive/ negative impacts of tourism, which in turn influence support for the industry. The model suggests four independent variables that influence attitudes to tourism: economic dependence on the industry, occupational identity, community attachment, and level of power. Within this context, the state of the local economy is considered as a moderating variable between dependence on the industry and the negative/positive impacts as perceived by residents. By employing this model, Cypriot tourism policy-makers can gain valuable insights into the locals' attitudes to tourism and the factors that can foster/support tourism development. On this basis, the causes and effects of local support for tourism and the appropriateness of policy measures responding to any crisis can be better understood.

The case of Cyprus indicates that microstate islands are vulnerable to any type of crisis. For this reason, these destinations should be prepared with tourism crisis management plans in order to monitor and analyse crisis management processes (Hosie, 2009). The monitoring of the crisis should be periodic and have several aspects: prior, during, and after the crisis. Leaving in an era where economic crises are a usual phenomenon and given that the tourism industries are highly sensitive, effective crisis planning and management is necessary.

On a broader level, the following central research question derives from this study: how small island states can cultivate and bolster their competitiveness and sustainability while operating under the rapidly conditions of global economic crises? To uncover the causes and effects for developing microstate islands as sustainable competitive

destinations, it is essential to examine the factors that determine the extent to which the tourism development plans effectively respond to the challenges of globalisation and redress the impacts of the global economic crisis. This line of inquiry can provide valuable insights about the paths through which small island states can move toward sustainable tourism development within a turbulent globalised world.

According to Hall (2010), economic crises need to be contextualised based on different circumstances and conditions that constitute normality. From this perspective, the findings of this study demonstrate that tourism development in small island states should be focused on their particular characteristics and weaknesses. Overall, in a highly global competitive environment, where small island state economies are fragile and cope with dramatic changes and harmful practices for their long-term survival, a holistic framework needs to be developed incorporating the means that can transform the comparative advantages to competitive advantages thereby enabling the leveraging of the respective destination capitals. In doing so, understanding of the stakeholders' various goals and their contribution in tourism planning is needed in order to cater for their diverse interests. Based on such a holistic framework, comprehensive crisis management plans can be formulated and implemented. Towards this direction, future research should explore and build knowledge upon which a holistic framework for small island states' tourism can be developed.

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Table 1. Tourist arrivals and revenue from tourism

<b>Year</b>	<b>Arrivals</b>	<b>Revenues (€million)</b>
1994	2,069,000	1,384
1995	2,100,000	1,384
1996	1,950,000	1,333
1997	2,088,000	1,440
1998	2,222,706	1,500
1999	2,434,285	1,751
2000	2,686,205	2,040
2001	2,696,732	2,182
2002	2,418,238	1,941
2003	2,303,247	1,743
2004	2,349,012	1,688
2005	2,470,063	1,733
2006	2,400,924	1,772
2007	2,416,081	1,878
2008	2,403,750	1,810
2009	2,141,193	1,510
2010	2,172,998	1,570

Source: Cyprus Tourism Organisation (2011)

Table 2. Bed occupancy rates in licensed accommodation establishments

<b>Year</b>	<b>%</b>
2006	57.80
2007	59.42
2008	60.50
2009	54.2
2010	57.3

Source: Cyprus Tourism Organisation (2011)

Table 3. Profile of Interviewees

<b>Respondent</b>	<b>Gender</b>	<b>Age</b>	<b>Organisation</b>
<b>1</b>	Male	> 35	Cyprus Tourism Organisation
<b>2</b>	Female	> 40	Cyprus Tourism Organisation
<b>3</b>	Male	> 55	Association of Cyprus Travel Agents
<b>4</b>	Male	> 45	Association of Cyprus Travel Agents
<b>5</b>	Male	> 50	Cyprus Chamber of Commerce and Industry, Department of Services and Trade/Cyprus Hotel Managers Association
<b>6</b>	Male	> 55	Cyprus Investment Promotion Agency
<b>7</b>	Male	> 55	Cyprus Hotel Association
<b>8</b>	Male	> 50	Association of Cyprus Tourist Enterprises

Table 4. Interview guide

<b>Questions to Policy-Makers</b>	<b>Questions to Tourism Suppliers</b>
To what extent has the global economic crisis affected the Cypriot tourism?	To what extent has the global economic crisis affected you?
What problems have emerged and what aspects of the tourism product have been in trouble?	What problems have emerged and what aspects of your business have been in trouble?
What opportunities or threats do the crisis brought to tourism?	What opportunities or threats do the crisis brought to your business?
Was there a specific crisis management plan that dealt with the crisis?	Was there a specific crisis management plan that dealt with the crisis?
What are the initiatives/policies that are under planning or have been implemented to confront the impacts of the crisis on tourism?	What are the initiatives/policies that have helped you to confront the impacts of the crisis on your business?
How do you think that the impacts of crisis on tourism can be decreased?	How do you think that the impacts of crisis on tourism can be decreased?
How fast or adequately did the Cyprus Republic react to limit the impacts of the crisis on tourism? What does it must pay attention or improve the Cypriot tourism policy?	How fast or adequately did the Cyprus Republic react to limit the impacts of the crisis on tourism? What does it must pay attention or improve the Cypriot tourism policy?
How are the policies/measures evaluated? Do you think that the policies are successful? Do they have immediate results?	Do you think that the policies are successful? Do they have immediate results?
What are the strengths of Cyprus that the tourism policy can capitalise upon to overcome the crisis?	What are the strengths of Cyprus that the tourism policy can capitalise upon to overcome the crisis?
Have the investment of foreign capital been increased in Cypriot tourism?	Has there been an increase of investment from foreign countries in Cypriot tourism?
Has the quality been improved?	Has the quality been improved?
What forms of alternative tourism have been developed?	What forms of alternative tourism have been developed?
What markets (countries) does the Cypriot policy targets?	What markets (countries) do you target?

Table 5. Tourist arrivals of the three main markets of Cypriot tourism (2006-2010)

<b>Year</b>	<b>UK</b>	<b>Russia</b>	<b>Germany</b>
2006	1,360,136	114,763	152,808
2007	1,282,873	145,921	138,451
2008	1,242,655	180,926	132,058
2009	1,069,196	148,740	139,190
2010	996,046	223,861	131,161

Source: Cyprus Tourism Organisation (2011)