



Assessing the importance of international tourism for the Turkish economy: A social accounting matrix analysis

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ABSTRACT

The international tourism sector has grown rapidly in Turkey since the 1980s and Turkey ranks among the top ten countries in terms of tourist arrivals and receipts. Previous studies on international tourism in Turkey are partial equilibrium studies which emphasized the importance of the sector for foreign exchange earnings, employment creation, and economic growth. The social accounting matrix (SAM) modeling approach is superior to partial equilibrium analysis as it takes into account intersectoral linkages. This paper analyzes the contribution of international tourism to the Turkish economy using two SAMs for 1996 and 2002, respectively. Two analyses are conducted using the SAM impact model: (i) sectoral comparison of GDP elasticities, and (ii) SAM impact analysis of international tourism on output, value-added, and employment. The results show that the GDP elasticity of international tourism is relatively low and the impact of foreign tourist expenditures on domestic production, value-added (GDP), and employment in Turkey are modest. The results imply the possibility of leakage of foreign tourist expenditures out of the economy.

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1. Introduction

International tourism has developed rapidly on the global scale since the late 1970s. According to the United Nations World Tourism Organization (UNWTO), total international tourist arrivals increased from 25 million in 1950 to 277 million in 1980, 439 million in 1990, 684 million in 2000, and 922 million in 2008 (UNWTO, 2009). Total tourism revenues worldwide increased to 944 billion US dollars in 2008. International tourism has also developed remarkably in Turkey since the 1980s and the country ranks among the top ten countries both in terms of tourist arrivals and tourism receipts.

Rapid development of international tourism has attracted the interest of scholars since the early 1980s, and a number of studies have tried to quantify the impact of tourism on the economy for various countries. The techniques used in these studies range from univariate and multivariate econometric techniques to input–output (I–O) models and its spin-offs, social accounting matrix (SAM) and applied computable general equilibrium (CGE) models. Econometric studies are partial equilibrium studies and have little to say about intersectoral connections in an economy. On the other

hand, I–O, SAM, and CGE models have advantages over econometric analysis as they take into account intersectoral input–output relations and final demand (i.e. consumption, investment, exports, and imports) simultaneously (Archer, 1996; Briassoulis, 1991; Fletcher, 1989; Hara, 2008). The use of SAM modeling for tourism analysis became possible only after the introduction of tourism satellite accounts in the national accounting systems and I–O tables. Previously, tourism services were not regarded as a production activity in national I–O tables as they were included in various services (e.g. hotels, restaurants, transportation, and recreation). Using tourism sector surveys, tourism demand was incorporated into national accounts in the form of tourism satellite accounts (UNWTO, 2008).

Turkey is among the top ten countries on the international tourism market. A broad quantitative analysis of the economic impact of international tourism is necessary for such an important country and the current paper is the first attempt to fill this gap by using the SAM modeling technique. There are only a few quantitative studies examining the contribution of international tourism on the Turkish economy and they employ time series econometric techniques such as vector autoregressive model, vector error correction, and Granger causality. Among these, Gunduz and Hatemi-J (2005), Bahar (2006), Kaplan and Celik (2008), and Zortuk (2009) found that tourism had a positive impact on GDP growth whereas Katircioglu (2009) rejected the tourism-led

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growth hypothesis. In addition, [Onder and Durgun \(2008\)](#) found a positive impact of tourism on employment. These studies praise tourism as an earner of foreign exchange, contributor to employment creation, and facilitator of economic growth. However, they ignore intersectoral interactions despite backward linkages of the tourism sector found by input–output studies for various countries.

This paper builds on previous SAM studies ([Defourney & Thorbecke, 1984](#); [Oosterhaven & Fan, 2006](#)) that examine the impact of tourism on the economy and aims to answer the following three research questions by using the SAM impact model: (i) to what extent did international tourism contribute to GDP in Turkey?; (ii) to what extent did international tourism contribute to employment growth in Turkey?; (iii) through what sort of intersectoral relations did international tourism contribute to employment and GDP? To this end, two SAMs are built for 1996 and 2002 through very careful treatment of the data obtained from input–output tables, tourism statistics, and related other data. Due to lack of data on transport and trade margins in the previous input–output tables, SAMs could be constructed only for 1996 and 2002.¹ The results obtained for these two years are compared to investigate if there were significant changes over time.

Macroeconomic consequences of changes in tourism demand may be significant for policymakers in a developing country like Turkey due to growth and development objectives of tourism policies. Successful tourism strategies are deemed as those that create jobs and lead to higher economic growth.

The remainder of the paper is organized as follows. In the next section, development of the international tourism sector and tourism policies in Turkey is briefly explained. Section 3 reviews the literature on the economic impacts of tourism. Section 4 sets out the methodology of the social accounting matrix analysis. The results of the analysis are presented and interpreted with a policy discussion in Section 5. Finally, Section 6 wraps up and concludes.

2. The development of international tourism in Turkey since 1980

Demand for international tourism services has grown rapidly in Turkey since the early 1980s (see [Table 1](#)). Recently, international tourism revenues reached more than 16 billion US dollars from less than one billion during the early 1980s, and tourist arrivals increased to more than 26 million from less than two million during the early 1980s. Turkey's share in total arrivals in the European region increased from 1.8% in 1990 to 2.4% in 2000 and 5.1% in 2008 (the corresponding shares in world total were 1.1%, 1.4%, and 2.7%, respectively). Likewise, its share in total receipts in the European region increased from 2.3% in 1990 to 3.3% in 2000, and 4.6% in 2008 (the corresponding shares in world total were 1.2%, 1.6%, and 2.3%, respectively).

The progress in international tourism was facilitated by tourism policies of the government in Turkey. Detailed accounts of tourism policies of the successive governments are available in [Cimat and Bahar \(2003\)](#), [Tezcan \(2004\)](#), and [Alp \(2009\)](#). A brief overview of the development of international tourism activities is presented in this section. Prior to 1980, there were attempts to establish an international tourism sector with large-scale tourism development projects in the southern coastal area as part of five-year development plans in the 1970s but these attempts were ineffective ([Tezcan, 2004](#), pp. 59–64).

Table 1
Basic statistics about international tourism sector in Turkey (1970–2008).

	International tourism revenues (\$ mln)	Tourist expenditures (\$ mln)	Tourist arrivals (000 persons)
1970	52	48	724
1975	201	155	1148
1980	326	114	1057
1981	381	103	1158
1982	370	109	1148
1983	420	128	1507
1984	548	277	1855
1985	1094	324	2190
1986	950	313	2397
1987	1476	448	2906
1988	2355	358	4265
1989	2557	565	4516
1990	3225	520	5398
1991	2654	592	5553
1992	3639	776	7104
1993	3959	934	6525
1994	4321	866	6696
1995	4957	911	7747
1996	5650	1295	8539
1997	7002	1716	9725
1998	7177	1754	9431
1999	5203	1471	7487
2000	7636	1711	10,428
2001	8090	1738	11,620
2002	8481	1881	13,248
2003	9677	2113	13,956
2004	12,125	2524	17,548
2005	13,929	2872	21,125
2006	12,554	2742	19,819
2007	13,990	3260	23,340
2008	16,761	3507	26,336

Source: State Planning Organization, Economic and Social Statistics 1950–2006; Turkish Statistical Institute, Statistical Indicators 1923–2008.

With the shift of the government's long-term economic development strategy from import-substitution type of industrialization to one emphasizing outward-oriented and export-led growth after 1980, policymakers deemed international tourism as a potential source of foreign exchange. [Tezcan \(2004, p. 64\)](#) argues that Turkey, as a newcomer, had a favorable head start in international tourism compared to the incumbents in the world tourism market, because the sector was relatively new and natural, cultural, and historical sources were preserved successfully. The incumbents in the world tourism market, on the other hand, had suffered from accumulated problems such as saturation and environmental degradation. In 1982, the government passed the Tourism Encouragement Law, which introduced regulations regarding land use, property rights, and incentives for private sector tourism investments. To tackle the lack of adequate infrastructure and modern facilities, the government initiated large-scale physical infrastructure (roads, waterworks, sewage, etc.) upgrading programs in the late 1980s in the newly emerging tourism sites in the western and southern coastal areas. In addition, various incentives, ranging from tax exemption to granting of public land, were provided to private entrepreneurs in order to develop the international tourism sector ([Alp, 2009](#)). These attempts envisaged the establishment of a tourism industry based on free market principles. [Toker \(2007\)](#) and [MCT \(2009\)](#) provide a list and evaluation of these incentives and support schemes.

The newly emerging but rapidly growing international tourism sector suffered from some negative shocks that affected foreign tourists' demand during the 1990s. These were the Gulf War in 1991, worsening security during the 1990s due to intensified terrorist activities of the Kurdish separatist organization, Kurdish Workers' Party (PKK), and a destructive earthquake that hit the

¹ SAMs are based on official input–output tables and the latest I–O tables in Turkey date 2002. Examining the impacts of the developments after 2002 using the SAM impact modeling technique will be possible only after the publication of more recent I–O tables.

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