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ECONOMIC IMPLICATIONS OF INTERNATIONAL TOURISM ON TURKISH ECONOMY

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This study outlines, with a review of earlier studies, the effects of international tourism by showing developments in tourism-related economic parameters and discusses the implications of such tourism on the economy of Turkey. It asks how far international tourism contributes to the economic growth and development of Turkey; how far the country fully values its tourism potential by varying the focus of tourism facilities beyond the sun-sea-sand type of tourism, in order to lead to development of the industry countrywide and contribute further to economic growth; and other positive and negative effects of international tourism on the economy.

Keywords: *International tourism, economics, implications, Turkey.*

INTRODUCTION

Like other countries Turkey gives special emphasis to international tourism due to its contributions to the economy. International tourism generates both macro and micro economic effects. Among the latter, international tourism improves the quality of labour employed in the industry, uses sources efficiently under high competition, benefits from scale economies and develops new facilities adapted to international standards and demand and supply in the tourism sector. The macroeconomic effects of international tourism are a weightier consideration: these include foreign export demand for domestic goods and services, generating foreign currency earnings, new employment opportunities within the country, contributing to the repayment of foreign debt, improving the country's international standing as well as its people's living standards, increasing national income, generating new economic sources, accumulating investment and thus increasing domestic output, etc.



Since many developing countries have insufficient domestic savings and capital formation for development, insufficient international reserves to repay international borrowing and pay for the import of production goods and transfer of new technologies for domestic production, they view international tourism receipts as a rapid way to overcome these problems. It is calculated that in the less developed countries, one percent of GDP (gross domestic product) allocated to debt repayment reduces investment by 0.3 percent of GDP, which inhibits investment (Cohen 1993: 446). This implies that additional receipts from international tourism as a proportion of national income increases investment by 0.3 percentage, as well as saving foreign currency expenses.

Turkey has been experiencing heavy international debt and debt repayment problems since the middle of the 1970s. The country's foreign debt was USD 1.93 billion in 1970, 79.33 billion in 1996, and 161.80 billion in 2004 (State Planning Office, 2006). These statistics are important as an indicator of the need for receipts from tourism to help with foreign debt payments over the years. Furthermore, plans to invest in tourism, to increase international reserves and create new jobs, fit well with Turkey being labour abundant and having tourism potentials.

ECONOMIC IMPACT OF INTERNATIONAL TOURISM

Benefits from tourism are measured in two stages as direct and indirect effects on an economy. The first step involves the measurement of the level of tourism foreign expenditures and their immediate employment effects. The second involves the measurement of the effects induced on national income, such as salaries and tax revenues.¹

Tourism investment yields income and employment multiplier effects in addition to direct income and employment effects.² One dollar tourism spending increases domestic income by more than one dollar through the income multiplier effect, while an additional one unit of employment in the tourism sector increases employment by more than one unit in the economy as a whole through the employment multiplier effect. Higher tourism income multiplier effects have been noted for developed countries compared to less developed countries (Erdogan, 1995),³ which implies higher levels of leakage per dollar spent in less developed countries compared to developed countries. The rationale behind the employment multiplier is that building new tourism facilities generates employment in other sectors in addition to creating new jobs within the tourism sector.

Developing countries do not benefit as much as developed countries do from international tourism due to the higher opportunity cost of tourism investment in developing countries. In other words, developing countries often have to redirect funding from other areas such as education and health services toward tourism-related infrastructure development. These investments are usually clustered around coastal regions, where returns from tourism development accrue faster. Furthermore, tourism earnings are linked to inflationary pressures at local levels, as tourists have higher income and expenditure capacities than residents. Demand for goods and services increases locally as operators and establishments raise their selling prices of goods and services during tourism seasons. On the other hand, developed countries, which enjoy stronger economies and more developed infrastructures, also enjoy higher returns and multiplier effects from tourism investments, compared with developing countries. This principle is demonstrated by global tourism receipts recorded in Table 1 for the years 2006 and 2004. Developed countries are listed among those receiving the highest tourism receipts and include the U.S.A., Spain, France, Italy, Germany, and England. While this has been the case for a number of years, Turkey, China, and Mexico have recently begun to rank at the higher levels, and have been identified as the most successful, among developing and less developed countries, in increasing their tourism revenues. According to the tourism data compiled by the Statistical Institute of Turkey (1994), in 1970, Turkey recorded a USD 4 million surplus in net tourism revenues, deficits of USD 27 millions and USD 64 million in 1976 and 1977 respectively, while, since 1980 it has been recording an increasing surplus in net tourism receipts.

Contribution to the economic growth

Recently, there have been efforts to test empirically whether international tourism leads to economic growth. In one study, the role of tourism in Spain's long-run economic development was examined and evidence was found to support the tourism-led economic growth hypothesis for the data sample from the last three decades (Balaguer and Cantavella-Jorda, 2002). This finding implies an appropriate policy choice, which has led to positive tourism income multiplier effect in Spain. Another similar study found strong causality between international tourism earnings and economic growth for the economy of Greece for the period 1960-2000 (Dritsakis, 2004). In brief, these studies imply that policies designed to attract tourists and that parallel international demand

for tourism in these countries creates net positive income effects. As another Mediterranean country with significant sun-sand-sea attractions along long coastlines as well as numerous historical, cultural, geographical, and environmental attractions and facilities, Turkey's tourism development and tourism policies have contributed to Turkey's economic growth, especially since 1980.

At the same time, Turkey has followed export-led industrialization and outward-looking development policies since 1980, similar to South Korea. In the context of this similarity, one may consider the effects of international tourism on South Korea's economic growth. Oh (2005) rejects the tourism-led economic growth hypothesis in favour of the economy-driven tourism growth hypothesis for South Korea: export-driven economic growth in the South Korean economy may be a strong causal component of tourism growth. In fact, Oh argues that the tourism-led growth occurs in economies where tourism demonstrates a spillover effect. Oh's finding implies that the share of tourism earnings in the GDP must be high in order to validate the tourism-led economic growth hypothesis. The proportion of tourism receipts in relation to manufacturing in the Korean GDP is too low, arguably, to accept the tourism-led economic growth hypothesis. One may consider that South Korean government policies might not be as rational as those in Spain and Greece, to match international tourism demand for goods and services, thereby leading to spillover effects.

The share of international tourism revenues in Turkey's GDP has been increasing since 1980. Whether international tourism contributes to Turkey's economic growth was recently tested by Gunduz and Hatemi-J (2005). They found evidence that international tourism does contribute to the long term economic growth of Turkey, thereby supporting earlier research conducted by Kasman and Kirbas (2004), who had also found a positive long-term co-integrated relationship between international tourism revenues and economic growth in Turkey; more specifically: higher numbers of international tourists coming in leads to a higher per capita income in Turkey. These findings not only imply the presence of spillover effect of international tourism in the economy, they also imply that economic agents have thus far followed rational policies to match international tourism demand for goods and services. Based on these implications, Turkey needs to place greater emphasis on tourism development, to further encourage and regulate tourism investments, and to provide education and training for human resources in the tourism sector in order to increase further the contribution of tourism to the

national income. Additionally, Turkey needs to strengthen its tourism infrastructure, which also benefits local communities.

The tourism sector in Turkey is backward and forward linked to the thirty-eight sectors (Kasman and Kirbas, 2004), which implies higher multiplier effect—close to 3.5 compared to many other sectors. The long-run growth elasticity, with respect to international tourism revenues equals 0.326, representing a 0.326 percentage growth in GDP as a result of an average of one percentage increase in international tourism revenues. In this context, some regulations, such as increasing the effectiveness of government tourism promotions, development of tourism-sector training programs and certificates for firms and members of the labour force, and effective solutions to various environmental problems are recommended in order to assure the contribution of tourism to the country's future economic growth (Kasman and Kirbas, 2004). Turkey can increase its labour productivity by employing new management and operation strategies, importing advanced technologies and new inputs in the tourism industry, and thereby increase economic growth further.⁴

Positive and negative impacts

International tourism has positive and negative effects on economies at macro and micro levels. The tourism industry affects the host country as well as source country; benefits to the source country can be viewed as leakages experienced by the host country. In addition, there are hidden import and export costs of tourism activity for the host country (UNEP, 2005). As more tourists visit Turkey the bed capacity and thus tourism receipts have increased over the years. Revenues from international tourism are as important as international funds from world organizations such as IMF (International Monetary Fund), WB (World Bank) and other private financial organizations for Turkey's good standing.

International tourism primarily improves regional economy via tourism revenues and tourism revenues are added to the countries' national incomes as foreign earnings. Foreign exchange earnings, resulting from international tourism, create income for the host economy and stimulate investment in other economic sectors. Tourism can significantly contribute to local economies through higher multiplier effects when locally earned tourism revenues are injected into the local economies. International tourism stimulates investments for infrastructure, improves quality of services, improves quality of life for residents in tourist destinations by improving the components of the

infrastructure, including water and sewage systems, roads, electricity, telephone, and public transportation networks. For some, domestic or internal tourism is not considered to be a complete substitute for international tourism, primarily because of the foreign currency earnings that accrue from international travel, particularly for developing countries (Tosun, 1998). International tourism generates employment, foreign currency earnings and other revenue sources for GNP, provides income to local people, reduces inequalities among classes under appropriate tourism support policies, and reduces balance of payment deficits, finances import, and helps to repay outstanding national debt etc. (Tosun *et al.*, 2003: 138).

On the other hand, there exist unfavourable economic effects of international tourism on the host county and its local communities. These are import and export leakages, reducing the receipts of local businesses and workers' earnings. Import leakage is the import expenses on equipments, foods, drinks and other products that the host country cannot supply to match the standards of international tourism demand. Export leakage is outflows of profits taken by the overseas investors who finance the resorts and hotels. Foreign investors transfer tourism revenues or profits out of the community area or host country, and the exclusion of local business and products by foreign investors reduces local communities' profits. Today, in the world, about 40 to 80% of travellers' expenditures goes to foreign-owned tour operators, airlines, hotels, imported drinks and food, etc. companies (UNEP, 2005). The magnitudes of these leakages ratios depend on governmental policies and domestic supply of tourist needs in a country.

Another unfavourable effect is the restriction of benefits to local people arising from 'all-inclusive' tourist services. The existence of 'all-inclusive' vacation packages in the tourism industry, in which everything is provided, including where all expenditures will be made is defined for international tourists, and leaves fewer opportunities for local people to profit from tourism. The 'enclave tourism' or 'internal colonialism' in which the types of facilities and their physical location do not or only marginally consider the needs and wishes of surrounding communities (Britton, 1982). Natural resources benefit outsiders, whereas local people or entrepreneurs are marginalized financially when facilities are characterized, owned and controlled by outsiders and when they are designed to meet the needs and interests of foreign tourists. As a consequence, tourism development may harm locals.⁵

Internal colonialism does not fit the ideals of sustainable development because it does not provide equal access in desires, in

decision making, in employment and business and participation opportunities to locals. Tosun (1998: 596-97) suggests integrating objectives and priorities at national and local level to sustain tourism development in Turkey. He highlights the case of Urgup, where the local people used to live in a traditional manner, but some of them either moved out of Urgup or lost their authentic culture as a result of tourism development and tourist immigration into Urgup. This has harmed the sustainability of local tourism in respect of failure to protect social and cultural values and the sustainability of other sectors such as agriculture and industry in Urgup. Thus, the development of international tourism can bring about unbalanced sectoral development and cause redistribution of resources and earnings in favour of an outsider owned and managed tourism sector.

It is important for Turkey to develop new tourist facilities and collaborate with tour operators to benefit local people and develop local economies via tourism. To reduce these leakages Turkey will need to continue to develop its tourist industrial facility supplies domestically and increase its competitiveness in the future. The higher the availability of domestically supplied tourist facilities the lower the hidden leakage costs and the higher the multiplier effect and domestic value added to Turkey.

There exist other negative impacts such as diversion of funds from education and health to tourism-orientated infrastructure investment, which increase local prices more than they increase the local community's purchasing power, creating stress on the local community due to economic dependence on tourism industry. That vulnerability arises from economic recessions or changing tourism patterns as well as natural disasters, and entails job insecurity with absence of employment-related medical benefits, unsatisfactory accommodation conditions for workers due to the seasonal nature of jobs in the tourism industry. As a result, local communities and federal government need to take the responsibility of overcoming these problems.

Among positive effects of international tourism, in many countries, are: spreading economic development, promoting global community and international understanding and peace, providing tourism and recreational facilities to local people, improving living standards, stimulating local commerce and industry, reinforcing the preservation of heritage and tradition (Goeldner, Ritchie and McIntosh, 2000: 33-34). On the other side, Goeldner *et al.* also mention problems arising from international tourism: diseases, economic fluctuations, transportation problems, conflict in the host society, physical environmental pollution, cultural and family problems, higher vulnerability to economic and political changes,

difficulties of seasonality; excess demand for both resources and goods, unbalanced economic development in favour of sun-sand-coastal regions, etc. These problems exist in Turkey as in many countries.

DEVELOPMENTS IN ECONOMY RELATED TOURISM PARAMETERS

International tourism receipts

According to the World Tourism Organization (WTO Report, 2008), over 903 million people travelled internationally and spent USD 856 billion in 2007; among these, 22.2 million people visited Turkey and spent about USD 18.5 billion, placing Turkey in ninth and tenth position respectively with 2.4% share of international tourists and 2.2% share of global tourism receipts in 2007. On average, over 80% of Turkey's total tourism revenues are generated by international tourism, which was USD 18.487 billion in 2007 of which USD 4.497 billion was spent by Turkish residents living outside Turkey.

According to Table 1 the most popular tourist destinations were ranked as France, Spain, America, Italy, Germany, England; Turkey being ranked tenth in 2007. The most developed countries receive the highest share of the world tourism receipts for the years. The world share of tourism receipts of developing countries has been around 27% since the late 1980s (Clancy, 1999: 1). It was 23% in 1991 (Vellas and Becherel, 1995: 314). Africa increased its share from 1.96 to 2.23%, Europe received around 50.16 to 61.99%, South Asia increased its world share of tourism receipts from 0.56 to 0.62, and America increased its world share from 25.11% to 29.48% between 1970 and 1993. However, the most significant increase was experienced by East Asia and the Pacific, which marked a 10.08 percentage increase from 1970 (6.15 %) to 1993 (16.23) based on WTO Statistics (Vellas and Becherel, 1995: 27-55).

International tourism receipts are more important for Turkey's tourism development than for the developed G-8 countries. Turkey has tourism potentials as valuable as Spain's. Indeed, Turkey may be able to increase its tourism revenues to the level of Spain's. Turkey's long term target is more than USD 70 billion in tourism revenues.

The shares of international tourism receipts in GDP ranged between 1.8 and 5.2%, the share of international tourism receipts in export ranged between 17.3 and 33%; mostly above 24% between 1991 and 2007 (TYD, 2009). This has important implications for tourism development policies to increase investment and create new jobs in Turkey, which has been

receiving a very low amount of direct foreign investment to finance development over the years.

Table 1. Rank of countries in tourism receipts and arrivals, 2006.

Countries	World share in receipts	World share in arrivals
America	11.3	6.2
Spain	6.8	6.6
France	6.3	9.1
Italy	5.0	4.8
China	4.9	6.1
England	4.4	3.4
Germany	4.2	2.7
Turkey	2.2	2.2
World	USD 856 billion	903 million
Source: Turkish Tourism Investors Association (TYD, 2009), Tourism Statistics, http:// www.ttyd.org.tr : Table 11: Top 10 in the World Tourism in 2007.		

Spending by regions and countries

According to Turkish Statistical Institution (TURKSTAT, 2005), an international tourist in Turkey spends on average USD 80 more than a domestic tourist does. The tourism receipt per tourist decreased by USD 12 between 1993 and 2002, as seen in the last column of Table 2. And the declining trend continued between 2005 and 2007. It declined to USD 599 from USD 659 between 2005 and 2007 (TYD, 2009).

In comparing country regions, Table 2 shows that tourists from richer countries or regions spend more than tourists from poorer countries or regions on average. For example, a tourist from the American continent spends USD 957; on the other hand, one from the Independent States countries spent USD 467 on average in a year between 1993 and 2002. Japanese tourists spend on average more than all other countries' tourists. A Japanese tourist spends USD 1025; an Australian tourist spends USD 998.5; and an American tourist spends USD 972 per year on average. These numbers are important in allocating resources to develop tourism facilities in order to meet the demands of tourists from rich countries.

Turkey will also need to generate new facilities that match the expectations of poorer country tourists, depending on tourism demand from those countries. Allocating resources to richer tourists means higher tourism receipts for Turkey than today's receipts.

Table 2. Average expenditure per tourist by region

Region	1993	1995	1998	2000	2001	2002
<i>Europe total</i>	672	721	776	725	623	592
-Germany	947	887	785	769	663	693
-Other Europe(OECD)	774	590	755	641	912	810
-ISC	352	494	499	502	498	455
-Other East Europe	446	489	675	562	469	606
<i>America total</i>	658	578	1159	1252	1193	900
-USA	666	572	1206	1268	1196	924
-Canada	658	603	772	1102	1167	750
<i>Africa total</i>	672	483	-	764	1689	979
<i>Asia total</i>	627	539	741	713	843	637
-Japan	910	855	1212	1122	1243	809
-Syria	464	367	465	628	1433	842
-Israel	733	817	677	612	719	428
<i>General per tourist</i>	668	684	808	764	718	656
Source: The Association of Turkish Travel Agencies, http:// www.tursab.org.tr . (2009)						
Note: The table only shows the most important countries under country blocks.						

Accommodation capacity and receipts per bed and per establishment

In evaluating the Accommodation Establishments licensed by the Ministry of Tourism (TYD, 2005), the number of operation licensed beds increased to 438296 from 16151 and the number of investment licensed beds increased to 247589 from 23807, and the number of operation licensed beds increased to 2325 from 165 and the number of investment licensed beds increased to 1138 from 291 between 1966 and the end of August 2004. These numbers indicate a significant development in

tourism sector; increasing accommodation capacity, increasing employment and increasing value added of tourism in domestic output in Turkey over the years. Between 1988 and 1992 both the number of operation licensed and investment licensed beds increased consistently. However, the number of operation licensed beds and establishments increases while the number of investment licensed establishments and beds, tends to decrease.

Increases in accommodation capacity imply that tourism capacity, scales of firms, variety of tourism facilities, number of package tourism programs are increasing in the tourism industry. The increases in the scales of room and bed per establishment reduce supply costs per tourist. Table 3 indicates that bed number per operation establishment had reached 212 and bed number per investment establishment had reached 329 by 2005. This implies that both types of establishments are aware of international competitions to behave rationally in reducing management and operation cost per tourist by making scale economies. However, these ratios may change depending on the type of establishment such as hotels, motels, pensions, campings, inns, golf facilities, complexes, etc. For example, a scale ratio of investment licensed bed-establishments was 207.4 in hotels and 51.25 in motels, and they were 187.1 in hotels and 77.95 motels in operation licensed establishments in 2003.⁶

As Table 3 indicates, there have been increases in the scales of room and bed in both types of establishments since 2000. This implies a decline in costs per tourist and so higher profits in supplying tourism services. Accommodation capacity of small size enterprises has increased less than that of large hotels. The increases in scales of each type of establishment parallel the development in the world tourism industry, in view of reputations as a result of scale economies existing in the world. The scale ratio of investment licensed establishment beds per establishment increased to 329 in 2003 compared to 82 in 1966. The scale ratio of operation licensed establishment beds per establishment increased to 212 in 2003 from 98 in 1966.⁷ As a result of tourism investment incentive policies towards mass tourist establishments in sun-sand coastal regions, both operation and investment licensed bed-establishments ratios have increased but investment licensed-bed establishments increased more than operational licensed-bed establishments since 1966, especially after the middle of the 1980s as seen in Table 3. The higher increase in the number of operation establishments compared to the number of investment establishments implies that private establishments without governmental support seem more attractive. Businessmen are able to establish their facilities without governmental investment credit supports.

Table 3. Tourist accommodation capacity per establishment

Year	Number of operation establishment	Room per operation establishment	Bed per operation establishment	Number of investment establishment	Room per investment establishment	Bed per investment establishment
1966	165	-	98	291	-	82
1966-70	225.4	-	96.9	330.6	-	82
1975	421	12.5	100.1	202	13.1	123.9
1976-80	472.6	12.3	110	256.2	10.2	103.4
1981-85	608	13.6	112	381.2	17.97	123.4
1986-90	976.8	17.2	131	1276.2	24.5	170.5
1991-95	1601	16.9	150.8	1725	11.2	157.7
1996-00	1896.8	16.5	135.05	1337.4	16.96	36.4
2001-03	2114.7	89.6	186.26	1169.3	64.3	91.3
2001-05	2226.2	91.5	190.7	1139	99.86	197.7
2004	2357	92.3	192.5	1151	103.3	225.3
2005	2412	95.8	200.4	1039	123	267.8
2006	2475	97.7	205.5	869	141.9	316.1
2007	2512	-	211.85	775	-	328.84

Source: Authors calculations based on Turkish Tourism Investors Association (TTYD) data, [http:// www.ttyd.org.tr](http://www.ttyd.org.tr). (2005, 2008, for 2007: 2009).

The international tourism revenues per tourist spending increased above USD 700 between 1988 and 2000; it averaged at about USD 681 between 2001 and 2004, as seen in the fourth column in Table 4. By 2006 it approximates USD 633. Since the structure of tourist arrivals did not change and most international tourists come from European and rich OECD countries, the reduction in tourism receipts per tourist after 1988 can be explained as the result of improved reputation through package

programs and increases in scale per establishment. In Table 4, the international tourist arrivals and receipts averages indicate that the receipts for both per bed and per establishment increased during the mass tourism period, especially after 1990. The average annual receipts per bed increased to USD 14920 between 2001-2004 from US D 2780 between 1966 and 1970. These statistics mean that new establishments bring about more tourism receipts per establishment and per bed alongside increases in the variety of facilities increased to match the expectations of international tourists.

Table 4. International tourism receipts on the averages

Year	Average receipts per tourist (USD)	Average receipts per bed (millions USD)	Average receipts per operation establishment bed (millions USD)	Average receipts per investment establishment bed (millions USD)	Average receipts per establishment (millions USD)	Average receipts per operation establishment (millions USD)	Average receipts per investment establishment (millions USD)
1966-70	44.69	0.00278	0.00005	0.001	0.049	0.121	0.082
1971-75	122.5	0.002297	0.00015	0.006	0.252	0.382	0.742
1976-80	156.59	0.003110	0.00019	0.009	0.335	0.516	0.952
1981-85	380.68	0.00605	0.00041	0.015	0.704	1.146	1.828
1986-90	547.7	0.00906	0.00007	0.010	0.937	2.161	1.654
1991-95	720.13	0.00761	0.00065	0.014	1.174	2.440	2.264
1996-00	711.15	0.01187	0.00102	0.028	2.020	3.444	4.885
2001-04	680.81	0.01537	0.00152	0.042	2.926	4.531	8.259
2005	630.8	0.018289	0.02882	0.05005	4.03	5.8	13.4
2006	894	0.0327	0.03323	0.06152	5.05	6.8	19.4

Source: The Association of Turkish Travel Agencies, [http:// www.tursab.org.tr](http://www.tursab.org.tr). (2008),
 Note: By 2007 23341 million people visited Turkey and spent USD 18.487 millions, averaging receipt per tourist equals USD 792.

Employment in tourism

Since tourism is a labour-intensive industry, it is seen as an employment creating industry by many labour abundant developing countries. Turkey is such a labour abundant country, able to allocate ordinary unemployed labour to the tourism sector at zero opportunity cost. However, its tourism labour force needs to be educated to increase the quality of tourism services. Also, there are some capital-intensive tourism activities such as air transportation, construction of airport facilities and hotels, which need a large amount of capital to establish. Although Turkey has been facing lack of capital it has more capability to establish air transportation facilities and comparative advantages in establishing tourist construction facilities, compared with many other developing countries such as Egypt, Albania, and Syria etc.

Table 5. Employment in tourism industry

Employment area	1993	1997	1999	2000	2001
Accommodation	79864	140119	146 201	151 320	161 207
Restaurants, Bars	72117	120119	119603	125997	172732
Transportation, tour operators	510100	631096	746348	731894	673854
Total direct employment	662081	891334	1012152	1009211	1007793
% Change yearly ¹	-	17,14	3,77	-0,29	-0,14
Indirect mp=(direct emp) x 1,5	993122	1337000	1518227	1513816	1511689
Direct + indirect employment	1655203	2228334	2530379	2523026	2519481
Total employment (DİE)		20900000	21860000	20934000	19742000
Direct employment share in total	3,56	4,26	4,63	4,82	5,10
Indirect employment share in total	8,90	10,66	11,58	12,05	12,76

Source: The Association of Turkish Travel Agencies, [http:// www.tursab.org.tr](http://www.tursab.org.tr). (2008).

(1) Note: Direct employment percentage change from 1993 to 2001 equals 52.22 %.

Table 5 indicates that the share of indirect employment was 12.76%, and the share of direct employment was 5.1% in the tourism sector in 2001. Both direct and indirect employment shares have increased since 1993. The tourism sector is, after the construction industry, the second largest job providing sector with 16% in total employment in the country. Also, the tourism sector links to 38 sectors back and forward, generating a high employment multiplier effect in Turkey (Kasman and Kirbas, 2004: 123).

Staff are generally employed mostly in hotels and restaurants, then in travel agencies and administration. In addition to direct employment, employment in tourism indirectly creates one and half times as much employment in other sectors. Thus employment in the tourism sector contributes significantly to reduce overall unemployment in Turkey – without entailing this allocation of labour from other sectors to the tourism sector – something that is seen as desirable by the unemployed, by firms and by governments.

Foreign investment in tourism

Table 6 indicates that the total foreign investment in tourism ranged between USD 40 and USD 240.2 millions, an annual average of USD 114 million between 1991 and 2002. We see the lowest foreign tourism investment in 1999. By the middle of 2003, it totals USD 1407.7 million.

The share of foreign investment in tourism has been increasing since 2000. The foreign investment share of tourism in services was 30% in 1992 and declined to 11.6% in 2003. Its share in services reached its highest level (31%) in 1997. Although the share of foreign investment in tourism sector has been low, its share has ranged above the mining and agricultural sectors as seen in the seventh and eighth columns of Table 6, over these years.

There exists a large investment potential for yacht tourism in Turkey. Yacht tourism requires a large amount of money to establish, and insufficient harbours restrict its development in Turkey. Nevertheless, foreign investors might be encouraged to move into this area. Foreign-owned licensed yacht establishment declined to 9 in 2003 from 21 in 1986. The yacht establishments overall increased to 106 in 2003 from 57 in 1986.) However, with its natural, historical and cultural assets, Turkey has a large potential to be a yacht tourism centre with capacity for 13207 land and sea yachts (Kırat and Eris, 2005: 13). Yacht tourism benefits local people through tourist spending face to face and generates a high

income multiplier effect. Local people do not have the same advantage in package tourist programs.

Table 6. Foreign investment in tourism industry and sectoral shares of foreign investment

Year	Permitted total foreign investment in mil. USD	Foreign investment in tourism mil. USD	Tourism share of foreign investment	Services share of foreign investment	Manufacturing share of foreign investment	Agricultural share of foreign investment	Mining share of foreign investment
1991	1 967	240,2	12,2	41	56	1	2
1995	2 938	174,8	5,9	29	68	1	2
1999	1 700	40	2,4	33	66	1	0.0039
2000	3 474	50,2	1,6	66	32	2	0.0014
2001	2726	86,5	3,2	48	46	5	1
2002	2243	80,2	3,6	58	40	1	1
2003 (Jan-June)	1208	42.2	3.49	30	59	1	10
Share (6.30.2003)	100	-	4	44	53	18	1.3
Total (6.30.2003)	35203.7	1410	-	15542.93	18641.6	616.37	442.38

Source: Tourism foreign investment and shares: The Association of Turkish Travel Agencies, <http://www.tursab.org.tr>. (2009).

Sectoral distribution statistics: Turkish Treasury, *Foreign Investment Statistics*, <http://www.treasury.gov.tr>. (2008).

Developments in the share of international tourism receipts

Tourism receipts provide foreign currency to repay foreign debts, interest expenses and reduce current account deficits. In addition, tourism receipts help Turkey's good standing internationally, especially in times of foreign currency crisis. A foreign reserves rich country is considered as a credible country to sustain capital inflows.

Table 7. Share of tourism receipts in some macroeconomic parameters

Year	Share of tourism receipts in GDP	Tourism receipts/export	Tourism receipts/import	Tourism receipts/debt and interest repayments	Tourism receipts/current account balance
1963	0,1	2,1	1.0	4.7	-2.3
1970	0,5	8,8	5.4	24.9	-29.8
1980	0,6	11,2	4.1	11.8	-9.6
1990	2,1	24,9	12.1	37.6	-103
2000	3,8	27,5	14.0	34.9	-77.8
2001	6,9	32.1	19.5	32.8	+238.6
2002	6,6	33.9	16.5	29.4	-557
2003	5.5	28.2	13.9	34.8	-120.4
2004	5.0	25.2	12.4	39.8	-78
2005	5.3	24.7	15.5	38	-61.6
2006	4.2	19.8	12.07	34	-39.7
2007	2.8	17.3	11.09	38	-48.81

Source: <http://www.treasury.gov.tr>, for imports after 1992, The Turkish Tourism Investors Association (TYD), <http://www.ttyd.org.tr>. (2008), for shares. TURKSTAT, Statistical Indicators 1923-1992, Table XIII-5-12: Balance of Payments, pp.390-402. (1994) and <http://www.treasury.gov.tr>. (current account and debt payment service (interest + repayments): Treasury Statistics 1980-2003, Table 6.2: Balance of Payments, (2004), for export and import values, and [treasury.gov.tr](http://www.treasury.gov.tr) (2009): Treasury Statistics Yearbook 2007: Table 2.1 8: Gross External Debt Profile of Turkey.

Table 7 shows the shares of tourism receipts in important macroeconomic parameters. The share of international tourism receipts in GDP was highest in 2001. The ratio of international tourism revenues in closing the trade gap was 56.6 in 2003. It was 77% during the 2001 crises. All these are the fruits of the new governmental views and policies in regards to the tourism industry in Turkey.

Turkey needs to sustain international tourism earnings locally and domestically. International tourism revenue is a source of funds for local and domestic entrepreneurs to establish new tourism facilities. Turkey can reduce dependence on foreign tour operators and reduce the hidden cost of international tourism (Cayır and Zengin, 1995).

In addition, the volume of international trade is related to international travel. International travel leads to international trade among

countries. Austria's trade with its trade partners, the USA, Japan, and the UK was found to have increased with increased international travel, and it is found that international travel Granger causes real export and real total trade for Japan (Wilson and Kulendran, 2000: 1007). This result may imply that Turkey may increase its export revenues further by encouraging international tourism.

THE PROBLEM OF UNBALANCED TOURISM DEVELOPMENT

According to Tosun *et al.* (2003: 143–148), Turkish tourism policies and historical and geographical factors caused tourism to grow in particular regions, such as in Kusadası, Marmaris, Fethiye, etc. This situation created regional inequalities in Turkey. Additionally, Tosun *et al.* consider that locally owned small establishments lost in competition against non-locally owned large-scale establishments, after the enactment of the Tourism Intensive Law No. 2634 in 1982. Since the government determines by law tourism regions, tourism zones and tourism centres, the inequality among regions has increased because most tourism facilities, employments and bed capacities have been placed in the sun-sea-coastal regions, as a result of earlier government allocation of sources to large scale tourism investment projects in relatively developed coastal regions – the Aegean, the Mediterranean and Marmura coasts. This situation led to large regional development gap, and social and economical inequalities in Turkey. It must be noted however, that the terror activities of PKK (the Kurdish Workers Party) have constituted significant obstacles to the development of tourism in East and South-eastern Anatolia, on account of the very high sensitivity of tourism demand to socio-cultural and political unrest (Tosun *et al.* 2003: 143–152).

In addition, we see unbalanced transportation development in the tourism industry, regardless of tour operators. Spreading tourism around the country can increase the role of railways, land and sea transportation, parallel to airway transportation, and local people can then benefit from tourism. Moreover, unequal and the highest arrivals to sea-sand-sun coastal region in the summer season indicates unequally distributed regional tourism investments; and agglomerations of tourism in sea-sand-sun coastal areas. The potential of non-coastal tourism has not been sufficiently valued in Turkey because of political choices in tourism oriented investment credits toward sun-sea-sand coastal regions rather than countrywide supports. Due to the lack of alternative tourism facilities and arrangements, Turkey cannot attract tourist visits and contribute to tourism revenues beyond the summer peaks.

There also exists an unbalanced number of visitors from the countries of origin and the regions of the world. Therefore, there is a need to develop a strategy to attract international incomings from other countries or nationalities and different regions of the world. Turkey will need to advertise itself to other regions such as Asia, Africa and Latin America in parallel to other tourism development strategies, rather than largely depending on rich EU and OECD countries.

CONCLUSION

International tourism receipts are an important foreign currency source for Turkey's good standing internationally. They contribute to debt repayment and recover current account deficits as well as contributing to national income levels and employment. Although Turkey is a newly industrializing country – meaning that even industrial goods production has quite large share in Turkey's GDP – trade, employment and other macroeconomic parameters international tourism still accelerates Turkish economic growth.

Turkey with various tourism potentials has the capacity to increase international tourism receipts to the level of Spain's. To this end, Turkey should support domestic and local investments in the tourism sector further, because of its positive spillover effects and higher returns to the economy. Turkey should continue to match tourism demand for goods and services domestically to keep tourism revenues in the country and in local communities so as to enhance the multiplier effect or to increase domestically added value in the tourism industry. There are insufficiencies in tourism facilities alternative to the sun-sea-coastal tourism, which must be met so as to realize the countrywide tourism potential of Turkey. To move towards a better balanced development of tourism, and thus to benefit more people through tourism-based economic development, the government could support alternative tourism investments in the interior of Anatolia as soon as possible.

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ENDNOTES

1. Unur (2004) pointed out the impossibility of exact measurement of tourism's economic effects because of statistical obstacles in measurements.
2. Keynes (1964) theorized that each unit of expenditure injected into the economy creates income more than this spending and creates additional employment within and outside sectors despite leakages such as taxes, import, and savings.
3. For example, the tourism income multiplier was 2.43 in Canada in 1970, 0.97 in Mexico in 1977, compared to 1.4 in Greece in 1964 (Erdoğan, 1995).
4. Grossman and Helpman (1991: 517) consider the spillover effects of scientific and technological knowledge on foreign trade and economic growth. This is also possible in the tourism industry.

5. For example, the widening of the existing economic, cultural and social gap between hosts and guests in the islands of Bali, Lombok and Pulau Bintan in the Riau Archipelago in Indonesia are mentioned in literature (J. Shaw and Shaw, 1999). Similarly, enclave tourism's socio-economic advantages are relatively small compared to socio-economic disadvantages in the Okavango Delta, Botswana, and where "tourism depends on international tourists, foreign companies largely own tourism facilities, tourism is generally organized by developed countries, and domestic tourism and citizen participation in tourism are very low. The industry is also characterized by the repatriation of revenue from Botswana, failure to pay tax by tourism companies and that tourism has weak linkages with the domestic economy" Mbaiwa (2005, p.169). Tourism development officially promoted by the Mexican state can serve as an example of how not to experience 'enclave tourism'. In the background of Mexican tourism development, the Mexican Tourism Ministry played an important role to increase the number of international tourists and tourism receipts as a Third World country, which used to benefit little from international tourism like other developing countries before 1960 (Clancy, 1999). Mexican state officials implemented their own tourism promotion and took the lead in the construction of infrastructure and several hotels, providing financial support to private investors and in taking on ownership of tourism enterprises. In market area, firstly foreign hotel chains were attracted and were permitted to form local partnerships with large scale Mexican business group. Mexican officials still control beach tourism and permit foreign firms to enter beach sector but only at high risk. As a result, Mexico has experienced a considerable development in tourism and largely national capital owned participation that has not closed off the structure of international tourism.
6. See Table 9: Distribution of Licensed Accommodation Establishments by Types and Classes (2003), Tourism Statistics, [http:// www.ttyd.org.tr](http://www.ttyd.org.tr). (2005).
7. The scale ratio of investment licensed bed-establishments over the scale ratio of operation licensed bed-establishment increased to 1.14 in 2003 from 0.83 in 1966.

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