

TOURISM, TURKEY AND ECONOMIC DEVELOPMENT

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Özet: Ekonomik kalkınma gelişmekte olan ülkelerin en önemli hedeflerinden birisidir. Bu hedefe ulaşma çabasındaki gelişmekte olan ülkeler, başta döviz sorunu olmak üzere, pek çok sosyo-ekonomik sorunla karşılaşılır; ve bu sorunları aşmak için farklı çıkış yolları ararlar. Türkiye için turizm ekonomik kalkınmasını hızlandıracak bir fırsat olabilir. Çünkü, turizm dünyada çok hızlı büyüyen ve çeşitlenen bir sektördür. Dünyada turist sayısı bir milyar kişiye, turizm gelirlerinin büyüklüğü ise bir trilyon dolara yaklaşmıştır. Turizm faaliyetleri sadece dinlenmek amaçlı yapılan deniz, kum ve güneş turizmi olmaktan çıkmış; tarih, doğa, sağlık, termal, spor, kültür ve kongre turizmi başta olmak üzere giderek çeşitlenmiştir. Ulaşım, konaklama, gıda, eğlence gibi pek çok faaliyet kolunu canlandırarak üretime katkı sağlayabilen turizm; doğrudan ve dolaylı talep yaratarak istihdama da önemli katkı sağlamaktadır. Bu bağlamda, Türkiye'nin sahip olduğu turizm potansiyeli, iyi değerlendirilebilir ise, ekonomik kalkınmasının önündeki pek çok sosyo-ekonomik problemi çözebilecek güçte görünmektedir.

Bu çalışmanın amacı, önce dünyada ve Türkiye'de turizmin gelişimini, boyutlarını, ekonomi üzerindeki etkilerini ele almak; sonra, Türkiye'nin Akdeniz havzasında bulunan rakiplerine karşı avantajlarını tespit ederek dünya turizm pastasından potansiyeline yarışır bir payı alabilmesi için neler yapması gerektiğini araştırmak; son olarak da ekonomik kalkınma ve turizm arasında anlamlı bir ilişkinin bulunup bulunmadığını uluslararası veriler ve Vektör Hata Düzeltme Modeli (VECM) yardımıyla analiz etmektir.

Anahtar Kelimeler: Türkiye, Ekonomik Kalkınma, Turizm, Turizm Çeşitleri, Turizm Potansiyeli, VECM

Abstract: Economic development is one of the most important targets for the developing countries like Turkey. Developing countries that try to reach this target are faced with many socio-economic problems and look for solutions to deal with these problems. Tourism could be an opportunity for Turkey as a developing country to speed up its economic development, since it is a very fast growing and diversifying sector not only in Turkey but also in the world. Additionally, comparing to many other touristic countries, Turkey fortunately has a great tourism potential. The number of the tourists is about one billion, while the amount of tourism receipts is about one trillion dollars in the world regarding to UNWTO data in 2008. Tourism is no longer just for sea-sand-sun tourism; it is today diversified as historical, green nature, health, thermal, sports, cultural, congress tourism, etc. Tourism contributes importantly both to the production by increasing demand for goods and services in different industries such as transportation, accommodation, food, and entertainment, and to the employment by creating direct and indirect demand for labor. Therefore, tourism potential of Turkey, if it is utilized well, seems to have the power to solve many socio-economic problems of the country which prevent its economic development.

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The purpose of this paper is first to review the developments, the scopes and the economic effects of tourism in the world and in Turkey; then to investigate what Turkey should do to take suitable share regarding its tourism potential from the world tourism by determining the advantages against its rivals among the Mediterranean countries; and finally to analyze if there is a significant relationship between tourism and economic development using international data and Vector Error Correction Model (VECM).

Key Words: Turkey, Economic Development, Tourism, Types of Tourism, Tourism Potential, VECM

I. Introduction

Tourism has recently become a key sector in the world, since it contributes to economic growth and employment. As one of the fastest growing sectors, tourism provides important opportunities for the developing countries. It increases foreign exchange earnings, creates new jobs, raises living standards, and reduces poverty.

Tourism has recently become a popular global activity for many different purposes. It has significantly shifted from sea-sand-sun (3S) purposes to entertainment-education-environment (3E) purposes depending on the preferences of tourists (DPT, 2007: 1). Tourism activities are no longer just as sea-sand-sun tourism; they are today diversified as natural, historical, health, thermal, sport, cultural, congress, education, etc.

Tourism is a kind of socio-economic activity or sector that has many dimensions and complex structure (Inskeep, 1991: 22). That is why it is connected with different study areas, such as economics, business, sociology, politics, law, environment, health, culture, etc. As a result, tourism can contribute to the development of countries in many respects. For example, increasing tourism activities may spread the peace in the world, educate people, protect environment, protect traditional and historical structures. In addition, tourism increases local employment, speeds up socio-economic development, spreads welfare, stops migration, increases national consciousness, improves national and international law. Tourism is also important for the transformation of the economy to the green economy through contributing with carbon-clean operations. As it is stressed by UNWTO¹, 'tourism means jobs, infrastructure, trade and development' (WTO, 2009: 6).

Tourism is defined as travel for recreational, leisure or business purposes. In 1976, the Tourism Society of England's definition of tourism was that: "*Tourism is the temporary, short-term movement of people to destination outside the places where they normally live and work and their activities during the stay at each destination*". In 1981, the International Association of Scientific Experts in Tourism defined tourism in terms of particular activities selected by choice and undertaken outside the home.

The United Nations classified three forms of tourism in 1994, in its "Recommendations on Tourism Statistics" as: *Domestic tourism, inbound*

tourism and *outbound tourism*. *Domestic tourism* involves residents of the given country traveling only within the country; *inbound tourism* involves non-residents traveling in the given country; and, *outbound tourism* involves residents traveling in another country. The UN also derived different categories of tourism by combining the three basic forms of tourism as: *Internal tourism*, *national tourism* and *international tourism*. *Internal tourism* comprises domestic tourism and inbound tourism; *national tourism* comprises domestic tourism and outbound tourism; and, *international tourism* comprises inbound tourism and outbound tourism (Wikipedia, Web Encyclopediaⁱⁱ). This study covers inbound tourism to analyze the phenomena.

The rest of the study is organized as follows. Section 2 describes the developments of tourism in the world and in Turkey, compares the advantages of Turkey in tourism against its rivals, namely France, Spain, Italy, and Greece; Section 3 evaluates the economic effects of tourism; Section 4 analyzes the relationship between tourism and economic development using international data and econometric methods. Finally, the study ends with a summary and conclusions.

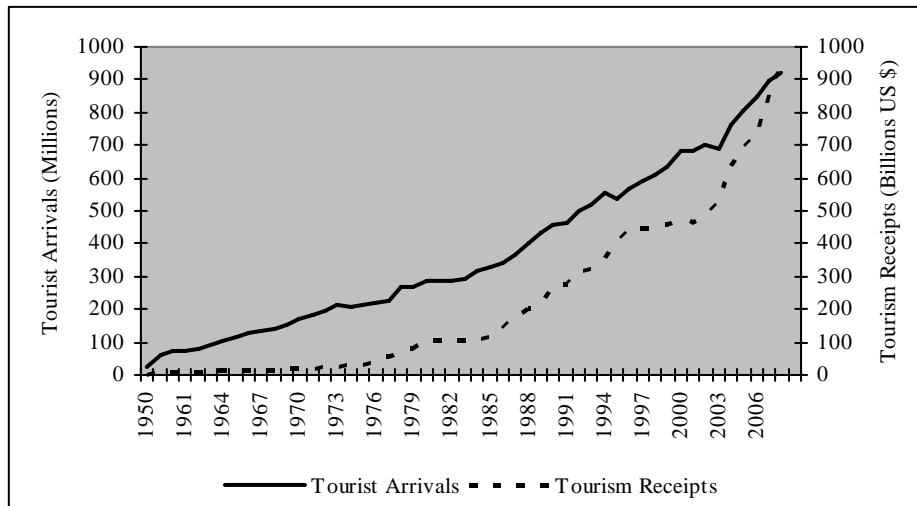
II. Development Of Tourism In The World And In Turkey

Tourism has been developing and diversifying throughout time with its dynamic structures. Tourism is not any more sea-sand-sun tourism, there are many other emerging tourism activities, such as natural, winter, eco, health, thermal, educational, congress, historical, religious, cultural, sports (rafting), yachts, cruise, carve (inn) tourism, etc. Therefore, it has not only socio-economic but also political, environmental, cultural, and law dimensions.

A) The Development of Tourism in the World

Tourism, particularly after the World War II, has become one of the fastest developing and enlarging sectors in the world. There are two main reasons that played very important role in the growth of tourism sector: Firstly, much more people in industrial societies have needed to rest and gone on holiday because of increasing number of working class, increasing income levels, and intensive working conditions. Secondly, the developments in technology, transportation (roads: airlines, railways, highways, seaways; vehicles: car, plane, ship), communication (internet, mobile phones, satellites) and accommodation (hotels) have become enormous. Meanwhile, tourism has shifted from sea-sand-sun (3S) purposes to entertainment-education-environment (3E) purposes depending on changing preferences of tourists. While tourism market has been getting larger, the competition among rivals has become tougher. The competition among rival countries has been getting intensive particularly after 1990's (DPT, 2007: 1). Therefore, countries, particularly the developing ones, must take action to adapt to the new situation to keep or improve its share in the world tourism. This requires long term vision for national tourism and planning.

Graph 1 shows international tourist arrivals (ITA) and tourism receipts from 1950 to 2008. According to the graph, ITA increased from 25 million people in 1950 to 922 million people in 2008. It has almost increased 40 times during the period.



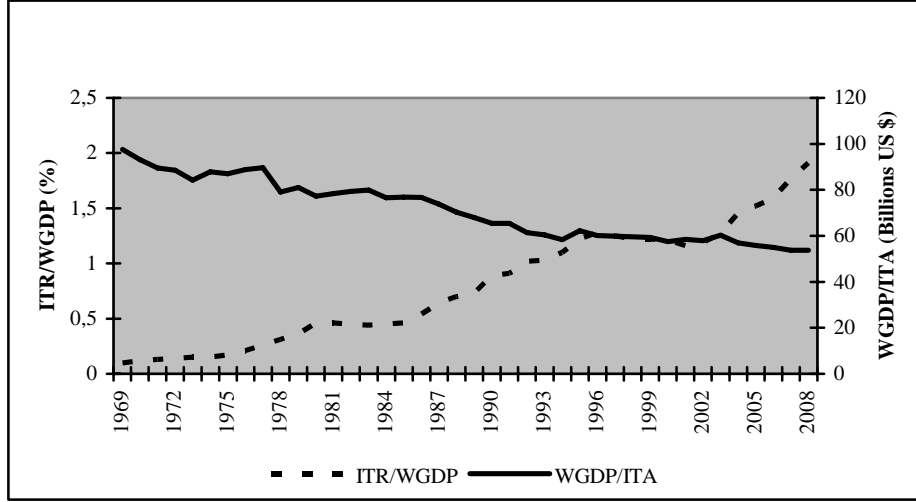
Graph 1: *World Inbound Tourism, International Tourist Arrivals and Tourism Receipts (1950-2008)*

Source: UNWTO, World Tourism Barometer, Volume: 6, No:1, January 2008, p.1 and 5.

On the other hand, international tourism receipts (ITR) has also increased more than the number of tourists. It increased from US \$ 2 billion in 1950 to US \$ 944 billion in 2008. It has almost increased 472 times during the same period.

In “Tourism 2020 Vision”, prepared by UNWTO, it is estimated that ITA reach 1,5 billion people and ITR reaches US\$ 2 trillion by 2020 (DPT, 2007: 3). The number of tourists will increase in the future, because the education level and welfare of individuals have been increasing, the average life of people has been increasing, the average working hours have been decreasing, and singles and families without children have been traveling more compared to the past (DPT, 2007: 5).

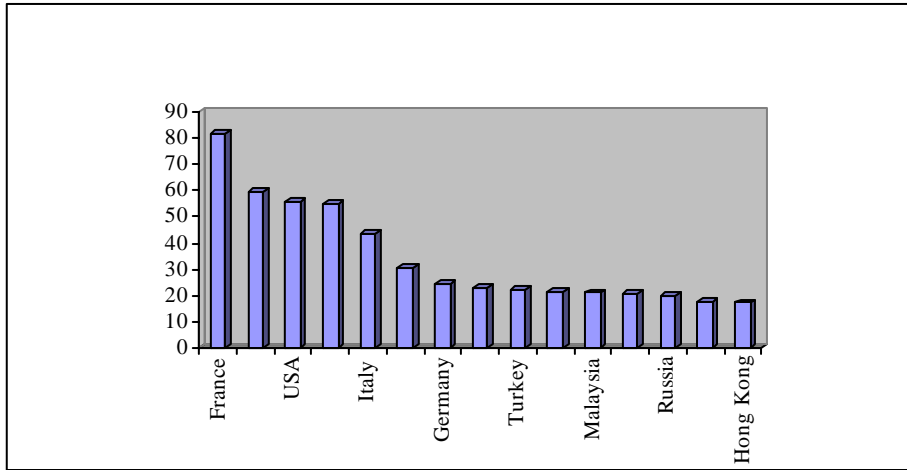
Graph 2 shows two ratios: ITR/World Gross Domestic Product (WGDP) ratio and WGDP/ITA ratio. While ITR increases as a share of WGDP, the per capita WGDP for ITA decreases from 1969 to 2008. It also shows that tourism sector as a share to WGDP has increased from % 0,1 to % 1,9 particularly after 1980’s and WGDP/ITA value has decreased from US\$ 97,6 billion to US\$ 53,7 billion meaning that the number of tourists growing faster than WGDP growth.



Graph 2: *ITR/WGDP Ratio and WGDP/ITA Ratio (1969-2008)*

Source: UNWTO, World Tourism Barometer, Volume: 6, No:1, January 2008, p.1 and 5. WGDP, World Bank World Development Indicators, International Financial Statistics of the IMF, Global Insight, and Oxford Economic Forecasting, as well as estimated and projected values developed by the Economic Research Service all converted to a 2005 base year.

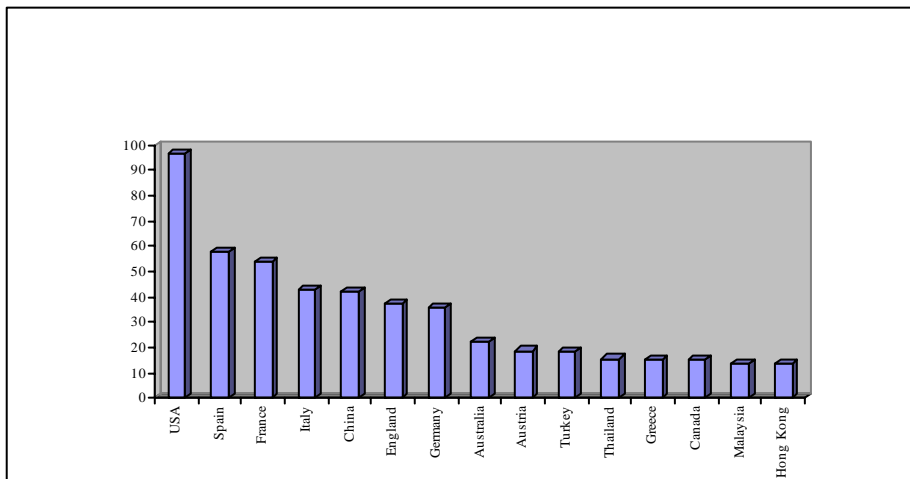
It should be mentioned that tourism is one of the fastest growing sectors in the world and competition among the rival countries is getting harder to get the largest share of the growing tourism market. The top fifteen countries, mostly visited by the tourists in 2007, are given at Graph 3. While France, as a leader for years, is in the first place with 81,9 millions tourists, Turkey is in the 9th place with 22,2 million tourists. The rivals of Turkey, namely France, Spain and Italy are before Turkey, but Greece is after Turkey in the line. It is worth mentioning that Greece is not among the top fifteen countries.



Graph 3: *Top Fifteen Countries in 2007 International Tourists Arrivals (Millions)*

Source: UNWTO, World Tourism Barometer, Volume:6, No:2, June 2008.

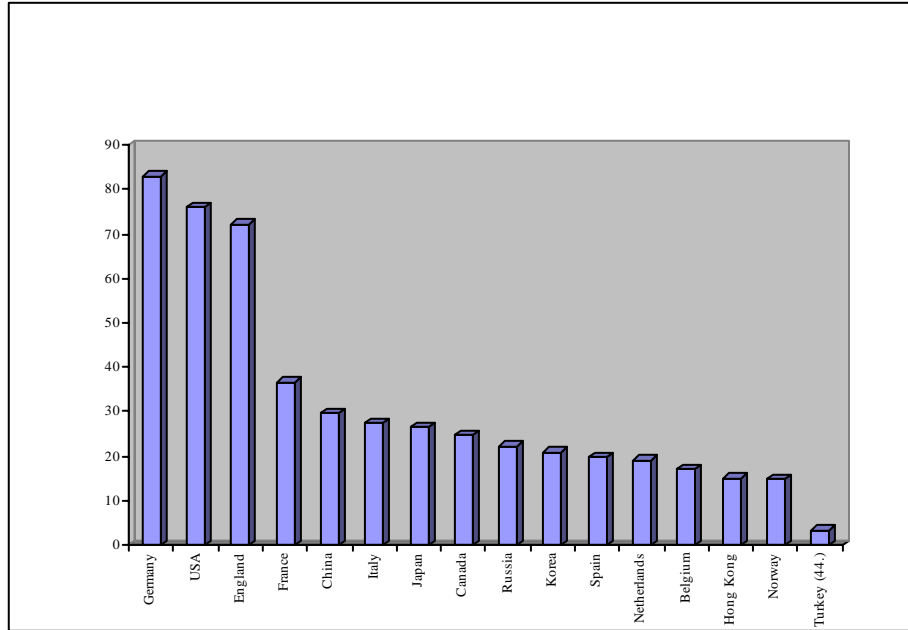
The top fifteen countries in terms of ITR in 2007 are given at Graph 4. While the USA, as a leader for years, is in the first place with US\$ 96,7 billion receipts, Turkey is in the 10th place with US\$ 18,5 billion receipts. The rivals of Turkey namely Spain, France and Italy, are before Turkey, but Greece is after Turkey in the line.



Graph 4: *Top Fifteen Countries in 2007 International Tourism Receipts (Billion US\$)*

Source: UNWTO, World Tourism Barometer, Volume:6, No:2, June 2008, p.11.

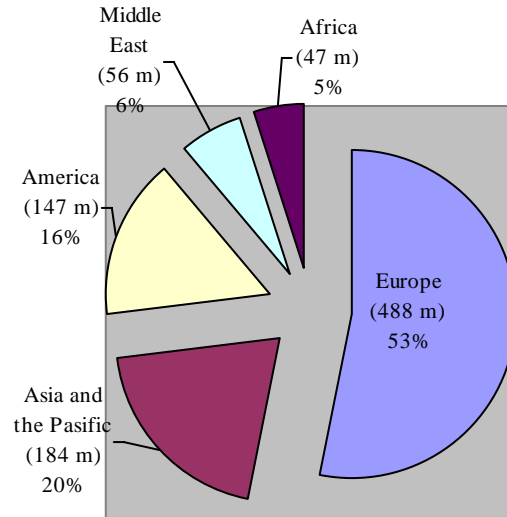
The top fifteen countries regarding international tourism expenditures (ITE) in 2007 are ranked as in Graph 5. While Germany is in the first place with US\$ 83,1 billion, Turkey is in the 44th place with US\$ 3,3 billion. The rivals of Turkey, namely France, Italy, Spain, and Greece (42th), are all before Turkey in the line.



Graph 5: Top Fifteen Countries in 2007 International Tourism Expenditures (Billion US\$)

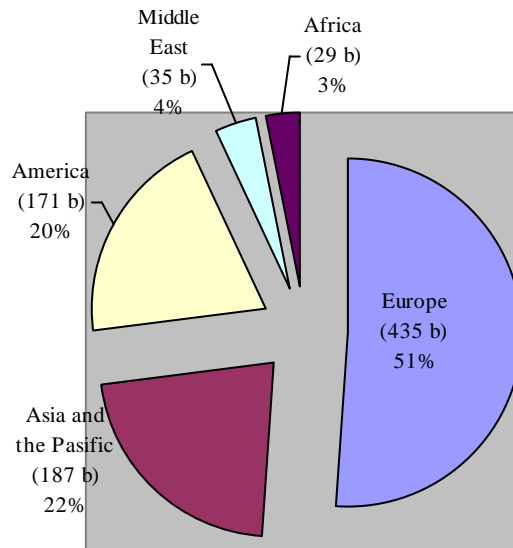
Source: UNWTO, World Tourism Barometer, Volume:6, No:3, October 2008, p.10.

There were over 922 million international tourist arrivals in 2008, while it was 903 million in 2007. ITR was US\$ 944 billion in 2008, while it was US\$ 856 billion in 2007. As it is seen in Graph 6, 53% of ITA (488 million) was to Europe, 20% of it (184 million) was to Asia and the Pacific, 16% of it (147 million) was to America, 6% of it (56 million) was to Middle East and 5% of it (47 million) was to Africa in 2008. Increase in international tourists arrivals from 2007 to 2008 were 18,2% in Middle East, 4,1% in Africa, 3% in America, 1,2% in Asia and the Pacific, 0,1% in Europe (UNWTO, Tourism Barometer, 2009).



Graph 6: *International Tourists Arrivals (2008)*

Source: UNWTO, Tourism Barometer, Volume:6, No:3, October 2008.



Graph 7: *International Tourism Receipts (2008)*

Source: UNWTO, Tourism Barometer, Volume:6, No:3, October 2008.

As it is seen in Graph 7, in 2008, 51% of international tourism receipts (US\$ 435 billion) was captured by Europe, 22% of it (US\$ 187 billion) was captured by Asia and the Pacific, 20% of it (US\$ 171) was captured by

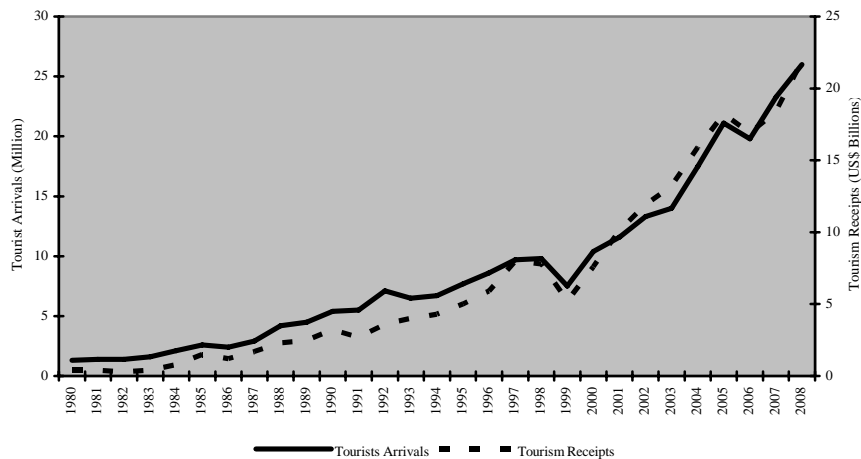
America, 4% of it (US\$ 35 billion) was captured by Middle East and 3% of it (US\$ 29 billion) was captured by Africa (UNWTO, Tourism Barometer, 2009).

The World Travel & Tourism Council (WTTC) estimated for 2007 that, direct and indirect activities combined, the travel and tourism sector accounts for 10,4% of the World GDP, 12% of world exports, and 9,5% of world investment (T&T Competitiveness Report, 2008: 3).

B) The Development of Tourism in Turkey

Turkish tourism entered into a very fast development period particularly after 1980's being parallel to the development of tourism in the world. The number of tourists and tourism receipts have gradually increased depending on government subsidized tourism investments. *2634 Numbered Tourism Encouragement Law*, implemented in 1982 replacing the old one, played important role in this development. Tourism, as an important source of foreign exchange earnings, ranks in the second place after exports of manufactured goods.

Turkey, particularly after 1980's, encouraged private investments in tourism to develop the sector. As a result, international tourist arrivals to Turkey has continuously increased from 1,3 million in 1980 to 26 millions in 2008. International tourism receipts of Turkey has also increased from US\$ 0,4 in 1980 to US\$ 22 billion in 2008 (DPT, 2007: 75-78). During the period 1980-2008, the tourist arrivals increased 20 times and the tourism receipt increased 55 times. The increase in both series has become sharp after 2000 as it is seen in Graph 8.



Graph 8: *Tourists Arrivals and Tourism Receipts of Turkey (1980-2008)*

Source: TURKSTAT and SPO.

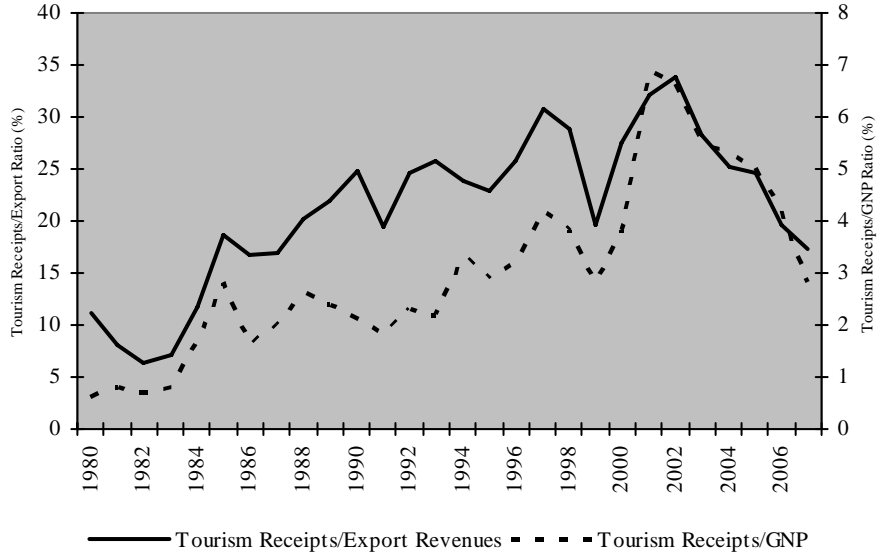
Most of the tourists to Turkey come from OECD countries. For instance in 2007, while 56,5% of tourists came from OECD countries, 29,4% came from Eastern European countries, 11,7% came from Asian countries, 1,1% came from African countries and the rest 1,3% came from other countries. Table 1 shows the top fifteen countries from which the most tourists came to Turkey between 2005-2007.

Table 1: *Top 15 Countries From Which Foreigners Arriving in Turkey (2005-2007)*

Countries	Share of Countries (%)		
	2005	2006	2007
Germany	20,09	18,98	17,78
Russian Fed.	8,83	9,35	10,56
United Kingdom	8,32	8,47	8,21
Bulgaria	7,68	5,94	5,31
Iran	4,53	4,37	4,53
Netherlands	5,94	5,03	4,51
France	3,32	3,32	3,29
USA	2,06	2,69	2,75
Georgia	1,74	2,77	2,70
Ukraine	1,80	2,46	2,54
Belgium	2,38	2,32	2,33
Italy	1,90	2,03	2,21
Israel	1,86	1,83	2,19
Austria	2,30	2,17	2,02
Greece	2,77	2,08	1,92
TOTAL (ITA) (Million Tourists)	21,1	19,8	23,3

Source: The Culture and Tourism Ministry of Turkey, <http://www.kultur.gov.tr>

Two main indicators to show the importance of tourism sector in Turkey as a locomotive sector are the ratio of tourism receipts/GNP and the ratio of tourism receipts/export revenues. The Graph 8 depicts these ratios which indicate the contribution of tourism to the economic development. These ratios have upward trend between 1980-2002, and downward trend 2002-2008. The reason for downward trend could be the experience of fast economic growth and export growth after 2002.



Graph 8: *Tourism Receipts/Export Revenues Ratio and Tourism Receipts/GNP Ratio (%)*

Source: TURKSTAT and SPO.

Tourism requires investments for infrastructure at the beginning that must be done by State; then, private investments may follow it. Tourism sector needs to be supported by State in any time through subsidies and incentives. The reason for this is that tourism investment is a very risky, because the capital/yields ratio is high and the return of the investment takes a long time, and it is also very sensitive and fragile to the political, social, and economic developments (Ataer & et al., 2003: 1, DPT, 2007: 9). Because of the fragile and risky structure of tourism, it has been supported by the State in all countries in the world (Oktayer & et al., 2007: 60).

Turkey has a large tourism potential and many alternatives in tourism because of its geographic location, different seasonal climates, natural beauties, culture, and history. If so, what should be done in order for Turkey to benefit fully from the development of tourism sector. The best thing to do is to compare Turkey with its rivals. Turkey has some rivals among the Mediterranean countries as France, Spain, Italy and Greece. These countries and Turkey are in top ten in terms of international tourist arrivals and/or tourism receipts. They also have similar tourism opportunities in the region being alternative destinations with one another. Therefore, these countries are accepted as rivals of Turkey in the region. Turkey is compared with its rivals in terms of advantages and disadvantages in Table 2 and 3 below.

Table 2 allows us to compare the shares of Turkey, France, Spain, Italy and Greece in international tourist arrivals and tourism receipts between 1991-2007. The share of Turkey is far behind the shares of France, Spain and Italy; but it seems that Turkey has challenged Greece in recent years. Turkey seems far behind its rivals looking at the tourism competitive index values, but this difference also indicates the great growth potential of Turkish tourism as an opportunity in the future (Table 3).

Table 2: *Share of Turkey and Its Rivals in the World Tourism*

	1991	1994	1998	2000	2005	2006	2007
Tourist Arrivals (million)	463	553	611	698	803	847	904
Turkey (%)	1,1	1,1	1,5	1,5	2,5	2,2	2,5
France (%)	11,4	11,1	11,5	11,3	9,5	9,3	9,1
Spain (%)	8,3	7,8	7,1	7,0	7,0	6,9	6,6
Italy (%)	5,6	5,0	5,7	6,0	4,6	4,9	4,8
Greece (%)	1,9	1,9	1,8	1,9	1,8	1,9	1,9
Tourism Receipts (billion US\$)	277	354	445	475	680	742	856
Turkey (%)	1,0	1,2	1,6	1,6	2,7	2,3	2,2
France (%)	7,8	6,8	6,7	6,5	6,5	6,2	6,3
Spain (%)	6,9	6,1	6,7	6,3	7,1	6,9	6,8
Italy (%)	6,7	6,7	6,7	5,8	5,2	5,1	5,0
Greece (%)	1,0	1,1	1,4	1,9	2,0	1,9	1,8

Source: UNWTO Barometer June 1988, June 1999, June 2008.

There are many criteria that attract tourists into a country. Middleton (1993) classifies these criteria as the components of products of tourism which are the attraction of the destination, the opportunities and services in the destination area, the availability of easy transportation to the destination, the image of the destination, and the prices in the destination. Also using many other criteria, the United Nations World Tourism Organization (UNWTO) has been preparing the Travel & Tourism Competitiveness Indexⁱⁱⁱ (TTCI). TTCI aims to measure the factors and policies that make it attractive to develop the tourism sectors in different countries. The TTCI is composed of 14 pillars of tourism competitiveness. Turkey and its rivals among the Mediterranean countries, namely, France, Spain, Italy, and Greece are placed in Table 3 regarding to the pillars of tourism competitiveness with their overall ranks among 130 countries in 2008.

Table 3: *TTCI, The Overall Rank and Index of Turkey and Its Rivals (2008)*

INDICATORS	SPAIN	FRANCE	GREECE	ITALY	TURKEY
2008 Overall Index	5 (5,30)	10 (5,23)	22 (4,92)	28 (4,84)	54 (4,19)
T&T Regulatory Framework	28 (5,24)	12 (5,57)	17 (5,46)	41 (4,99)	56 (4,57)
Policy Rules and Regulations	56	24	61	57	43
Environmental Sustainability	33	5	40	39	90
Safety and Security	58	54	31	81	79
Health and Hygiene	32	7	16	19	62
Prioritization of Travel & Tourism	6	29	1	46	45
T&T Business Environment&Infrastructure	5 (5,32)	7 (5,28)	30 (4,63)	24 (4,77)	57 (3,73)
Air Transport Infrastructure	8	6	20	26	44
Ground Transport Infrastructure	16	4	46	40	63
Tourism Infrastructure	1	15	9	4	50
ICT Infrastructure	28	19	39	25	55
Price Competitiveness in the T&T Industry	88	130	120	124	103
T&T Human, Cultural&Natural Resources	4 (5,33)	12 (4,85)	18 (4,66)	15 (4,74)	44 (4,28)
Human Resources	31	25	43	39	73
Education and Training	33	18	45	35	65
Availability of Qualified Labor	36	86	62	55	85
Affinity for Travel & Tourism	46	85	39	67	38
Natural Resources	32	47	75	60	79
Cultural Resources	1	10	16	8	28

Source: T&T Competitiveness Report 2008. Scale 1-7.

Turkey has a disadvantage in business environment & infrastructure (57th) and regulatory framework (56th) against its rivals. The infrastructure in Turkey particularly for transportation is weak compare to the rivals (63rd). Turkey's strengths lie in areas such as cultural resources (28th), human resources (75th), natural resources (79th), affinity for T&T (38th), policy rules and regulations (43rd), and price competitiveness in the T&T industry (103rd).

Turkey has some advantages against its rivals. The first advantage is that, it has harmony of different cultures, traditions and religions. People want to see and learn about different places and people. The most participants of tourism activities in Turkey are from Europe. They must have seen France, Spain, Italy and Greece many times and they must be tired of seeing the same places. Turkey might be a new destination for those people. Last developments shows that the growth rate of tourists arrivals to and tourism receipts of Asia and the Pacific, the Middle East and Africa has increased significantly (UNWTO, 2008).

The second advantage is that Turkey has unemployed, well educated young people which is important for tourism, since tourism is mostly based on service sector. Further, the competitive advantage of countries in a global economy increasingly depends on the availability of skilled labor. This is also

true for tourism related industries. Therefore, the structure of and focus on public and private educational and vocational training provisions are also important issues.

The third advantage is that Turkey has tourism potential to answer the need of tourists for any kind of tourism activities. The scope of tourism is diversifying in time and Turkey may use its potential to answer this international demand mostly from Europe. Besides beach tourism, Turkey has unreachable alternative tourism potentials waiting for being realized such as natural, cultural, historical, plateau, trekking, flowing waters, rafting, water sports, health, thermal, winter, cavern (inn), birth watching, botanical examination, slope parachute, bicycle tours, natural beauties, eco, golf, yacht, squab-diving, fair, silk-road, religion, congress, educational tourism, etc. Alternative tourism potentials of Turkey in terms of geographic, cultural and historical values regarding to its rivals are intensive. Turkey bridges Europe and Asia continents, and hosted many civilizations such as Hittites, Frigs, Roma, Greeks, Byzantium, Ottoman throughout ten thousand year history. There are many historical places including the places^{iv} determined as the World Heritages by UNESCO (TUDAV, 1996:36-37, TÜRSAB, ?: 9).

The fourth advantage is that the dependence of tourism on the quality of the natural environment places it in a special position in terms of environmental sustainability (90th). Environmental conservation is now firmly at the center of discussion on national competitiveness, given its importance for achieving long-term sustainable growth in the sector. Turkey has almost untouched natural beauties, natural environments, geological structures, archeological ruins. In addition, Turkey is a peninsula surrounded by seas and also has four different seasons that one can experience them at the same time. Therefore, Turkey has tremendous potentials to enrich touristic opportunities.

The fifth advantage is about the prices. Turkey has advantage in price competitiveness in the T&T industry compare to most of its rivals (103th).

The sixth advantage is on the thermal springs as natural resources for health tourism. Turkey has potential advantage with about one thousand hot spring resorts (TÜRSAB, ?: 52) and unfortunately most of them are not well utilized for tourism purposes. This potentials require new investments in this area.

The tourism vision of Turkey is firstly to make tourism the premier sector in employment and regional development; secondly, to make Turkey a new brand in the world; thirdly, to make Turkey a tourism destination among the top five countries in the world in terms of international tourist arrivals and international tourism receipts by 2023 applying sustainable tourism approach (The Culture and Tourism Ministry of Turkey, 2007: 3).

Turkey's Tourism Strategy for 2023 (The Culture and Tourism Ministry of Turkey, 2007) suggests planning, investment, organization, research and development, strengthening of service, transportation, infrastructure,

advertisement and marketing, education, becoming a new brand in local level, tourism diversification, improving tourism areas (destinations) in local and national levels. For this purpose, it is important to create new tourism destinations, tourism corridors, tourism cities, and eco-tourism regions. In addition, the public and private tourism investments must be guided and channeled to these primary regions.

III. Economic Effects Of Tourism

Even though tourism has social and cultural dimensions, it is mostly searched for its economic dimension (Olali&Timur, 1988; Toskay, 1989). Particularly after 1980's economic dimension of tourism has become more important as a result of the economic effects of tourism. Tourism may have positive effect on local (regional) economic developments. Besides, since the revenues from the exportation of the traditional agricultural products are insufficient to meet the financial needs for the structural transformation of the economy, the expectations of developing countries from tourism sector is high. Tourism occupies an important place in the development policies of developing countries, as it is a kind of industry without chimney, increases exchange inflows and foreign direct investment entrance, contributes to the national income and employment, and also local and global integration (Incekara, 2001:27). Regarding to UNWTO data, it is estimated that ITR will reach to US\$ 2 trillion by 2023.

Tourism has been thought stimulating sector most of the time like other industries as means of regional or national development, because tourism increases employment, investment, gross domestic product, income, tax revenues. And it also provides foreign exchanges to finance the balance of payments deficits. The total economic impact of tourism can be divided as direct and indirect impacts. Since it is difficult to calculate indirect impact of it, it must be thought that the direct impact of tourism is only the observable part of iceberg over the surface.

Tourism has become most important determinant of GDP in touristic countries, because it induce many industries in real economy such as travel agencies, tour operators, information services, transportation, accommodation, food and beverage, amusement, cultural activities, recreation, sports, retail trade, banks, souvenirs (gift), etc. Therefore, tourism substantially contributes employment by sustaining jobs and creating many new ones.

Tourism also increases demand for local services (infrastructures) such as water, sewer, solid waste, fuel, power, roads, medical services, communication, internet so it again increases economic activities. The opportunity for employment increases in the service industries associated with tourism such as transportation (airlines, cruise ships, taxis), hospitality (accommodations including hotels, resorts, souvenirs, shopping malls) and entertainment (amusement parks, casinos, discos).

Cultural values of a region must be utilized for its economic development, since the interest in cultural travels has been recently increasing. Cultural tourism gives hope to the developing countries for developing and advertising their traditional activities (Oguzhan etc., 2005:6).

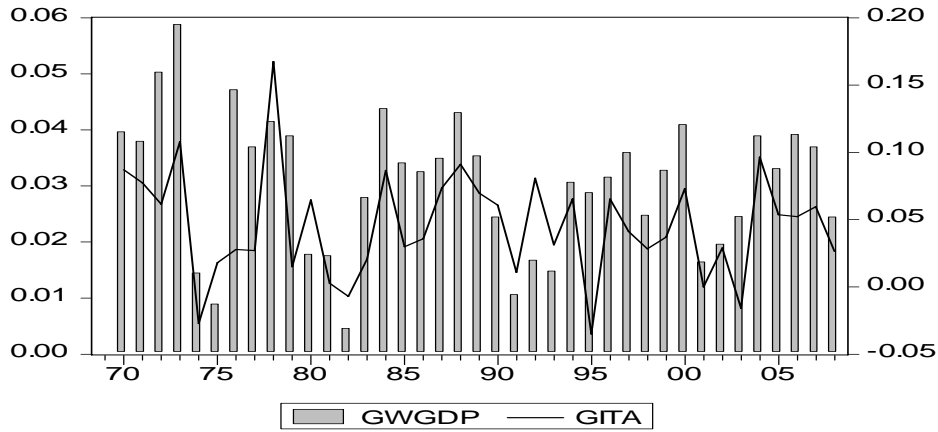
Tourism can support employment through creating new jobs and sustaining old ones in the short run, while it supports the economy for transformation into a green economy in the long run. Many countries have already recognized the importance of tourism as creating jobs and employment. First of all, tourism is one of the largest employment sectors in most countries and a fast entry vehicle into the workforce for young people and women in urban and rural communities. Secondly, tourism is vital source of foreign exchange particularly for developing economies. And thirdly, tourism has strong multiplier effect on other crucial sectors of the economy like services, manufacturing or agriculture (UNWTO, 2009: 6).

Government, unions and employer's organizations play important role in employment. This role may include not only fiscal policies, education and training provisions, employment creation and related incentives, employment protection measures and workplace conditions, but also infrastructure, investments, incentives and marketing. In addition, governments are often major employers in tourism such as museums, information services, transport, etc. Policy makers view tourism as a potential agent of economic growth and development. The high ratio of labor to capital in many industries, the ease of entry into the market, the low per capita investments and rapid development, compared to other industries like manufacturing, make tourism particularly attractive to policy makers especially in developing countries (OECD, 2000: 132).

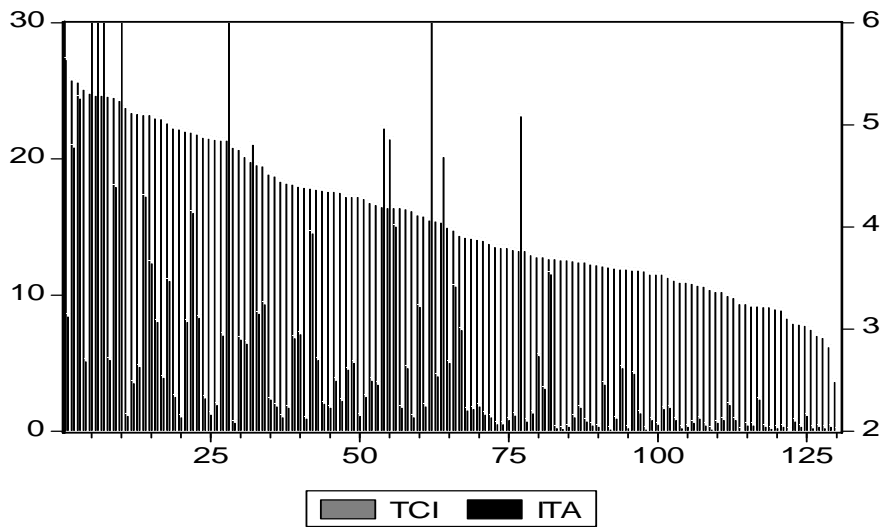
IV. Empirical Evidences

There are theoretical and empirical studies about the relationship between tourism and economic growth. These studies state the strong relationship between inbound tourism activities and economic growth. The demand for tourism depends strongly on the economic conditions. When economies grow, levels of disposable income usually increase. A relatively large part of discretionary income is spent on tourism, in particular in the case of emerging economies. On the other hand, a tightening of the economic situation, will often result in a decrease of tourism spending.

As it is seen in Graph 9, the average growth of international tourism arrivals (4,6%) significantly exceeds the average growth of economic output as measured in World GDP (3,1%) between 1970-2008. According to data, the correlation coefficient between them is about 0,59. Graph 10 shows the relation between TTCI and ITA for 130 countries. Including outliers the correlation coefficient calculated from data is 0,47; excluding 7 outliers it is 0,54; and excluding 19 outliers it is 0,68.



Graph 9: World GDP Growth versus International Tourist Arrivals Growth (1975-2008)



Graph 10: Tourism Competitiveness Index (TCI) versus Inbound Tourism Arrivals (ITA) (130 countries)

In recent years, an increasing attention has been paid to the debate on the tourism-led growth hypothesis. Kulendran&Wilson (2000) and Shan&Wilson (2001) focuses on the relationship between international tourism and economic growth. Balaguer& Cantavella-Jorda (2002) confirms the

tourism-led growth hypothesis for the Spanish economy. Gunduz&Hatemi-J (2005) also confirms the tourism-led growth hypothesis for the Turkish economy finding a unidirectional casual relationship from tourism to economic growth. Ongan&Demiroz (2005) suggests bidirectional causality between international tourism and economic growth for Turkey. Conversely, Oh (2005) doesn't find any long-run equilibrium relation between tourism and economic growth for the Korean economy. He finds a unidirectional casual relationship from economic growth to tourism in the short-run.

Katircioglu (2009) rejects the tourism-led growth hypothesis for the Turkish economy^v. Contradictory results obtained from these studies stem from a number of factors including relative weight of tourism in respective economies, application of different methodologies, and omission of important variables such as exchange rates.

In this study, WGDP and ITA data are utilized. Both variables are in natural logarithm (LNWGDP and LNITA). The source of WGDP is IBRD World Development Indicators and IMF International Financial Statistics. The source of ITA is UNWTO. LNWGDP and LNITA were tested for unit roots whether the series are stationary or not. As it is well known, the regression results of non-stationary series are meaningful if there is a cointegration relation between them (Gujarati, 1995:725-730). As a solution to this problem, Engle&Granger (1987) developed Vector Error Correction Model (VECM). This model has been commonly used to test the causality, if the series non-stationary at the level, but stationary at the same degree.

ADF test results are reported in Table 4. The series are non-stationary at 1% level, but both are stationary after first differences.

Table 4: *ADF Test Results*

Variables	Lags*	t- statistics	ADF Test Statistics at 1%
LNWGDP	1	-4,055	-4,219
LNITA	0	-3,290	-4,212
Δ LNWGDP	0	-4,282	-3,616
Δ LNITA	0	-7,153	-3,616

*Lags were automatically chosen based on AIC, SIC and HQ criteria with Maxlag 9.

Therefore, VECM can be applied to the series, but the lag selection is required first. For this purpose LR, AIC, SIC, and HQ lag selection criteria are used and the results are provided in Table 5 below. Regarding to LR, SIC, and HQ, lag length was chosen as 1.

Table 5: VAR Lag Order Selection Criteria

Lag	LR	AIC	SIC	HQ
0	NA	-3,254	-3,163	-3,224
1	212,797*	-10,342	-10,067*	-10,251*
2	6,114	-10,317	-9,861	-10,167
3	8,151	-10,395*	-9,753	-10,182
4	3,299	-10,288	-9,464	-10,015
5	7,017	-10,372	-9,465	-10,038

*indicates lag order selected by the criterion.

For testing availability of cointegration vector among series, Johansen Cointegration Test was applied and one cointegration vector was determined regarding trace test and maximum eigenvalue test with intercept and trend. The results and normalized cointegration coefficients are in Table 6 and 7. The equation tells us that, 1% increase in LNWDGP increases LNITA about 1,49%.

Table 6: Johansen Cointegration Test

Trace Test			Maximum Eigenvalue Test		
Hypothesis	Trace	Critical	Hypothesis	Max-Eigen	Critical
None*	29,148	25,872	None*	24,915	19,387
At most 1	4,233	12,518	At most 1	4,233	12,518

*denotes rejection of the hypothesis at the 5% level.

Table 7: Normalized Cointegrating Coefficients

Normilized Cointegrating Equation Regarding ITA
LNITA = -9, 284 + 1,492 LNWDGP (28, 873)

Note: t-statistics are in parenthesis.

Causality test results from VECM estimates show no statistically significant relation in the short run but in the long run. There is unidirectional relation from WGDGP to ITA in the long run. The results are reported in Table 8.

Table 8: Causality Test Results

Dependent Variable	Independent Variables			
	C	Δ LNITA _{t-1}	Δ LNWDGP _t	EC _{t-1}
Δ LNITA	0,035	-0,171 (-)	0,581 (0,877)	-0,364 (-)
Δ LNWDGP	0,022	0,030 (0,471)	0,231 (1,106)	-0,076 (-1,469)

*indicates statistical significance at 1% level.

VI. Conclusion

Empirical and theoretical studies indicates that there is a strong relationship between tourism activities and economic development. Even though, our empirical study reports unidirectional relation from WGDP to ITA in the long run, many other studies report unidirectional relation other way around and also bidirectional relations. Therefore, Turkey may utilize its tourism potential as a developing country to speed up its economic development.

Most part of tourism activities occur among the EU countries. Turkey, as an applicant member country for EU, may take the advantage of this opportunity using its tourism potential. But, Turkey has strong rivals like France, Spain, Italy and Greece in the Mediterranean area. Therefore, Turkey must utilize opportunities evaluating advantages against its rivals.

Turkish tourism has been speeding up, especially after 1980's, parallel to the developments in tourism in the world. The importance of tourism in the Turkish economy has been recently increasing. Turkey is a rich country with various historical, cultural and natural values. Turkey became one of the world's tourism destinations as a result of the State subventions and incentives. Turkey has particularly given priority to the development of tourism sector as a part of its economic growth strategy after 1980's. It has particularly experienced large-scale development in the tourism sector over recent years. Turkey, like many other developing countries, has regarded tourism as a source of foreign exchange earnings, as an employment generator, and as a revenue source. As a result, tourism became one of the most important sectors in the Turkish economy.

According to the UNWTO, Turkey ranked the 9th place in terms of international tourist arrivals with 22,2 million tourists, and to the 10th place in terms of international tourism receipts with US\$ 18,5 billion in 2007. Tourism receipts amounted to US\$ 21,9 billion while tourist arrivals reached to 26 million in 2008.

Turkey is a unique tourism destination with its extraordinary cultural, historical, geographic and natural environments. Turkey has potentials for any kinds of tourism activities but they need to be activated by tourism investments which require close coordination of public and private sectors. Turkish tourism is mainly seasonal and mostly depend on sea tourism, and it must be spread over a year, as improving many other kinds of tourism activities. Effective coordination of public and private sectors on new tourism policies is required to increase the consciousness to activate the tourism potential of the country.

Tourism potential of Turkey spreads all over the country. Turkey must protect and serve the natural, cultural, historical, and geographical values in the name of sustainable tourism and diversify its tourism alternatives to increase its share in the world tourism pie. So, these places must be integrated with

transportation, accommodation, all other kinds of well organized services to be more attractive and charming for tourists.

Tour operators may apply new concept for tourists, related with increasing mass tourism as selling packages including multi-country and multi-region travels. This contributes to local employment and increases local welfare and prevents migration. Actions are needed to boost trade incentives, simplify regulation, built infrastructure and rationalize taxes, which in turn incite companies to invest, innovate and stimulate demand. This kind of public-private sector collaboration should be strongly advanced within and between all countries.

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Son notlar:

ⁱ The United Nations World Tourism Organization (UNWTO), based in Madrid, Spain, is a United Nations agency dealing with questions relating to tourism. It compiles the World Tourism rankings. WTO is a significant global body, concerned with the collection and collation of statistical information on international tourism. WTO plays a role in promoting the development of responsible, sustainable and universally accessible tourism, paying particular attention to the interests of developing countries (Wikipedia,

http://en.wikipedia.org/wiki/World_Tourism_Organization(06.06.2009).

ⁱⁱ <http://en.wikipedia.org/wiki/Tourism> (06.06.2009).

ⁱⁱⁱ *The Travel and Tourism Competitiveness Report* was first published in 2007 by the World Economic Forum. The 2007 report covered 124 major and emerging economies. The 2008 report covered 130 countries, and the 2009 report expanded to 133 countries. The index is a measurement of the factors that make it attractive to develop business in the travel and tourism industry of individual countries, rather than a measure of a country attractiveness as a tourist destination. The report ranks selected nations according to TPCI, which scores from 1 to 7 the performance of a given country in each specific sub-index. The overall index is made of three main sub-indexes: (1) regulatory framework; (2) business environment and infrastructure; and (3) human, cultural, and natural resources (Wikipedia, 12.09.2009).

^{iv} Göreme National Park and the Rock Sites of Cappadocia, Great Mosque and Hospital of Divriği, Historic Areas of Istanbul, Hattusha: the Hittite Capital, Nemrut Mountain, Hierapolis-Pamukkale, Xanthos-Letoon, City of Safranbolu, Archaeological Site of Troy, <http://whc.unesco.org/en/list>(11.09.2009).

^v Further studies done on the subject are given at below.

Country	Period	Periodicity	Causality	E	Paper
Spain	1975-1997	Quarterly	A	0,30	Balaguer&Cantavella (2002)
Mexico	1980-2007	Quarterly	A	0,69	Brida et al. (2008a)
Colombia	1907-2007	Quarterly	A	0,51	Brida et al. (2009)
Spain	1964-2000	Annual	C	1,07	Cortez-Jimenez& Paulina (2006)
Italy	1954-2000	Annual	C	0,08	Cortez-Jimenez& Paulina (2006)
Greece	1960-2000	Quarterly	C	0,31	Dritsakis (2004)
Mauritius	1952-1999	Annual	C	0,77	Durrbarry (2004)
High-Medium Income Latin American C.	1985-1998	Annual	A	-	Eugenio-Martin et al. (2004)
Low Income Latin American Countries	1985-1998	Annual	N	-	Eugenio-Martin et al. (2004)
42 African Countries	1995-2004	Annual	A	0,03	Fayissa et al. (2007)
Hawaii	1953-1970	Annual	A	-	Ghali (1976)
Turkey	1963-2002	Annual	A	-	Gunduz&Hatemi (2005)
Turkey	1960-2006	Annual	N	-	Katircioglu (2008)
Taiwan	1971-2003	Annual	C	-	Kim et al. (2006)

OECD Countries	1977-1992	Annual	A	-	Lanza et al. (2003)
OECD Countries	1990-2002	Annual	A	0,36	Lee&Chang (2008)
Non-OECD Countries	1990-2002	Annual	C	0,50	Lee&Chang (2008)
Cyprus	1975-2001	Annual	C	-	Louca (2006)
Fiji	1970-2000	Annual	B	-	Narayan (2004)
Amami Islands (Japan)	1976-2001	Annual	A	-	Noriko&Mototsugu (2007)
Spain	1960-2003	Annual	C	0,06	Nowak et al. (2007)
Korea	1975-2001	Quarterly	B	-	Oh (2005)
Portugal	1993-2001	Annual	A	0,01	Proença&Soukiazis (2008)
China	1987-1998	Monthly	C	-	Shan&Wilson (2001)
Uruguay	1987-2006	Quarterly	A	0,42	Brida et al. (?)

Source: Brida et al. (?). Note: E, the elasticity of per capita GDP with respect to tourism. A, unidirectional causality from tourism to economic growth. B, unidirectional causality from economic growth to tourism. C, bidirectional causality between tourism and economic growth. N, no evidence for causality.