



A comparison between the dominant economic actors of the Northern and Southern Cyprus*

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Abstract

Two disputing communities living in Cyprus have difficulties in interpersonal, intercultural, interethnic, identity-based and political conflict. Historically divided Greek and Turkish Cypriot communities have different views about the reunification of Cyprus. Beginning with having independence from United Kingdom in 1960, Cyprus is ethnically divided between the Greek and Turkish Cypriots. After Turkey's 1974 action to protect the Turkish Cypriots from the threat of a coup intended in the Greek Part of the island, Turkish Republic of Northern Cyprus (TRNC) has been established as being protected and solely recognized by the Turkish Republic (TR). Reunification of Cyprus between the Turkish and Greek communities will enhance a European Identity shared by the cultures, as The Republic of Cyprus (TRC) is joined in the European Union (EU) as representing all the island. The partitioning of the land Cyprus had bed effects of the island's economy. According to TRC, one-third of the population had been left in TRNC. Losing part of the land and personal property in the area of TRNC, especially Fagamusta –the only deepwater port- and Nicosia International Airport were some of the results. So the gross domestic product (GDP) decreased by one third in this period. Afterwards, great effort had been taken and concluded with an annual rate of growth by nearly 10%. Since 1983, economy developed remaining the unemployment and inflation rate lower. Tourism, upgrading technology in a lot of areas, establishing a center of international transit trade, merchant shipping, banking and similar services improved the economy. Special tariff arrangements and having acceptance in EU, euro is the national currency in TRC. On TRNC side, Turkey is the subsidizer in the economy. Two economies ceased the trade in between each other; however TRC supplies electricity to TRNC and TRNC supplies some municipality services to TRC.

Keywords: TRNC, TRC, Economy, EU, Turkey.

JEL codes: M10, M16, M19

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1. INTRODUCTION

Cyprus has had problems especially for the last five decades because of having a population consisting of two ethnically and religiously different societies which are Turkish and Greek Cypriots. Starting from 1950s lots of fights had been in between those societies. Afterwards Turkey's intervention about this case in 1974, island is separated to two as south belonging to Greek Cypriots and north belonging to Turkish Cypriots (Balcilar et al. 2017: 201). Two disputing communities living in Cyprus have difficulties in interpersonal, intercultural, interethnic, identity-based and political conflict. Historically divided Greek and Turkish Cypriot communities have different views about the reunification of Cyprus (Turk and Ungerleider 2017: 281).

Beginning with having independence from United Kingdom in 1960, Cyprus is ethnically divided between the Greek and Turkish Cypriots. After Turkey's 1974 action to protect the Turkish Cypriots from the threat of a coup intended in the Greek Part of the island, Turkish Republic of Northern Cyprus (TRNC) has been established as being protected and solely recognized by the Turkish Republic (TR). Reunification of Cyprus between the Turkish and Greek communities will enhance a European Identity shared by the cultures, as The Republic of Cyprus (TRC) is joined in the European Union (EU) as representing all the island in 2004 (Turk and Ungerleider 2017: 282).

2. ECONOMY OF CYPRUS

Except Israel, living standards in Cyprus were relatively higher than its close neighbors having an economy based on trade and agriculture in between 1960-1973. United Nations (UN) supported this case through various UN Development Programs. Specific development projects like electricity, port establishment and municipality services were assisted by World Bank and International Monetary Fund. At this time period, gross domestic product (GDP), per capita income, both agricultural and industrial production and exports increased, on the other hand tourism improved (Goult et al. 1999: 3-4).

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2.1. Economic Sectors

Greek Cypriot agricultural sector have grapes, deciduous fruits, potatoes, cereal grains, vegetables, olives and carobs. On the other hand Turkish Cypriot agricultural sector have citrus fruits, wheat, barley, carrots, tobacco and green fodder. In farming sector there are sheep, goats, pigs, poultry, cattle and related products establishing nearly one third of the island's total agriculture (Goult et al. 1999: 4).

Before separating as TRNC and TRC, some small scale plants had been operating in mostly daily TRNC part of the island. Meanwhile, in TRC export production began and many factories had been built. Heavy industries in TRC include petroleum refining, cement and asbestos-pipe manufacturing, thermal electricity production and light industries are clothing, footwear, beverages, kinds of machinery and transport equipment. In Greek Cypriot economy there are also printing and publishing (Goult et al. 1999: 5).

TRC has several financial services including offshore banking beginning from 1982. Main

exports are light manufactures; clothing, footwear, foodstuffs; potatoes, citrus fruit. Main imports are petroleum, petroleum products, foodstuffs and machinery. Trade deficit is compensated by tourism revenue, remittances sent by the expatriate Greek Cypriots and receipts of the British military bases on Cyprus. In TRNC some of the exports are citrus fruits, potatoes, carobs and textiles. On the other hand basic imports of TRNC consist of foodstuffs, machinery and transportation equipment (Goult et al. 1999: 5).

After getting independence from Britain tourism sector had developed in Cyprus. However most of the touristic destinations are left to TRNC in this part of the island. Lots of coastal towns had been opened to tourists in southern part of the island in TRC afterwards. Beginning from 1980s, tourism is the largest source of foreign income in TRC (Goult et al. 1999: 5).

Since 1960 Cyprus had an acceptable rate of unemployment one of the least in Europe, meanwhile labor union activities had been strong approximately two thirds of the society are registered to a union. One fourth of the TRC society are employed in trade, service industry is the second largest employment sector, more than one fifth of the population are in the tourism sector and less than one tenth are in agriculture (Goult et al. 1999: 5).

2.2. Natural Gas in Cyprus

EU regulations after 2020 necessitates energy consumption costs to be regulated. New discovery of the offshore natural gas in the economic zone of Cyprus may lead to a change in electricity production from imported oil products and improve the trade balance in the economy. It's expected that in 2023 natural gas production will begin both for domestic use and exports (Taliotis et al. 2017: 197).

2.3. Europeanization of Cyprus and Economic Policy

When TRC is accepted in EU, it had been possible to develop TRNC also; but there had been a political subjection to support this. EU opportunity structures had been used

to eliminate the national problems. Any EU instrument to solve the Cyprus problem on behalf of TRNC was rejected by TRC with a dominant national view. Even joining EU, again because of similar reasons as being opposed to TRNC, TRC had not wanted to join the North Atlantic Treaty Organization (NATO). There had been a suspect about NATO as Turkey had been a strong member in the organization (Christou and Kyris 2017: 1296-1297).

3. CYPRUS EMBARGO

After TR's intervention the island in 1974, a strict embargo had begun to be implemented on TRNC internationally. This paved the way to improve TRC leaving TRNC less developed. In 1978 according to per capita TRC had been nearly twice than TRNC. Especially after joining EU, TRC developed more and more than TRNC economically (Balcilar et al. 2017: 201-202).

Embargo on TRNC is not ethical as to separate Cyprus in two parts, while TRC is developing and getting wealthier each and every day by EU supports remaining TRNC underdeveloped through embargoes especially in the tourism sector. In daily lives of Cypriots, it depends on which side of the island you live that you have qualified standards, besides even basic human rights you have. In TRC, as a human body people have the chance to make trade all over the world and also have political and social touch. On the other hand, people of TRNC have to cope with international embargoes, nor have political, economic, social or cultural activities throughout the World. They are as like to be isolated from rest of the World. This case is valid for the past coming over 40 years (Ciftci and Ciftci 2017: 653).

Both political power struggle and political instability bring a deficiency in TRNC tourism sector. International community restricts Turkish Cypriots and the visitors willing to come TRNC. As valid for islands either TRNC has the main economic sector in tourism; but under these conditions TRNC has a loss in income because of the decreasing number of tourists. Each flight has to come over Turkey to TRNC; there is no direct flight. This case make the travel of the tourists and business people hardened to come

to TRNC. If we give some statistics about the case, in TRC 2,069,000 while in TRNC 361,392 number of tourists had visited in the year 1994. Hence TRC is more developed in tourism. Turkish Cypriot ports and airports are closed to international trade and travel. Foreign investors are discouraged to enter TRNC (Ciftci and Ciftci 2017: 654-655).

4. COMPARISON OF THE ECONOMIES

Table 1. Macroeconomy

	2008	2012	Av.
Real GDP growth (%)	TRC 3.6	-2.4	0.2
	TRNC -2.9	2.8	0.3
GDP at current prices (Million EURO)	TRC 17157	17720	17403
	TRNC 2498	2607	2490
GDP per capita (EURO)	TRC 21812	20512	21036
	TRNC 11364	11857	11047
GDP per capita at Purchasing Power Parity Standard as % of EU27	TRC 100	92	96.6
	TRNC 56.2	64.8	59.9
Unemployment (%)	TRC 3.7	11.8	6.9
	TRNC 9.8	9.6	10.7
Consumer Prices (% change)	TRC 3.6	-2.4	0.2
	TRNC 14.5	3.6	8.4
Budget balance (% of GDP)	TRC 0.9	-6.4	-4.6
	TRNC -9.3	-8.8	-10.3
Current-account balance (% of GDP)	TRC -15.6	-6.9	-9.3
	TRNC -9.9	-3.8	-5.6

Source: Balcilar et al. 2017: 207

Table 2. Trading of TRC and TRNC in Descending Amount of Quantity (2012)

TRC

IMPORTS	EXPORTS
Greece	Greece
Israel	U.K.
Italy	Lebanon
U.K.	U.S.
Germany	Italy
Netherlands	Israel
France	UAE
China	Germany
Spain	China
Belgium	Hong Kong
Brazil	Egypt
U.S.	Russia
Russia	Sweden
India	Netherlands

TRNC

IMPORTS	EXPORTS
Turkey	Turkey
EU	Middle East
Middle East	Other
Far East	EU
Other	Other European Countries
Other European Countries	Far East

Source: Balcilar et al. 2017: 207-208

Table 3. Sectoral Comparison Between Countries (2010) (%)

TRC

Trade	10.8
Public Services	10.5
Construction	8.5
Services	7.3
Manufacturing	5.8
Agriculture	2.2
Mining and Quarrying	0.3

TRNC

Public Services	21
Services	18.8
Trade	10.7
Construction	5.6
Agriculture	5.3
Manufacturing	2.3
Mining and Quarrying	0.6

Source: Balcilar et al. 2017: 209

Table 4. Global Competitiveness Rankings of Two Economies (2014)

	TRC	TRNC
Global Competitiveness Index (GCI) 2013-2014	58	118
GCI 2012-2013	58	123
GCI 2011-2012	47	118
Institutions	42	107
Infrastructure	44	101
Macroeconomic Environment	126	124
Health and Primary Education	8	67
Higher Education and Training	32	92
Goods Market Efficiency	29	130
Labor Market Efficiency	36	129
Financial Market Development	64	77
Technological Readiness	36	74
Market Size	110	143
Business Sophistication	44	139
Innovation	56	109
Average	52	111

Source: Balcilar et al. 2017: 209

5. CONCLUSION

As in the tables 1, 2, 3 and 4 when we compare two economies TRC is seeming to be more advantageous according to TRNC. Especially the embargo on TRNC is influencing this case. On the other hand, as TRC is a member of EU, her economy is muchly supported by this economic integration. TRNC is not recognized internationally, so it's hard to improve her economy. Largely TRNC's economy is supported by Turkey and Turkey is the only country

recognizing TRNC. In Table 3 there is high expense of public services in TRNC. This leads to a budget deficit which is gathered by Turkey's funds also. When all the tables comparing two economies are evaluated TRC is seeming having higher efficiency economically according to TRNC.

6. SUGGESTIONS

Even these two economies are independent, as they are sharing the same land it'll be better for two economies to support each other. EU integration may be a solution for this integration. As Turkey is already a candidate state for joining EU, international agreements will pave the way for a better economic development. In globalized World, EU is a good way for structuring this integration. Economic development will enhance international agreements.

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