

**FINANCING TOURISM INVESTMENTS IN TURKEY AND AN
APPLICATION ON TURKEY**

Dr. Aslı Yüksel

University of Marmara

TURKEY

Dr. Ülkü Yüksel

ITU-Istanbul Technical University

TURKEY

ABSTRACT

Despite the strong developmental impacts associated with tourism, tourism investments projects are complex, the environments are risky, and success often depends on factors outside the sponsor's -financial assistant of the tourism investment- control.

Tourism accounts for 11% of all international consumer expenditures, 11.3% of all capital investment and 6.7% of all government spending. The industry is experiencing steady growth. Growth is forecast at about 4% per annum for the next decade (SPPF, 2000).

This paper has sought to re-center the analysis on the ideas of a conceptualization of the tourism investments through tourism, its economic effects and financing concepts from the perspective of a particular, well-known tourism investment finance company as a case study.

This paper consists of a literature search on corporations that finance tourism investments and tourism investments in general. In the second part a case study from Turkey has been revealed where data was collected through in-dept interviews.

Key Words: Finance, Tourism Investments, Turkey

INTRODUCTION

Just like every other developing country, Turkey also experiences the difficulties in obtaining external financial sources, which will aid to solve its problems such as unemployment, lack of investments and finance, gaps in foreign exchanges, deficit in balance of payments. At this level, tourism plays an essential and positive role by supplying external financial inputs, which will enliven the economy for short terms

and as a result, these positive effects reflect to the socio-economic life of the country and its international relations.

The purpose of this paper is to indicate how tourism investment procedures proceed in Turkey, the incentives, actual affects on the Turkish economy, how the tourism marketing methods process, what kind of opportunities and threats should be faced while determining tourism investments. The actual effects provided by tourism will be highlighted; the effects on employment, on other sectors and the influences on incomes and investments will be examined.

1. The Significance of Tourism for Turkey

As a primary economic sector worldwide tourism has enhanced trade, commerce and business and aided countries and geographic regions that remain behind in economic growth. Tourism forms the largest industry in the world contributing approximately 11% to global GDP, employing about 11 percent of the world's population, having a current average turnover of US\$2,500 billion and growing at about 12% per annum (Haley/Haley,1997; 4). As an important vehicle for economic evolution, tourism stimulates, causes and improves employment, foreign exchange revenue, tax income and profits, and gives support to mitigating poverty for many countries.

According to the records of the SIS (DIE- State Statistical Institute) The tourism incomes of Turkey are 3.225 million\$ in 1990, and 4.957 million\$ in 1995 and it has increased to 7.636million\$s in 2000. Table 1 indicates the distribution of tourist arrivals and revenues per year.

Table 1

Between 1995-2000 a growth of % 54 can be noticed, and considering another 10 years period of time, which cover the years between 90-2000 it can be observed that this growth has risen to % 137 . The share of tourism income in gross national product (GNP) has risen to % 33 and % 86 for the same periods. In 1980, the tourism income of Turkey was 327 million \$s, and this number has ascended to 7,6 billion's in 2000 and 8 billion's in 2001. These ratios can be estimated as the 25% of the export

incomes. Since 1993 the number of tourists (except the 2 years of crises) are increasing around 1 million people every year. (7,4 million in 1999, 10,4 million in 2000 and 11,6 million visitors in 2001.) This result, according to the OECD Statistics indicates that the share of Turkey in the world's tourism market has increased from % 1,16 to % 1,60.

Tourism is the world's fastest growing industry. After agriculture, it is expected to be the world's largest industry by 2010. It provides direct or indirect employment for 231 million people or one out of every ten workers. It can obviously be noticed how developed countries have their shares from tourism incomes, table 4 shows the top 20 in the world.

Table 4

Tourism is the world's largest tax contributor with an estimated US\$800 billion in personal and corporate taxes for 1999. The industry is experiencing steady growth. World Tourism Organization statistics indicate that between 1950 and 1997, international tourism arrivals grew by 7% p.a. from 25 million to 663 million. Growth is forecast at about 4% per annum for the next decade.

Financing tourism investments can be realized by funding several projects in various countries. Despite the strong developing positive effects of tourism for the host country, the tourism investment projects are mostly complex, environmental risky and the success of the project is mostly bound to the outside factors, which are not under the control of the supporting firm. For these reasons, tourism investments projects have difficulties to find financiers in developing countries. Furthermore, commonly the sponsors do not have sufficient information and experience about hotel and service management. The new investment can cause complexities legally and besides it is mostly difficult to clarify the significance of the investment towards the environmental surroundings. Tourism investors can either support individual projects like hotels or other tourism founding's, or a complete district can be integrated as a whole including all the accommodation facilities, transportation services, travel agencies, tour operators, incentive, meeting and congress centers and organizers, food and beverage units, gift shops, cultural services for tourists....

2. The Features of Tourism Investments

Barutcugil summarizes (1985, p.24) following direct and indirect effects of tourism investments on national and regional economies during the stages of construction and management:

- Tourism sector is a very attractive investment field for the developing countries. Initially these investments have a shorter preparation and transition period when compared with other industrial investments.

-The ratio of direct capital investment to generated revenue flow is low. In other words, marginal capital/revenue ratio is less when compared with other investment alternatives. It is approved that the less this ratio is the higher the investment effectiveness will be.

-Tourism has multiplier effects on regions' and country's economies. Increase in tourism investments and raise in demand for travel, accommodation, food and beverage consumption, regional handicrafts and retail services generate revenue which will initially convey direct benefits to local people. These benefits will then be spread out to the whole national economy resulting in an increase on the revenues of other people, institutions, establishments, state and government by a specific multiplier coefficient.

-The employment/investment ratio in the tourism industry is relatively higher than in other industries, which indicates that the capital investment to employ one person is less.

-Tourism provides re-distribution of income and welfare. Expansion in international tourism movements and transactions causes an income flow from developed countries to underdeveloped and developing ones.

-Tourism enhances national efforts on protection and improvement of national sources and beauties.

-Tourism augments importance on local traditional ceremonies, customs, regional clothing and handicrafts since it attracts attention to socio-cultural richness and value (Olali/Alp, 1988).

-Tourism supports and accelerates development of infrastructure and substructure mutually.

-Tourism provides necessary foreign exchange input for national progress. Tourism income is favored to economic aids from other countries since on the contrary to such financial supports it is isolated from political and economic limitations and restrictions and cannot be used as a pressure utensil.

-On the other side, tourism gives an advantage over the export of agricultural products and raw materials since determination and control on rates and prices of tourism products and services are more in the hands of the country than other exported traditional goods. Tourism eliminates fluctuation, and wavering of foreign exchange revenues.

-Tourism diminishes deficits in balance of payments caused by importation of underdeveloped and developing countries and creates more foreign exchange income with less input and foreign exchange output compared to other industries.

In tourism sector, investors have to know the main properties of sector in order to make convenient decisions.

-THE INTENSITY OF FIXED CAPITAL: The quantity of fixed capital in accommodations is more in comparison to other industries. Tourism establishments depend heavily on the trial of building, land and materials. This situation is important for capital turnover rate and efficiency of capital.

-THE INTENSITY OF LABOR: This property is important of its influence on employment while preparation and implementation of tourism investments. Labor is intense because it requires the services that only people can produce. As tourism demand increases new working possibilities are constituted, therefore employment increases.

-THE ABUNDANCE OF FIXED EXPENSES: The fixed expense is 70%-80% percent of general expenses. This is caused by the independently continuity of the expenses of energy, personnel, depreciation, ratios, repair from demand. This situation effects the efficiency of capital and makes crucial the point of profitability and revenue capacity usage ratio.

-INFRASTRUCTURE/FACILITY RELATIONSHIP: The infra structure establishment around the corporation is an important factor effecting the establishment of the corporation. The investments will not be profitable unless the surroundings have enough infrastructure. If necessary the infrastructure must be

planned and carried out together with the investment. Besides it would not be rational to load all the cost to tourism investment, because the other sectors also be effected and utilized from the infrastructure investments. In the end there is no difference between a tourism facility and any other sector from the point of utilizing from a public service.

-INDIRECT EFFICIENCY: The efficiency provided by the tourism investment is called as direct business income and direct currency income with employment effect. The added value is almost around 75% -80% and this increases the indirect efficiency of tourism sector. The effect of tourism sector on national economy is more than any other sectors.

-EFFECT OF TOURISM DEMAND ON INVESTMENTS: At first tourism demand is investigated within market researches, but the demand of tourism does not depend on rational factors. Therefore the measurement is very difficult. Demand does not also depend on only economical factors, but also trends, imposing, consumption effects, psychological effects etc. For this reason, market research does not satisfy investors, market must be viewed regularly, tendency researches must be done and market must be controlled periodically.

Sustainable tourism is tourism in a form which can maintain its viability in an area for an indefinite period of time ; however sustainable development in the context of tourism is tourism “which is developed and maintained in an area (community, environment)in such a manner and at such a scale that it remains viable over an indefinite period and does not degrade or alter the environment(human and physical)in which it exists to such a degree that it prohibits the successful development and well being of other activities and processes(Buttler,1993,p.23).To provide 12 months sustainable tourism and to grant appropriate demand all the time tourism investments should be differentiated so that Turkey would benefit from November/March season except the sun seasand tourism. These differentiation can be as follows: Thermal and Health Tourism, Culture Tourism, Religion Tourism, Silk Way Project, Antique Cities and Historical Places, Mountain Tourism and Eco Tourism, Winter Tourism, Third Age Tourism, Holiday Resorts.

-IMPORTANCE OF PHYSICAL PLANNING: Physical planning gives evidence where the establishment tourism investment should be in the most efficient way and by not harming the other sectors. There are so much benefits performing physical,

planning studies by integration. Especially it is important to formulate physical planning studies efficiently by coordinating tourism sector with related sectors for investments management and for approaching expected targets.

-PROFITABILITY MEASURES: All the projects except the ones for social benefit aim profitability. It is taken into consideration if the expected profitability is realized or not. In order to measure profitability, following ratios can be examined:

Gross economic efficiency: Profit before tax and interest/total investment capital

Rate of total outcomes/total income

Rate of profit/Total income

-FINANCIAL DECISION: The net present value is a rule in modern finance theory. As known, it is a capital budgeting rule. Finance theory prescribes the investor to compare the opportunity in hand with asset of an equivalent risk.

Some companies use the payback method to make investment decision. In other words, they accept only those projects that recover their investment within some specified period. Payback ignores the order in which cash flows come within the payback period, and it ignores subsequent cash flows entirely. It therefore takes no account of the opportunity cost of capital. The simplicity of pay back makes it an easy device for describing investment projects.

The internal rate of return IRR is defined as the rate of discount at which a project would have zero NPV. The IRR rule states that companies should accept any investment offering an IRR in excess of the opportunity cost of capital. The IRR rule is, like net present value a technique based on discounted cash flows. It will, therefore, give the correct answer if properly used. The problem is, that it is easily misapplied.

In developing the NPV rule, it is assumed that the company can maximize shareholder wealth by accepting every project that is worth more than it costs. (Brealey/Myers,2000,114) Though NPV is the best capital budget approach conceptually, it has been criticized in practice for providing managers with a false sense of security. Sensitivity analysis shows NPV under varying assumptions, giving managers a better feel for the project's risks. Unfortunately, sensitivity analysis modifies only one variable at a time, while many variables are likely to vary together in the real world. Scenerio analysis considers the joint movement of the different

factors under different scenerios. (e.g. war breaking out or oil prices skyrocketing). Finally, managers want to know how bad forecasts must be before a project losses money. Break-even analysis calculates the sales figure at which the project breaks even. Though break-even analysis is frequently performed on an accounting profit basis, it is suggested that a Net Present Value basis is more appropriate (Ross/Westerfield/Jaffe,1996,215).

On the other hand tourism sector is a rather capital-intensive sector than a labor intensive one at the beginning of the investments. Accommodation companies need more fixed capital when compared with firms from various industries. The reason for that is, accommodation facilities are assembled from land, construction and many other vehicles. Therefore the capital turnover and capital efficiency for tourism sector can be examined under many different criteria's. Fixed costs are about %70-80 in tourism sector. The reason for that is the expenses like energy, personnel, depreciation, interest show continuity without being bound to the demand. This situation affects the capital efficiency and creates a critical position at the break-even point and sales to capacity usage (DPT, p.71).

Turkey's national policy of expanding the number of hotel rooms nationwide over the past 2 decades has been successful in increasing supply, but at a cost. The government offered strong incentives for entrepreneurs to open hotels on the nation's Mediterranean and Aegean coasts. Many of the hotels that opened as a result, particularly those in low-price tiers, offer repetitive concepts and are not professionally managed. As a consequence, Turkey's resort operators rely heavily on international package-tour operators to fill their rooms. What has turned into an oversupply of rooms gives the tour operators market power over the lodging operators, forcing the latter into price competition. To compensate for their lack of income, the lodging operators offer minimal services. A particular challenge to the hoteliers is the tour operators' practice of changing bookings at the last minute, which causes lodging operators with unused capacity to accept low rates for otherwise empty rooms. While Turkey's lodging entrepreneurs cannot change the external factors that force them to accept low prices, they could address the internal problems of lack of cooperation and poor management skills (Kurtulus Karamustafa, Marketing-channel relationships: 2000).

Certainly Turkey is an attractive destination. With a location on the historic crossroads of Asia and Europe, it offers centuries of cultural and historical sites in a setting of sea, sand, and sun. Moreover, the Turkish government has attempted to foster tourism development (Baki, "Turkey: Redeveloping Tourism," 1990, p. 62).

The government made considerable investments in appropriate infrastructure and in setting up necessary services while at the same time offering generous incentives to proprietors of hotels and other transient accommodations to increase the bed capacity. In 1982, for instance, Turkey enacted Law Number **2634** for the encouragement of tourism. The purpose was to ensure that necessary measures are taken to provide a dynamic structure in the tourism sector. Between 1985 and 1990 hotel investors used US\$422-million worth of cash incentives, received US\$1.1 billion in medium and long-term bank credits, and invested their own resources valued at US\$1.5 billion to make a total of US\$3 billion in hotel investments (Turkish Tourism Investors Association). According to the estimated figures from the State Planning Organization, total cost of hotel investment during the period of 1995 and 1999 is around US\$7.6 billion, 50 percent of which is owners' equity, while the remaining 50 percent is met by credits (20 percent incentives and 30 percent bank credits). (DIE-State Institute of Statistics, The Seventh Fiveyear Development Plan). The important point here is that high interest rates make it difficult for the hoteliers to pay back their bank loans.

However well intentioned, these programs proceeded with little planning, with consequences. Rather than target specific areas, the government wanted to develop all the coastlines along the Mediterranean and Aegean, which had been neglected previously. The licensed bed capacity subsequently increased more than fivefold on the Aegean coast and sevenfold along the Mediterranean. Currently these two regions have approximately 66 percent of tourism-operation-licensed beds in the country (Ministry of Tourism, 1997).

Overall, the number of licensed hotel beds increased from 68,300 in 1984 to 301,524 in 1996-more than a fourfold increase in 12 years. Table 2 indicates the distribution of

licenced accomodation establishments by main tourism centers and table 3 points out the distribution of licenced accommodation establishments by types and classes.

Table 2

Table 3

3. WHAT FINANCERS OF TOURISM INVESTORS DO?

Financers of tourism investors can help tourism project sponsors in the following areas: (a) Obtaining equity and loan financing on appropriate terms, through project preparation advisory services; (b) Formulating, evaluating and promoting project ideas and providing consultancy services to develop and implement business plans; (c) Obtaining the technical assistance required for project implementation and start-up; (d) Identifying and hiring appropriate technical and managerial personnel; (e) Advising on acquiring local companies from foreign shareholders and acquiring state enterprises from governments; and (f) Developing marketing programmes for their projects.

Financers of tourism investors assist a wide range of sub-sectors of the industry with an emphasis on product development and tourism infrastructure – resort developers and accommodation providers, airlines, dive operators, sports fishing companies, ground transport suppliers and owners of visitor attractions. They will consider new products as well as those involving upgrading, expansion, redevelopment and repositioning elements.

3.1. THE INITIAL PROJECT REVIEW

To anticipate and prevent problems that occur when capacity is exceeded an environment impact assessment should be pursued which follows below named steps: (a) Inventory the social, political, physical, and economic environment; (b) Project trends; (c) Set goals and objectives; (d) Examine alternatives to reach goals; (e) Select preferred alternatives; (f) Develop implementation strategy; (g) Implement; and (h) Evaluate (Kotler, Bowen and Makens, 1999, p.654).

Prior to deciding to finance an investment, financiers undertake an initial review of the strengths and weaknesses of the tourism investment project, and decide that on the intrinsic merits of the project, and the strength of the commitment by the sponsors (investors), it merits their assistance. Their initial review highlights the strengths and weaknesses in the project.

3.2.INVESTMENT IN TOURIST ATTRACTIONS

To attract tourists, destinations must respond to the travel basics of cost, convenience, and timeliness. Like other consumers, tourists weigh costs against the benefits of specific destinations and investment of time, effort and resources against a reasonable return in education, experience, fun, relaxation and memories. Convenience takes on various meanings in travel decisions: time involved in travel from airport to lodging, language barriers, cleanliness and sanitary concerns, access to interests (beaches, attractions, amenities), special needs(disabled, children, dietary,medical care, business centers) Timeliness embraces factors that introduce risk to travel such as sivil disturbances, political instability, currency fluctuations, safety and sanitary conditions.

Places are increasingly developing events for attracting tourists. Small or rural places typically initiate an event such as a festival to establish their identity.

Tourism investment ranges from relatively low cost market entry for festivals and events, to multimillion-dollar infrastructure costs of stadiums, transit systems, airports and convention centers. Regardless of the cost, urban renewel planners seek to build tourism into the heart of their city's revitalization.

In centrally planned economies, governments control, plan and direct tourist development. Tourism is necessary to earn hard currencies for trade and developmentand serves national purposes. Tourist expansion is highly dependent on public investments. These nations now promote private investment through joint ventures, foreign ownership and time sharing for individual investors. The new Mexican-Riveria is an example of public-private combinations of successful tourism

investments, where state investment in infrastructure works with private investment in tourist amenities, from hotels, restaurants, golf courses to shopping areas.

Destination tourism in the United States builds increasingly on public-private partnerships or joint development in planning, financing and implementation. Tourism constitutes a dynamic, changing industry that requires medium and long range planning (Rajotte, 1978). Public authority is required to clear, develop and write down land costs and make infrastructure investments. The destination must often subsidize or provide tax incentives for private investment in hotels, convention centers, transit and parking. From airlines to hotels the tourist industry provides dedicated tax revenues from fuel, leases, bed taxes and sales taxes to support a long-term bonus for capital construction of tourist related infrastructure and other public improvements.

Destinations must make more than financial or hospitality investments to attract tourists. Places find that they must enlarge public services, specifically public safety, traffic and crowd control, emergency health, sanitation and street cleaning. They must also promote tourism internally to their own citizens and business retailers, travel agencies, restaurants, financial institutions, public and private transit, police lodging and public servants. They must invest in recruiting, training, licensing, and monitoring tourist-related businesses and employees. This is a very crucial point for tourism in Turkey, everyone- belonging to the tourism industry- should be well-educated. Sales representatives should be trained not to be very insistent on selling and let the tourists feel comfortable during their visit. Language skills of the employees should be improved. As an example Singapore's taxi-drivers are known for their professional training and service, which include English language exams, safety programs and location skills. Some places invest little in that area, even though airport cabs and public transit may be the first encounter points that visitors have with a place and can be critical to tourist satisfaction. (Kotler/Bowen/Makens, 1999, p 658).

3.3.WHY INVEST IN TURKEY?

Turkey has a wide range of opportunities on offer for the foreign investor. Reasons for investing in Turkey include the following (www.investinginturkey.gov.tr):

1.Unique geographical location - Turkey enjoys a very special location at the crossroads between East and West, overlapping Europe and Asia geographically. The proxy to the new emerging markets in Middle East and Central Asia creates unique business opportunities.

2.A strong international investment record -The experience of more than 4000 foreign capital establishments, including 104 of the Fortune Top 500 companies, confirms Turkey as a predominant investment location.

3.A fast developing economy - The average growth rate, which is well above many OECD countries, implies a dynamic and growing economy. WTO outputs also state that Turkey is among the most dynamic 20 countries in the world trade.

4.A huge domestic market - With a population of 63 million and an increasing consumer purchasing power, Turkey offers a huge and dynamic domestic market to investors.

5.High-skilled, competitive labor - The Turkish labor force is well known with its skills and learning capacity, and competitive labor rates offer cutting edge for industries.

6.High quality standards - The new quality oriented generation in both manufacturing and services sectors, ensure high quality levels.

7.The gateway of energy resources - Turkey is located at the gateway of Middle East and Caspian petroleum and Central Asian natural gas to the west, which are regarded as the future energy reserves of the world.

8.A state of art telecommunications network - Turkey has a relatively "young" telecommunications network with the latest technology, which can easily compete with the developed countries.

9.Economic and political stability - Turkey is identified with its democratic parliamentary regime and a stable growing economy within its region.

10.Strong ties with Caucasia and Central Asia - Turkey is the leading investor in Caucasian and Central Asian Turkic Republics. Due to her strong cultural and historic ties, Turkey provides privileged access and a perfect base to develop business with these countries.

Since 1996 there has been a customs union with the European Union and since 1999 Turkey has been a candidate member of the European Union. A very liberal investment climate, including free(international) movement of capital, profits,

dividends and salaries, free-trade zones and subsidies. The World Trade Organisation considers Turkey to be one of the most dynamic countries.

Although the first law regarding foreign investments dates back to 1954, Turkey was a relatively closed market to foreign companies until 1980. Previously, for instance, a Turkish citizen was not allowed to smoke American cigarettes and therefore the import and export was at a very low level.

Like many other countries, Turkey found itself in an acute economic crisis in 1979. Pressurised by the IMF, a policy of far-reaching liberalisation was chosen, especially focused on attracting foreign investors and promoting export. One of the main policy decisions regards the approval of a liberal and flexible foreign investment policy. The Foreign Investments Act was adjusted and the investment climate was made more attractive and better tailored to potential investors.

The last five years have witnessed important developments in terms of foreign capital investments throughout the world and foreign direct investments have experienced a four-fold increase during that period. According to UNCTAD (United Nations Conference on Trade and Development) figures, direct foreign investments, which amounted to \$331 billion in 1995 reached \$1,271 billion at the end of 2000. In the last five years, total foreign investments grew by 32.4% on the average, faster than the other economic aggregates like world production, capital formation and world trade.

In Turkey developments in foreign capital investment occurred in the early fifties. During this period, with the formation of rapid development strategies and international economic cooperation, the Foreign Investment Law No. 6224 was enacted (www.mfa.gov.tr).

In 1983 with the introduction of the outward-oriented policies major economic policy changes, such as: the deregulation of interest rates; establishment of organized markets for money, foreign exchange, stocks, and securities; liberalization of the capital movements; reforms in the banking sector occurred. Following these measures,

protectionist economic policies were abandoned and a comprehensive economic liberalization program was implemented.

In this era, one of the major policy decisions was the adoption of liberal and flexible foreign investment policy. The Foreign Investment Law was modified, the investment climate was made more efficient and suitable for potential investors.

As a result of new policies, the Turkish Lira became almost fully convertible. Freely transfer of profits, fees, and royalties and in case of liquidation, the transfer of capital was made possible. The equal treatment was regarded as the basis for all investors, foreign investors were provided with the same rights and responsibilities as local investors. The minimum investment amount for foreigners investing into Turkey was determined as 50,000 US Dollars.

3.4. FOREIGN INVESTMENT IN TURKEY

The Turkish Government considers foreign capital as an essential factor in its efforts to rank among the top economic powers of the world at the beginning of the new millennium. Flexible foreign investment policies have been introduced as a part of the liberalization of Turkish economy. The foreign investment legislation provide a secure environment for foreign capital via support from several bilateral and multilateral agreements and organisations, granting such capital the same rights and obligations as local capital, while guaranteeing the transfer of profits, fees and royalties, and the repatriation of capital. At present, there are more than 5000 enterprises with foreign partnership in operation in various sectors. Many international firms poised to take advantage of Turkey's favourable investment policies.

The results of the liberalization policies and promotion measures adopted have appeared as increased direct foreign investment flows into the country. While the cumulative foreign capital approvals between 1954-1980 was 280 million US\$, this amount has reached to 28,6 billion US \$ at the end of 2000. The leading investors in Turkey are France, Germany, the Netherlands, USA, Switzerland, United Kingdom, Italy, and Japan.

3.5. INVESTMENT PROCEDURES IN TOURISM IN TURKEY

A- Type of investment: In order to make a profitable tourism investment for foreign tourism in particular and to be eligible for incentives provided to the tourism sector, the Ministry of Tourism must certify the investment. Tourism Investment Certificates are issued under the “Regulation on the Required Qualities of Tourism Investments and Establishments” provided that the requirements of the said regulation are fulfilled.

B- Land: After having decided on the type of investment the land for investment should be chosen. There are 3 alternatives: **(1)**. The investor owns or will buy the land; **(2)**. The investor will apply for allocation of public land located with in a tourism area or center; and **(3)**. The investor will apply for allocation of public land located outside a tourism area or center.

1- If the investor owns or will buy the land

A - Land-use plan

First the investor should find out the status of the land as shown on the land-use plan. This information may be obtained from:

- i. Municipalities, if the land is located within municipal and adjacent areas,
- ii. Provincial Public Works and Settlement Directories, if it is located outside municipal and adjacent areas,
- iii. The Directorate General of Investments of the Tourism Ministry, if the application is filed together with a map scaled 1/25.000 on which the exact location of the land is indicated.

B- Map Scaled 1/1.000

No tourism facilities may be constructed on land not allocated for tourism uses. If the land is not located within the boundaries of any plan, a land use plan must be made first in order for the tourism investment to proceed. For this purpose it will be checked whether there is a current map scaled 1/1.000 (with the concerned Municipality if the land is located within municipal and adjacent areas; if not, with the concerned Provincial Public Works and Settlement Directorate). If there is no such map, a current map will be made and approved by the concerned Municipality if the land is

located within municipal and adjacent areas and by the Provincial Public Works and Settlement Directorate, if not.

C- Land on coast

If the land is located on the coast, a shoreline determination will be made (pursuant to the provision of the Regulation concerning the Coastal Law).

2- Allocation of public land located within a tourism area or center

Of such public lands which are placed at the disposal of the Tourism Ministry and which are located in places allocated for tourism under land use plans in tourism areas and centers, those that are deemed appropriate for allocation to investors are from time to time announced to tourism investors by the Tourism Ministry through advertisements placed in newspapers (the Official Gazette and dailies) indicating their

-Location

-land use status

-infrastructure condition

-maps and characteristics

-application deadline for allocation

The investor may apply for the allocation of such a plot of land that is appropriate to the size and nature of the investment, provided that the project meets the conditions stipulated in the “Regulation for the Allocation of Public Land for Tourism Investments” and attach the required documents. A file containing the information and documents indicated in the specification which the investor may obtain from the General Directorate of Investments of the Tourism Ministry within an application period of about 1 to 1,5 months following the date of the newspaper advertisement shall be submitted to the Tourism Ministry. Applications shall be finalized by the Land Allocation Committee within 2 months. Allocation decisions become final upon the approval of the Minister of Tourism.

3- Allocation of public land located outside a tourism area or center

The investor must submit to the Tourism Ministry an application file, which contains:

-A certified copy (by the Provincial Public Works and Settlement Directorate) of a map scaled 1/25.000 showing the location of the land,

-A report indicating the type, class, capacity and characteristics of the facility the investor intends to construct on said land and putting forth infrastructure solutions and marketing/management ideas,

-A report giving the financial description of the person or organization.

The application will then be examined with regard to land use plans. If it is found to be appropriate the investor will be notified of the allocation decision through an advertisement, as in the case of land located within tourism area and center.

C- Preliminary authorization and tourism investment certificate

The investor is given a preliminary authorization for a period of 6 months, which is the first stage in carrying out the investment. Within this period the investor must fulfill the requirements stated in the “Regulation for Allocation of Public Land for Tourism” and receive a Tourism Investment Certificate.

Following the receipt of the Tourism Investment Certificate and the performance of the other requirements, the land will be allocated to the investor definitely and the investment process begins.

D. Construction period

To start construction the investor must obtain a “Construction Permit” by the local administration (the concerned Municipality if the investment is carried out in municipal and adjacent areas or the concerned Provincial Public Works and Settlement Directorate, if not). The architectural design project, the static reinforced concrete, installation and electrical designs and calculations which have been submitted to the Tourism Ministry and which constitute the basis for the Tourism Investment Certificate must be enclosed to the application for the construction permit. If the investment is certified with the Tourism Investment Certificate by the Tourism Ministry and with the Incentive Certificate by the Treasury Under secretariat, the investor will be exempt from permit fees.

E- Tourism operate certificate

Following the completion of project of Investment Certificate a “Building Utilization Permit” must be obtained by the local administration. Application for operation is made to the Tourism Ministry together with the Building Utilization Permit. If the construction is found in conformity with the plans and designs, a “Trial Operation Certificate” is granted.

The Tourism Ministry determines the trial operation period. At the end of this period the Classification Committee, formed by the General Directorate of Enterprises of the Tourism Ministry, will carry out an assessment to determine whether the facility has been operated properly within the trial period. If the result is positive the “Tourism Operation Certificate” will be issued.(www.tyd.org)

Table 7 indicates investment incentive certificates in tourism sector.

3.6. THE TURKISH INCENTIVE SYSTEM

The Turkish incentive system for investments can be classified under three main headings: (a) Incentives Granted to Less Developed Regions; (b) Incentives Granted to Small and Medium Sized Enterprises; and (c) General Incentive Regime. In order to qualify for investment incentives, the foreign investors must receive an incentive certificate from the General Directorate of Foreign Investments (GDFI).

INCENTIVES GRANTED TO LESS DEVELOPED REGIONS:

To restore the interregional development level differences and create employment in less developed regions, some extra incentive measures have been taken. These incentives can be summarised as;

Corporate and Income Tax Exemption: The law no. 4325 dated 21.01.1998 brings in important tax exemptions for the for the new businesses established between 01.01.1998 and 31.12.2000 for the following cities: Batman, Bingol, Bitlis,

Diyarbakir, Hakkari, Mardin, Mus, Siirt, Sirnak, Tunceli, Van, Adiyaman, Agri, Ardahan, Bayburt, Erzurum, Gumushane, Igdır, Kars, Ordu, Sanliurfa and Yozgat. These establishments are exempt from corporate and income taxes for a period of 5 years from the beginning of operations provided that they employ at least 10 workers. This incentive does not require an incentive certificate.

Energy incentives: The legislation governing energy incentives has been published at the official gazette dated 24.10.1997. This incentive measure enables the investors to benefit from a 50% reduction in their electricity expenses within the following city boundaries: Van, Diyarbakir, Siirt, Tunceli, Sirnak and Hakkari. This incentive shall be applied during the validity of the incentive certificate.

Land Allocation: The Law no. 4325 also provides free land allocation for the investments in first priority regions. This incentive requires at least 10 jobs to be created and an incentive certificate to be taken. Land allocation applications shall be evaluated according to the availability of publicly owned lands in the investment location.

INCENTIVES GRANTED TO SMALL AND MEDIUM SIZED ENTERPRISES (SMES):

The incentives relating the Small and Medium Sized Enterprises (SMEs) is governed by the Decree published in the official gazette at 18th of February 2001. By this Decree establishments are classified as follows: (a) employing 50-250 workers: middle size; (b) employing 10-49 workers: small size; and (c) employing 1-9: micro size

SME investments are described as follows:

Investments to be realised by middle, small or micro size enterprises which are active in manufacturing and agricultural industries and utilising capital goods (machinery, equipment, vehicles and office stock - excluding land and buildings) of not more than 400 billion TL registered in the legal books. Tourism investments to be realised out of the 3-km shore band between south of Canakkale province border and east of the Icel

province border and out of the Nevsehir centre county, Urgup and Avanos county borders, Modernisation investments of existing tourism facilities, Health care investments in priority regions, The incentive measures applicable to SMEs are as follows:

- Exemption from customs duties and fund levies
- Investment allowances
- VAT (Value Added Tax) exemption for machinery and equipment
- Exemption from taxes, duties and fees

In return the company should give a Commitment of Export stating that the company will realize a \$1000 of export within 2 years.

- Subsidised credit facility

The maximum amount of the subsidized credit is 200 billion TL. Subsidized credit facility is available in two forms:

- * Investment credits for procuring machinery and equipment
- * Operating capital credits for procuring raw material

The other key features of SME incentive regime are:

The maximum amount of the investment project should be 400 billion TL
Raw materials for 3 months of operation can be included in project amount

GENERAL INCENTIVE REGIME:

The current legislation concerning the investment incentives is shaped by the decree published at 18th of January 2001, and its related communique published at 18th of February, 2001. According to this legislation, the incentive tools granted to investors are;

- Exemption from customs duties and fund levies
- Investment allowance

-VAT (Value Added Tax) deferral for imported and locally purchased machinery and equipment

-Exemption from taxes, duties and fees

-Exemption from customs duties and fund levies

-Investment allowance: Investment allowance is a corporate tax exemption applied to taxpayers. Of the expenses incurred within the scope of investment incentive certificate, those relating to buildings, machinery, equipment, freight and installation are entitled to benefit from the investment allowance. The current allowance rates are as follows:

-Investments to be realised in Developed Regions: 40%

-Investments to be realised in Normal Regions: 60%

-Investments to be realised in Priority Development Regions: 100%

Regardless of the region 100 % for the investments below:

Research and Development (R&D) investments

- Technopark establishment

- Investments in technoparks

- Infrastructure investments including electrical energy production

- Priority technological investments which are determined by the High

Commission of Science and

Technology

- Electronics industry related investments

- Ship and yacht building investments

- Shipyard investments (shipbuilding, and repair facilities)

- Aircraft and helicopter manufacturing investments

- Education, health and tourism investments

- Mining investments

- Informatics technology investments

- Software development investments

- Rehabilitation centres with general purpose and pension house investments

- Investments for regional development

- Investments in small industry sites and zones to be determined by Ministry of

Industry and Trade

- Investments with a fixed investment value of above 50 Million US Dollars and

include one or more of the

following characteristics;

- * necessitating high technology,
- * high added value,
- * contribution to an increase in tax income,
- * contribution to an increase in employment.

For an investment that has characteristics stated above corresponding percentage amount of the fixed investment cost can be deducted from the future taxable profits. Investment allowance amounts are also entitled to readjustment for inflation.

VAT deferral for imported and locally purchased machinery and equipment: The Value Added Tax, which is due to be paid for both the imported and locally purchased machinery and equipment, shall be deferred by this incentive measure

Exemption from taxes, duties and fees: The investors who commit to realise 10.000 US Dollars of exports upon the completion of the investment are granted exemption from the taxes, duties and fees related to; establishing a company, increasing capital within the investment period, receiving investment credits whose terms are at least one year.

These incentives may change from year to year. For further information the General Directorate of Foreign Investments Undersecretariat of Treasury should be contacted. (www.mfa.gov.tr)

Currently, over 5,000 foreign companies, of which 104 can be found in the "Fortune Top 500", are active in Turkey. For years already the Dutch, French, American and German business communities have been part of the Top 5 of foreign investors in Turkey.

3.7. ABOUT THE TURKISH TOURISM INVESTORS ASSOCIATION (TYD)

TYD, an independent organization whose main objective is to bring together specified people and companies investing in Turkey and provide assistance in their present and future plans, was established in 1988 by the principal tourism investors in Turkey. The Association sees investment in tourism as the power behind the development process of the sector and believes that it has a role in the expansion and orientation of the Turkish tourism. TYD presently has over 180 members representing over 200 thousand beds in the accommodation sector in which TYD represents the up-market. The establishments furnished with these beds are mostly 5 and 4 star hotels and 1st class holiday villages. Members have also invested in marinas and yachting, tourism oriented land and air transport, tour operating, touristic shopping centers, entertainment and recreation facilities and golf courses. The total investment portfolio is around US\$ 17 billion. Besides, members offer services in the tourism sector, such as turn-key project contracting, tourism related equipment and material production and representation. So far TYD members have completed construction of touristic facilities on turn-key basis as contractor or investor in various countries. One of the association's activities is to realize partnership possibilities for foreign entrepreneurs who are interested in tourism investment and management in Turkey or in third countries. In this context international cooperation is vital for the association that is considered as a reference institution. In the international field TYD is the Business Council Member of the World Tourism Organization (WTO) (TYD, 2001-www.tourismturkey.org).

3.8. IFC (INTERNATIONAL FINANCE CORPORATION)

IFC is a member of the World Bank Group and is headquartered in Washington, DC. It shares the primary objective of all World Bank Group institutions: to improve the quality of the lives of people in its developing member countries, is a subsidiary of the World Bank has a wealth of experience in tourism. Since 1967 it has approved over US\$1.4 billion of investments in more than 170 projects in 70 countries. At present it has over US\$440 million of its own money invested in the global tourism industry. Many of these investments are in small projects in countries like Kenya, Malawi,

Tanzania, Zimbabwe, Nepal, Maldives and Argentina. In the South Pacific, IFC has investments in larger hotels in Fiji and Vanuatu.

The International Finance Corporation (IFC) promotes sustainable private sector investment in developing countries as a way to reduce poverty and improve people's lives. Established in 1956, IFC is the largest multilateral source of loan and equity financing for private sector projects in the developing world. It promotes sustainable private sector development primarily by:

- Financing private sector projects located in the developing world.
- Helping private companies in the developing world mobilize financing in international financial markets.
- Providing advice and technical assistance to businesses and governments.

IFC has 175 member countries, which collectively determine its policies and approve investments. IFC's authorized capital is \$2.45 billion. IFC's equity and quasi-equity investments are funded out of its net worth: the total of paid in capital and retained earnings. Strong shareholder support, triple-A ratings, and the substantial paid-in capital base have allowed IFC to raise funds for its lending activities on favorable terms in the international capital markets. (www.ifc.org/about/basicfacts/basicfacts.html) IFC offers a wide variety of financial products to **private sector** projects in **developing countries**. In order to be eligible for IFC funding, a project must meet a number of IFC criteria:

- The project must be located in a developing country*, which is a member of IFC.
- It must be in the private sector.
- It must be technically sound.
- It must have good prospects of being profitable.
- It must benefit the local economy.
- It must be environmentally and socially sound, satisfying IFC environmental and social standards, as well as those of the host country.

Although IFC is primarily a financier of private sector projects, it may provide finance for a company with some government ownership, provided there is private

sector participation and the venture is run on a commercial basis. Although IFC does not accept government guarantees for its financing, IFC's work often requires close cooperation with government agencies in developing countries. To ensure the participation of investors and lenders from the private sector, IFC limits the total amount of own-account debt and equity financing it will provide for any single project. For new projects the maximum is 25 percent of the total estimated project costs, or, on an exceptional basis, up to 35% in small projects. For expansion projects IFC may provide up to 50% of the project cost, provided its investments do not exceed 25% of the total capitalization of the project company.

IFC provides a wide variety of financial products and services to its clients and can offer a mix of financing and advice that is tailored to meet the needs of each project. However, the bulk of the funding, as well as leadership and management responsibility, lie with private sector owners. Like other private sector investors and commercial lenders, IFC: Seeks profitable returns. Prices its finance and services in line with the market. Fully shares risks with its partners. (<http://www.ifc.org/proserv/apply/application/application.html>)

3.9.TÜTAV

Promotion Foundation of Turkey (TÜTAV) has been established to promote the industrial, commercial, historical, archeological, touristic, social, cultural and artistic values and assets of Turkey abroad, and thus to fulfil the activities to create a right, realistic and positive image of Turkey. Besides this, state institutions that are related with promotion issues are natural members of TÜTAV. The aim in this is to integrate the orientation, providing information and determining strategies functions of state with the creative power of the private sector and thus to achieve the necessary coordination (TUTAV, 2001).

Turkey has many sites and regions for tourism investments where tourism marketing activities can be followed to attract tourists with special interests. Those special interests include tours to caves, Turkish cuisine testing, health tourism by visiting hot springs and spas, mountaineering, rafting, experiencing wild life, performing winter

sports, yachting, and enjoying yayla (high plateau) tourism which are mountain pastures used in the summer in the Black Sea area.

4. ACTUAL EFFECTS OF TOURISM ON EMPLOYMENT, OTHER SECTORS AND INVESTMENTS

Tourism has monetary and actual effects on economy. Monetary effects can be diversified into two: influences on external balance of payments and influences on revenues. The actual effects on the economy include the effects on the employment, effects on the other sectors and effects on investments. In this paper the actual (real) effects of tourism will be highlighted.

Effects of tourism on economy will be grouped as monetary effects including effects on exterior balance and on income; and real effects comprising effects on employment, on other industries and on investments.

4.1. EFFECTS ON EMPLOYMENT (UNDEREMPLOYED RESOURCES)

The tourism industry can create jobs in two ways (Aislabie et al., 1988; Forsyth and Dwyer, 1994).

- Tourism can create jobs immediately through employing local citizens in hotels, restaurants, and entertainment and tourist services that cater directly to tourists.
- Tourism can generate jobs through multiplier effects. For example, by creating demand for local products supplied to establishments that would not have existed without tourists, tourism can form employment in related, service industries; tourism also can produce jobs to serve the additional demand from otherwise-unemployed, local citizens working in the industry. The tourism industry, however, also can destroy jobs, or reduce job creation, and to the extent it does, policy makers have to adjust the multiplier effects (Cohen, 1995).

The link between expenditure and net benefits from underemployed resources is possibly quite strong. An increase in net domestic expenditure increases the demand for resources, employed or otherwise. If it results in a significant demand for underemployed resources, then the gain to the economy is also likely to be significant

as the prices which tourists will pay for the goods and services produced by those resources can be expected to be considerably more than the costs to the economy of providing them.

The magnitude of a net increase in employment from increased tourist expenditure will depend on several factors. First, the extent to which unemployed resources within the economy is taken up by the tourism industry. Second, whether resources, which may be underemployed in other industry sectors, are better utilized in the tourism industry. Third, the degree to which resources is imported from overseas to meet the increased demand for tourism goods and services. Increased visitor expenditure generally increases employment within tourism sector firms, but employed losses may occur elsewhere in the economy, particularly if resources are drawn away from other export-oriented industries. This is true where labor substitution between industries arises owing to a demand for similar sets of skills which are in short supply (Dwyer and Forsyth, 1997, p.228)

The employment benefit from tourism growth is likely to be significant in an economic environment characterized by high unemployment, the labor-intensiveness of the tourism industry and the strong relationship between the characteristics of the long-term unemployed and the nature of the tourism labor market. The tourism industry employs many young people and unskilled workers. These groups often feature prominently in the long-term unemployed.

As mentioned earlier, any net benefits created by the use of underemployed resources would be likely to be related primarily to the net expenditure of tourists. It is extremely difficult, however, to measure this effect, and it would be even more difficult to distinguish between the effects of different types of tourists. It should be remembered that the total number of people employed by the industry, directly or indirectly, is not a measure of the industry's impact on employment in the economy as a whole. For one thing, the quality of jobs generated must be taken into account (Tisdell, 1993, p. 179). For another, while the increase in tourism demand may, in part, be met by a net increase in domestic output, it will also tend to crowd out other sectors of domestic activity, reducing employment levels in other sectors. The difference between gross employment and net employment effects of tourism growth

may be quite substantial (Forsyth and Dwyer, 1994). In the absence of tourism, resources currently utilized by the industry could potentially be reallocated within the economy to create alternative employment opportunities (Dwyer and Forsyth, 1997, p.230). Tourism can destroy jobs through currency-exchange value effects. If tourism increases demand for the local currency, and drives up the local currency's value in foreign-exchange markets, it will drive up the price of the country's exports. The more-expensive exports will encounter decreased demand in foreign markets; thereby affecting jobs in the country's export industries (Haley and Haley, 1997).

The Turkish Central Bank has loosened restrictions on the trading of the Turkish Lira, indicating a possible, planned move to a managed-float system. A floating Lira may help Turkey's trade balances, and by expanding money supply, stimulate local demand and increase employment; however, it may also adversely affect employment. Under a floating-exchange rate and with a successful tourism industry, tourists purchasing the Lira can drive up its demand, thereby increasing its price. This appreciation may make Turkish exports more expensive in foreign markets, and imports cheaper in Turkey. Fewer exports could reduce employment in traditional, export industries, which may offset employment gains created by tourism.

As per the last census, population in Turkey is increasing by 2,2 % on annual basis. Unemployment rate will be rising rapidly if no potential employment possibilities will be created. The opportunity to apply mechanization and automation to tourism industry is limited. The density of employment is very high in comparison to other industries since the supplied product is a personal service.

In Turkey 891,000 people, representing 13,1 % of the total employment, are working in the tourism industry (1997- accommodation sector, food and beverage enterprises such as restaurants and bars, transportation and travel sector including travel agencies, tour operators etc.). This figure was 647,000 in 1993; which points to a 40 % increase in four years only. Employee number per bed in licensed enterprises in Turkey is 0,6 as per DIE's research (State Statistic Institution); which means that 186 000 people were employed in licensed establishments only in 1999. This figure does not include seasonal workers in accommodation establishments without a license.

Indirect employment number as an outcome of tourism is 1.5 times more than direct employment representing 1.3 million employees in the tourism industry. Even though it is unfeasible to give a current exact and updated figure, it is presumed that totally 2.2 million people work for the tourism industry in Turkey. The most important sub industries of tourism in terms of employment share are transportation and travel agencies with a total number of 631,000 employees. This is followed by restaurants employing 240, 000 people and accommodation sector employing 140, 000 people.

Table 8

4.2. THE CONTRIBUTION OF TOURISM TO DIFFERENT INDUSTRIES

We argue that tourism has multiple facets that involve providing a range of interrelated goods and services by public and private sectors. Tourism also constitutes a dynamic, changing industry that requires medium and long-range planning (Rajotte, 1978); it involves many levels of inter-relationships and co-ordination - at local, state, national, regional and international levels (Shaw and Williams, 1994,). Unfortunately, researchers and policy makers have concentrated generally on what markets to tap and what resources to develop for tourism - and have ignored frequently who is developing tourism resources and how they are doing so (Richter, 1989) The tourism industry includes several stakeholders - investors (private and governmental), tourists (business and social), indigenous populations and host governments - all with diverse, sometimes-conflicting goals. A full understanding of development and policy instruments, including those in the context of tourism (Aislabie, 1988; Pearce, 1995; Rajotte, 1978) must include some understanding of these diverse stakeholders' goals (Haley, 1991:p486; Haley and Haley, 1997b). Allied industries with high stakes run the gamut from airlines to infrastructural development, and from accommodation to shopping and entertainment (Haley and Haley, 1997, p.597).

Impacts of tourism on different industries may be grouped generally as on agricultural, industrial and service sectors.

A. AGRICULTURE:

Increase in number of tourists means also an increase in demand to agricultural products causing also a surplus production of specific agricultural foodstuffs, victuals and fare. Those direct consumption expenditures on agricultural products result in an indirect superfluous revenue influence on the income of farmers and of others working in the production side. Spending of those people who are granted this direct income will then lead to an indirect income impact. In this sense consumption in tourism causes an 'invisible-hidden export' effect for the agricultural industry. Agriculture also creates new employment possibilities by utilizing idle capacity to meet increasing demand through tourism and enhances the quality of production and production methods.

Tourism is like a locomotive industry in Turkey consisting of thirty-eight industries with a breakdown of six main and thirty-two sub industries among which some are surviving and developing through tourism only.

Tourism receives utmost input from agriculture and cattle-animal farming; both attaining annual revenue of USD 1 billion from tourism. Rural populations also receive additional financial benefits as land capital rent by renting, or selling their farming and agricultural lands, fields and real estate to the tourism industry. Besides incentive tourism credits taken for this purpose has improved their welfare level.

B. INDUSTRY SECTOR

Development in tourism results in revenue and in economic activity volume increase in industry branches producing end-consumer products, intermediate products and investment products. Production in consumer goods producing industrial branches such as food and beverage industries escalates towards tourism consumption. Indirect influence of tourism on raw materials and intermediate goods producing industries such as leather and ceramic product rises. Leather products are not only export items but also selling leather-ready-made clothing to tourists increases additional export. Industries producing investment products such as manufacturers of instruction materials and transportation vehicles are in an indirect relation with tourism (Cakır 1999, p. 159).

A research done by Ekin Publishing evaluates data of 3200 firms and more than 4000 tourism establishments from tourism industry catalogue (TEK) and calculates present and potential share of twenty-eight industries from tourism. Market value of those twenty-eight industries accounts for USD 4.3 million. Additional potential market size, which will be caused by establishments that are on investment and construction stage and carry a growth expectation, is around USD 3.8 billion.

C. IMPACTS ON THE SERVICE INDUSTRY

The boom effect of tourism on the market function also has positive impact on the following sub branches of service sector in relation with current consumption such as greengroceries, groceries, supermarkets and department stores experience encouraging impacts; with equipping, repair and restoration arts such as installation systems construction workmanship; with vanity and comfort such as fashion houses, clothing industry, and perfumery; with aid, assistance and security services such as hospitals, health centers, insurance, finance and banking; and with luxury products such as night clubs, jewelry and antiquity.

Service industries, which procure the utmost input from tourism, include whole sale- and retail business and highway-overland route transportation; both of these sectors provide an annual input of around USD 1 billion from tourism.

INVESTMENTS

Foreign investments to tourism in Turkey have experienced a tremendous growth since 1990ies. Table 5 and 6 point out the share of tourism investments in total fixed capital investments, and share of foreign capital investments to tourism in total foreign capital investments.

Table 5 & 6

4.3. PROFIT IN A COMPETITIVE MARKET

The tourism industry has many of the characteristics of a competitive market: there are few barriers to entry into the market; it is a truly global market with few unnatural barriers to trade; there is a large number of firms; and prices are set on the basis of market expectations.

In a competitive market such as tourism, there is unlikely to be any difference, in the long term, in the yield from different types of tourists. In a competitive market, resources will be employed at a level, which reflects their opportunity cost. That is, they will be employed at a level, which provides a sufficient return to investors for the cost of capital. If there are resources that provide above normal profits they are bid up in price and any abnormal profit is dissipated into the cost of capital. This is not to say that individual firms do not make a profit. It simply argues that those profits reflect the cost of providing a service, including the cost of physical and human capital.

It will always be possible to identify situations in which the prices paid for some tourism inputs do not reflect their opportunity cost to the economy because of the presence of market power. This is likely to be a short-run phenomenon. In the long run, ease of entry and exit to the industry will enable new firms to compete away any market power existing firms may have, putting downward pressure on profits (Dwyer and Forsyth, 1997, p.225).

The most obvious example of market power in the tourism industry has been that derived from the regulation of air services, both domestic and international. Many countries, such as the USA, Canada, New Zealand and Australia have deregulated their domestic aviation. A number of regulated international markets remain, however.

4.4. DISTORTIONS TO THE COMPETITIVE MARKET

While yield in a purely competitive market will tend towards normal profits in the long term, distortions to a competitive market can result in net gains or losses for particular sectors. The net benefits from tourism are normally significantly less than the aggregate expenditure of the tourists. This is simply because, to provide for these tourists, it is necessary to give up real resources, goods and services, which are valuable. Indeed, in an economy in which there are no distortions, the net benefits from tourism are (approximately) zero, because the goods and services which tourists buy have a cost to the economy equal to the amount that tourists pay for them. To measure the net gains from tourism, it is important to identify where there are distortions and assess how significant they are in influencing tourism yield (Dwyer and Forsyth, 1993).

The possibilities for market distortions or net gains and losses from foreign tourism can be grouped under the following headings.

A. EXTERNALITIES

Tourism may create desirable and undesirable externalities, which could affect tourism yield. For example, unless carefully managed, tourism growth could result in negative externalities or costs such as increased pressure on fragile environments, erosion of sites, unwelcome socio-cultural effects, road congestion or the crowding out of attractions. It can also have positive externalities or benefits, such as greater awareness of the environment and local culture, conservation of human man-made monuments and wildlife preservation (Tisdell, 1983a, 1987, pp. 15-17).

B. THE SOCIAL AND ENVIRONMENTAL IMPACT OF TOURISM

A range of other factors also need to be considered, including an appropriate means of measuring such factors as the environmental, cultural and social impact of tourism. Given the qualitative and relatively subjective nature of many of these factors, they are difficult to measure quantitatively or accurately. (Tisdell, 1984, p. 33).

The economic and socio-cultural effects of tourist development inevitably interact and overlap. Mention has already been made of the community and displacement effects that often result from the growth of tourism but a number of writers have stressed that these can be accompanied by rapid cultural change. Unlike trade in commodities tourists directly interface with the local population and the impact is much more widespread. There is a considerable body of literature on the tourist as a foreigner at leisure, engaged in conspicuous consumption, seeking hedonistic pleasures, separated from his/her own culture but also outside the culture of the country of destination and generally with limited knowledge of local customs and practices (Pitt-Rivers, 1968). The tourist is often portrayed as playing out a dream or fantasy conjured up by the holiday brochures produced by the tour operators (Ayres, Ron; 2000, p.120).

The environmental impact of tourism is a major concern and it raises questions about the long-run sustainability of tourist development. The environment is not a "free good" and any degradation may have serious consequences for future development and the ability of future generations to meet their own needs. There is the danger that the uncontrolled expansion of tourism may eventually destroy the cultural and natural features that attracted the tourist in the first place. This is particularly applicable to

small states which often have a high guest to host ratio. According to some estimates the ratio should not exceed 1:6. Moreover, in terms of international norms the recommended beach space per tourist has already been exceeded in the main tourist resorts during the summer peak (Vassiliou, 1994).

Tourists can be classified in many ways. An important distinction in relation to yield is the length of stay of tourists; they can also be distinguished according to their purpose of visit (business, holiday, visiting relatives) or whether they are low-budget or high-budget travelers. A distinction, which has been emphasized, more recently is that between so-called endemic and mass tourism. Endemic tourism has been defined as tourism motivated by a desire to see something unique about a country - for example, an interest in the culture or wildlife (Pacific Asia Travel Association, 1992). The following discussion refers to these distinctions in considering the effect they may have on the various net benefits or losses from tourism referred to above (Dweyer/ Forstyth, 1997, p.229).

Different types of tourists clearly have different impacts on externalities, although it is very difficult to consider these impacts systematically. It is possible that endemic tourists could have a greater direct impact on environmental externalities, than do mass tourists, because endemic tourists might, for example, want to get closer to environmentally sensitive areas. Their indirect impact, however, might be less, as they might not create a demand for facilities, which results in substantial changes to the environment, i.e. changes which might result from a major resort project. In principle, it may be possible to identify which externalities are generated by different types of tourists. Since there are many direct and indirect impacts, which are not well documented, however, it would be dangerous to make definitive statements in this area (Forsyth et al., 1995).

Tourism investments comprise very high political risks. Tourism is influenced by all the positive and negative variations of the economy like all the other sectors. More than that, tourism is directly affected by the political images and values given by the other countries for that period (Yuksel 2002,51).

C. SOCIAL VALUE OF TOURISM INVESTMENT

Although the social value of an act of tourism investment should exceed its social cost, the valuation techniques used to estimate these costs during the investment decision process are not fully developed. Modified internal rate of return (IRR) and net present value (NPV) models, as possible measurement tools may be considered in the investment criteria to help solve this problem. Policy makers can incorporate these models into studies of tourism's overall desirability (Omotayo Brown and Kwansa 1999).

Profits are a more complicated matter. Profits in the tourism industry are very volatile and at any time can be high or negative. A well-prepared business-plan and a good management team is essential at the beginning (Thorburn,1991,1). As argued earlier, however, most sectors that comprise the tourism industry are fairly competitive and profits will tend to normal levels in the medium to long term. That is, profits in the long term tend to be sufficient to reward investors for the cost of capital and the degree of risk, but no more. It would be a mistake to suggest that any specific segment of the industry is, or is likely to be, inherently more profitable than other segments, or indeed other sectors of the economy operating in a competitive environment. Accordingly, profits earned in any industry operating in a competitive market should not be defined as net benefits to the economy, as they basically represent an adequate return on the cost of its capital. They are not above normal profits and, indeed, there is an opportunity cost in the provision of capital in instances in which it could be utilized to generate comparable or greater profits in other sectors of the economy.

When profits from foreign investments are repatriated, there is not a loss of benefits to the country, as the country is simply paying for the services of capital that it has borrowed. While it is true that such payments represent a leakage, in the sense that they are a payment for an imported service, they are not a loss of a benefit, which could have been gained. If profits paid overseas are thought of as a leakage from the economy, then the initial payment for the facility should be thought of as an injection, which would not have occurred except for the foreign investment. Over the longer term there is no overall leakage (Dwyer and Forsyth, 1994).

A Case Study from a Tourism Investor in Turkey: Enternasyonel Tourism Investments Inc.

Enternasyonel Tourism Investments Inc. is an affiliate of ‘Yapı Kredi Bank of Turkey’ and has been active in the fields of tourism, investments, land development and air transportation, upon foundation in 1991.

The extensive experience in financial management, derived from being an affiliate of Yapı Kredi Bank Co. Inc, has enabled Enternasyonel to create long-term valuable assets through investments and to generate revenue for short-term projects. Enternasyonel aims quality in all its diversified investments, utilizing technology and international consultancy of professionals to maintain success with respect to environment and cultural heritage.

The first investment was the acquisition of a holiday resort near Marmaris, which is currently Robinson ‘Select’ Maris. Today, Enternasyonel is the major shareholder of Anadolu Tourism Investment Co.Inc., Kartal Hotel Marmaris Tourism Management Inc., Sultanahmet tourism Inc., Kumköy Tourism Investment Inc., Köroğlu tourism Inc., Pegasus airlines, Club N, Group N travel and dersaadet Tourism Management Inc. Recently, Enternasyonel has established a new co.: Atik Pasha Tourism Inc. together with Four Seasons and Resorts Group to develop a historical building along the Bosphorus, which will be managed by Four Seasons.

INVESTMENTS:

Sultanahmet Tourism Inc., was established in 1991 to convert the historical prison into a hotel. Management contract was signed with Four Seasons of Canada in 1994 and the hotel commenced operation in September 1996. Kartal Hotel Marmaris Tourism Management Inc., was established in 1987. Following the acquisition of the shares of the company by Yapı kredi bank Co. Inc. in 1990, was transferred to Enternasyonel. Swissotel manages The Inn in Gocek, ‘a boutique’ hotel. Club N, is a holiday village located at Alanya, and operated and managed by Enternasyonel Tourism Investments Inc. Pegasus Airlines was founded in 1990 with the partnership of Irish National, AerLingus, In 1994, 85% of its shares were acquired by Enternasyonel Tourism Investments Inc. Anadolu Tourism Investments was established originally as Anadolu Maadin in March 1950 and was purchased by

Enternasyonel Tourism Investments Inc. in 1990. The marina is located in Gocek. The Marina is fully operated since 1999 and is managed by Camper and Nicholson's.

Enternasyonel Tourism Investments Inc. are investing tourism projects like hotels, resorts, lands for tourism projects as mentioned earlier. Their criteria for investments are being profitable and prestigious. They are making management contract with famous, international, five star (for hotel investments), prestigious throughout the world firms like Four Seasons, Swissotel, Camper&Nicholson's.

They don't have any criteris for the regional location of the investments. They investige the gains of the investments since the reason of the sector selection to invest is the high gains of tourism sector, because people always travel. But their investments are intense in south and east side of turkey. They also have projects in Marmara, Istanbul, Bolu (Koroğlu mountain Resort).

Enternasyonel is due to Cukurova Holding company and usually working with Baytur Construction, which is also dur to same company. But they may work with different companies for suitable conditions. In 2000, Enternasyonel has established a joint-venture company with for the reconstruction of atik Pasha Palace, from 18th century, a historical building, on the Bosphorus. It is the first time a foreign management company has placed a significant equity. The architechtrual concept project is currently being prepared by WAT&G (USA).

They both work with travel agencies and tour operators like TUI in the only hotel they manage by themselves, Club N. They select the agencies and tour operators according to their prestige, the quality and quantity of the customers they provide, holding their deals. Their customers are generally foreigners from different countries. They bith do market research after they invest with subject to the number and purchase power of consumers, geographical distribution, needs and demands and traveling and locating behaviours.

In Enternasyonel, the competitiveness conditions, penetrating market and the quality of the potential customers are importantas the sales planning is being made. Enternasyonel gives importance to promotion and positioning strategies.

They don't have benefit of any encouragements by the government because of the high finance power of Yapı kredi supporting them.

A successful tourism investment project sponsored by IFC(International Finance Corporation)

IFC joined the CONRAD Modernization-Conference center /Room Renovation Project as sponsor in May 2002. The major shareholder of Conrad Hotel (Conrad, or the hotel), holding a 49% stake, is Aksoy Group: a Turkish family owned enterprise involved in the construction, real estate and petroleum distribution business. Mr. Erdal Aksoy has been actively involved in the hotel from the very beginning of the its development, and is now the chairman. IFC sold its equity share (19%) in Conrad Hotel to Aksoy Group in 1998. The technical sponsor, holding a 25% shareholding, is Conrad International Corporation, the overseas arm of Hilton Hotels Corporation of California. Hilton acts as technical partner and provides management and other services such as Hilton world wide reservation services. Turkish Social Insurance Fund (SSK) and State Employees' Pension Fund (Emek) are institutional investors each holding a 15% and 11% shareholding respectively. The total project cost is estimated at US\$8.8 million. IFC will provide an A loan of US\$3.5 million. The project will be implemented in Conrad Hotel, a five-star business hotel, centrally located in downtown Istanbul. Conrad, a five star business hotel, was established with IFC's assistance in 1989. The proposed project will be the third project with the company. The first investment was approved in 1990 and it involved an A loan of US\$24 million, a B loan of US\$27.5 million, and an equity of US\$4 million. The hotel's opening in 1992 coincided with depressed market conditions, resulting from the effects of the Gulf war, and strong growth in the number of five-stars capacity, therefore the project was restructured in 1993 when the Board approved an additional US\$6.5 million (A loan of US\$3 million and B loan of US\$3.5 million). Since the restructuring, Conrad Hotel has showed sound operations and has demonstrated its viability. Today, all B-loans have been repaid (in 1998) and in 1998 IFC has sold its equity share to a local sponsor: Aksoy Group. As of March 2002, IFC's exposure decreased to US\$8.3 million. The proposed investment includes a mid-size conference center and a room/accommodation refurbishment program, which is expected: i) to improve Conrad's competitive position for mid-size conferences; ii) to lead to better

utilization of previously dormant and wasted space, converting it into revenue generating property; and iii) to provide higher margins and occupancy rates, thus making the hotel less prone to seasonality. The business/conference segment of the tourism industry provides good prospects for higher occupancy rates. After this investment, Conrad will be better able to face its competitors by providing conference facilities and high level of standards rooms. The project will not increase the 667 room-capacity of the hotel.

IFC Role: After the recent political and macro economical turmoil, interest rates in Turkey have skyrocketed, and credits have become very scarce. More importantly, local financial institutions do not provide the financial depth required for the long-term, outward looking strategic development of major corporations in Turkey. Loan maturities, exceeding even a one year range, are currently not available to the Turkish market. Without IFC's investment, the company would be forced to rely on extremely limited, short-term, and more expensive financing which would adversely affect liquidity. In the context of the uncertain economic environment, the project critically supports the sustained and competitive evolution of the tourism industry, a vital sector for Turkish economy, where total revenues of more than US\$8 billion were earned in 2001.

World Bank Group Strategy: The World Bank Group and IMF have focused recent efforts on helping Turkey cope with its financial crisis through continuing adjustment lending, support of structural Reforms and fiscal stabilization. This project is consistent with both World Bank strategy and with IFC's country strategy for Turkey, which seeks to: restore stable growth, improve living standards, reduce economic vulnerability and poverty, and aid the private sector to take advantage of the opportunities offered by the reform. By reinforcing the financial structure of an export-earning company, IFC supports an inflow of foreign currency earnings for Turkey.

Development Impact: The proposed project will have a significant development impact. IFC's support of the project is critical at a time when higher inflation, shrinking domestic demand, and price increases have stagnated the economy, especially manufacturing sector, which has brought about massive layoffs, causing

severe economic and social instability in the country. The hotel is internationally competitive and has provided export-earnings in the range of US\$21 to US\$31 million in the past few years. It employs some 400 staff. By providing timely financing, IFC will help the company seize the market opportunity, and adapt to the latest market requirements. It will also enable the hotel to diversify its income base since the business/conference segment of the tourism industry is less prone to seasonality and regional events.

Environmental and social issues - Category B This is a Category B project according to IFC's Procedure for Environmental and Social Review of Projects, because a limited number of specific environmental and/or social impacts may result which, can be avoided or mitigated by adhering to generally recognized performance standards, guidelines or design criteria.

CONCLUSIONS

Turkey, situated at the crossroads where two continents meet, is an ideal center investors looking for a location at the heart of Euro-Asia. With its dynamic and growing economy, huge market, competitive & skilled labor force, Turkey offers numerous opportunities to international investors. The liberal foreign investment legislation and the experience of more than 5500 foreign capital firms ensure a stable and reliable investment environment. At the request of Turkish government, the Foreign Investment Advisory Service (FIAS), a joint facility of the International Finance Corporation (IFC) and the World Bank, completed a study of the Administrative Barriers to Investment to enhance the foreign direct investment environment in Turkey and the necessary changes are underway(www.mfa.gov.tr).

Turkey offers many advantages to foreign investors: its large domestic market of 63 million people desiring high quality products; a qualified manual and technical labor force with low labor costs and high productivity; developed utility and transportation facilities along with a geographic and economic location close to nearby major markets of the world are only some of the many advantages. Foreign investors have already made sizeable investments in various sectors in Turkey such as agribusiness, food, textiles, machinery, automotives, chemicals, electronics, cement, tourism, banking and others.

There are many possibilities for doing business in Turkey, for example, a foreign investor can; establish totally new business ventures, taking advantage of the attractive domestic market /or nearby export market possibilities close to Turkey. Establish joint-ventures with Turkish businesses, enter into major Government contracts through tenders or through the use of such models as B.O.T. (Build Operate and Transfer) etc. establish licensing and franchising agreements, enter the market through distributors or agents.

Since the 1980s, the Turkish government has followed liberalised, out-ward-oriented economic policies. There were rapid changes in the economic and social structure of Turkey. Deregulation of interest rates, the establishment of organised markets for money, foreign exchange, stocks and securities, the liberalisation of capital movements, and reforms in the banking sector, were just some of the changes.

The Government of Turkey annually issues a list of investment incentives. In order to take advantage of such incentives, a special "Incentive Certificate" has to be obtained together with the investment approval from UT. Incentives include: Tax Allowances (30-100% according to location) Refund of VAT+10% for locally purchased machinery , Customs exemption on imported machinery ,Customs expenditure on raw materials (in accordance with the specifications mentioned in the regime). VAT Deferral on Imported Machinery and Equipment. Allocation of land, Discounts on electricity .

Tourism has emerged as a leading economic sector worldwide and has boosted trade and opened up countries and geographic areas that lagged in economic development. For many countries, tourism is a significant vehicle for economic progress that generates employment, foreign exchange, tax revenues, and contributes to poverty alleviation.

Tourism is the world's fastest growing industry. After agriculture, it is expected to be the world's largest industry by 2010. It provides direct or indirect employment for 231 million people or one out of every ten workers.

Turkey's tourism income was about 327 million \$'s in 1980's. And this revenue ascended to 7,6 billion \$'s in 2000 and 8 billion \$'s in 2001. In another words, 25% of Turkey's export incomes. Since 1993, number of tourists coming to Turkey is increasing about 1 million. (7,4 million in 1999,10,4 million in 2000 and 11,6 million in 2001), which means the share of Turkey in the world's tourism market has distended from 1,16% to 1,60 according to the OECD Statistics.

Tourism investors have some criterias during investment process. All the economic analysis, location, competitiveness, distribution systems, demand structure, tourism market, attractions, infrastructure, hospitality and retail services, services and human resources, resident attitudes, organizational analysis of tourism sector, legislative review, destination/community general information, competitiveness assessment should be done before deciding to invest. The degree of risk taken should be decided.

There had been many tourism investments particularly in hotel area after the incentives of the government, which caused an overflow supply in hotel tourism. Huge capitals flew into the tourism sector from other sectors without considering that tourism's sensitivity to political changes and any negative true or false information about the country. During the years of crises this caused a lot of losses in the sector. Over supply has also descended the prices and therefore 5 star hotels became really very appropriate for mass tourism. Tourism became to be dependant heavily on international inclusive-tourism (package-tour) markets, particularly mass tourist markets and the international travel intermediaries that serve those markets. But the profits fell down.

Particularly, we are of the belief that the prices should be kept as high as possible. To do this, the Ministry of Tourism should draw a legislative frame in which maximum and minimum prices are set for every type and class of accommodation establishment. In that case, it would not be possible for a five-star hotel to sell for the price of lower-class hotels. Moreover, it would be easier for the ministry to control the prices. Therefore, the threats of the foreign tour operators to pull the prices down to some extent would be eliminated.

According to a research of WTTC (World Tourism and Travel Council) Turkish tourism will gain a revenue of 25 billion \$'s in 2010. The average improvement will

be about 7% pro year during this 10 years period from 2000 to 2010. It is expected that tourism sector will supply 3 million people employment and by the year of 2010, tourism sector will generate a business volume of 75million\$'s. (www.turizm gazetesi.com).

REFERENCES AND FURTHER READING

- Aislabie, C.J., 1988, "*Tourism issues in developing countries*", Tisdell, C.A., Aislabie, C.J., Stanton, P.J., *Economics of Tourism, Case Study and Analysis*, The Institute of Industrial Economics, NSW, Australia, 345-78.
- Ayres, Ron, 2000; "*Tourism as a passport to development in small states: reflections on Cyprus*", *International Journal of Social Economics*, Vol.27,Nr:2,P:114-133.
- Baki, Alaaddin, 1990, "*Turkey: Redeveloping Tourism*," *Cornell Hotel and Restaurant Administration Quarterly*, Vol. 31, No. 2 , pp. 60-64.
- Barutçugil, İsmet; '*Turizm ekonomisi ve turizmin Türkiye ekonomisindeki yeri*', İstanbul 1986
- Brealey, Richard A. / Myers, Stewart C., 2000; *Principles of Corporate Finance*, Irwin-Mc Graw –Hill, International Edition.
- Butler,R.W.,1993, "*Tourism-an evolutionary perspective*", Nelson J.G., Butler,R.Wall,G.,*Tourism and Sustainable Development: Monitoring, Planning and Managing*, Department of Geography Series, Waterloo, Canada,27-43.
- Cohen, E,1995: '*Contemporary Tourism-trends and challenges*' Butler,R., Pearce D., *Change in Tourism:People,Places, Processes*, Routledge, London, New York, pp 12-29.
- Cakır, Pembegül (1999), "*Türkiye'nin Turizm Gelirlerinin Ödemeler dengesine Katkısının Analizi*", Eskişehir
- DİE, *Turizm istatistikleri bültenleri*, 1980- 2001, Ankara
- Directorate General of Press and Information, '*Turkey , an investment opportunity*',March 1996, Ankara, Prime Ministry
- Dwyer, L. and P. Forsyt (1993), '*Assessing he benefits and costs of inbound tourism*,' *Annals of Tourism Research*, 20 (4), p.751-68.

- Forsyth, P., Dwyer, L., 1994, "Modeling tourism jobs", Occasional Paper No. 2, Commonwealth Department of Tourism, Australian Government Publishing Service.
- Forsyth, P., Dwyer, L., 1995, "Problem in use of economic instruments to reduce adverse environmental impact of tourism", *Turism Economics*, 1, 3, 265-82
- Haley, Usha C.V. (1991), "Corporate contributions as managerial masques: reframing corporate contributions as strategies to influence society," *Journal of Management Studies*, 28 (5), p. 485-509.
- Haley, Usha C.V./Haley, George T., 1997, "When the tourists flew in: strategic implications of foreign direct investment in Vietnam's tourism industry", *Management Decision*, Vol:35, Nr:8, pp:595-604.
- Haley, U.C.V, Haley, G.T, 1997, 'Investing in sustainable tourism in Vietnam: Some policy implications', Presentation at 1st Conference on sustainable tourism in Vietnam, Hue, Vietnam 22-23.
- International Finance Corporation [online],
Available:<http://www.ifc.org/about/basicfacts/basicfacts.html> [2002, Sep.10]
- International Finance Corporation [online],
Available:<http://www.ifc.org/proserv/apply/application/application.html> [2002, Sep.10]
- İçöz, Orhan/ Kozak, Metin; 'Turizm ekonomisi', Ankara 1998
- Karamustafa, Kurtulus (2000), "Marketing-channel relationships: Turkey's resort purveyors' interactions with international tour operators," *Cornell Hotel and Restaurant Administration Quarterly*, 41 (4), p.21-31
- Kotler, Philip, John Bowen and James Makens (1999), 'Marketing for Hospitality and Tourism', Prentice Hall, 2.Edition, NJ, USA
- Kozak, Nazmi/ Kozak, Meryem; 'Genel turizm', Ankara 2000
- Larry Dwyer, Peter Forsyth; 'Measuring the benefits and yield from foreign tourism', *International Journal of Social Economics*, Volume 24 Number 1/2/3 1997 pp. 223-236
- Ministry of Tourism, Bulletin of Tourism Statistics (Ankara: General Directorate of Investments Department of Research and Evaluation, 1999), p. 76; and TURSAB,

- 60% of the Visitors Come via Package Tours (1998),
www.tursab.org.tr/istatistik.htm.
- Ministry of Tourism, Distribution of the Licensed Accommodation Establishments by Provinces and Towns, Manuscript from the Computer Records (Ankara: General Directorate of Enterprises, 1997).
- Ministry of Tourism, Bulletin of Accommodation Statistics 1996 (Ankara: General Directorate of Investments Department of Research and Evaluation, 1997).
- Ministry of Foreign Affairs, [online], Available: <http://www.mfa.gov.tr> [2002, Sept.9]
- Olalı, Hasan/ Alp, Timur; *Turizmin Türkiye ekonomisindeki yeri*, İstanbul 1988
- Omotayo Brown D. and F.A. Kwansa (March 1999), "Using IRR and NPV models to evaluate social costs of tourism projects in developing countries," *International Journal of Hospitality Management*, Vol18 No:1,pp.31-43
- Özdemir, Mehmet; *Turizmin Türkiye'nin sosyo ekonomik yapısına etkileri*, İstanbul 1992
- Pearce D., 1995, '*Planning for tourism in the 1990's*'. An integrated ,dynamic,multiscale approach, Butler R., Pearce D. 'Change in tourism:Places, People, Processes, London, New York, pp 229-44
- Porsch, Tourismus und Terror, FAZ, 1.5.02; pin.; FA Sonntagszeitung; *ETA-Terror haelt kaum jemanden von der Reise ab*; 15.4.01;
- Rajotte,F. 1978,"A method for the evaluation of tourism impact in the Pacific",Center for South Pacific Studies,University of California.
- Richter, L.K., 1989, *The Politics of Tourism in Asia*, University of Hawaii Press, Honolulu.
- Ross, Stephen/Westerfield, Randolph W./Jaffe, Jeffrey, 1996; *Corporate Finance*, 4th Edition, USA, Irwin.
- Shaw, G., A.M. Williams (1994), *Critical Issues in Tourism. A Geographical Perspective*, Blackwell, Oxford, Cambridge.
- Sathiendrakumar R. / Tisdell, C.S., 1989, "Tourism and the economic development of te Maldives" *Annals of Tourism Research*, 16.2, 254-269
- SPPF-The South Pasific Project Facility; "Services to the Tourism Sector", İstanbul, [online], Available: [http:// Tourism_Program/tourism_program.html](http://Tourism_Program/tourism_program.html) [2002, June 17]

- State Institute of Statistics, The Seventh Fiveyear Development Plan: Special Report on Tourism Ankara: State Institute of Statistics Printing Division, 1995.
- TCMB, Yıllık rapor 2001, S. 55,57.
- Thorburn, Andrew, 1991,"Obtaining Finance for Leisure",Journal of Property Finance,Vol:2,Nr:3.
- Tisdell, C.A., 1984, Tourism, the Environment, International Trade and Public Economics, Kuala Lumpur and Canberra: ASEAN (Association of South-East Asian Nations)-Australia Joint Research Project No. 6.
- Tisdell, C.A., 1987, "Tourism, the environment and profit", Economic Analysis & Policy,Vol 17,No 1, pp 13-30.
- Tisdell, C.A., 1993, "Foreign tourism: benefits to China and contribution to development", Tisdell,C., Economic Development in the Contexts of China: Policy Issues and Analysis, St Martins Press, London.
- Tisdell,C.A.,1983b,"Public Finance and the appropriation of gains from international tourists:some theory with ASEAN and Australian Illustrations", Singapore Economic Review,28,1,3-20.
- Turkish Tourism Investors Association, Contribution of Tourism Investments to the Economy Istanbul: Turkish Tourism Investors Association, 1992
- Turkish Tourist Office, Eighth Turkey Incentive and Travel Workshop (London,June 1997).
- TUTAV-Istanbul, [online], Available: <http://www.tutav.org.tr/introductfull.html> [2002,June 17]
- TYD-Istanbul, [online], Available: <http://www.ttyd.org.tr/>[2002,June 17]
- Tourism Turkey, [online], Available: <http://www.tourismturkey.org/special-interest/special-interest.html> [2002,Sept 10]
- Turkish Travel Agencies Organization [online], Available: <http://www.tursab.org.tr>, [2002,Sept 10]
- Tourism Newspaper [online], Available: [http:// www.turizm gazetesi.com](http://www.turizm gazetesi.com) [2002,Sept 6]
- Yüksel, Ülkü; Temel sorun; turizmde kalite, Pazarlama Dünyası, 5/2002.
- Yüksel, Ülkü; Turizm yatırımlarının finansmanı, Finans Dünyası, 8/ 2002

APPENDIX

Table 1

TOURISM STATISTICS

1-Distribution of Tourist Arrivals and Tourism Revenues by Years				
	Tourist Arrivals	Annual Change(%)	Tourism Revenues(million \$)	Annual Change(%)
1991	5.517.897	2,4	2.654	-17,7
1992	7.076.096	28,2	3.639	37,1
1993	6.500.638	-8,1	3.959	8,8
1994	6.670.618	2,6	4.321	9,1
1995	7.726.886	15,8	4.957	14,7
1996	8.614.085	11,5	5.650	14,0
1997	9.689.004	12,5	7.002	23,9
1998	9.752.697	0,7	7.177	2,5
1999	7.487.285	-23,2	5.203	-33,4
2000	10.428.153	39,3	7.636	46,8
2001	11.618.969	11,4	8.090	5,9

Source : Tourism Ministry and Central Bank

Table 2

Distribution of Licenced Accommodation Establishments by Main Tourism Centers (2001)

	Investment Licenced				Operation Licenced			
	Establishments	%	Beds	%	Establishments	%	Beds	%
Istanbul	76	6,1	24.307	10,6	265	13,3	48.265	13,1
Antalya	307	24,8	68.262	29,8	475	23,8	133.752	36,3
Muğla	325	26,3	56.852	24,8	315	15,8	56.668	15,4
İzmir	55	4,4	12.380	5,4	142	7,1	24.189	6,6
Aydın	53	4,3	9.805	4,3	102	5,1	20.495	5,5
Others	421	34,0	57.441	25,1	699	34,9	85.450	23,2
Total	1.237	100,0	229.047	100,0	1.998	100,0	368.819	100,0

Note : As of 2001 around 30.000 beds are in operation with investment licence.

When this is added to the operation licenced beds, actual bed capacity in operation becomes 398.819.

Source : Tourism Ministry

Table 3

Distribution of Licenced Accommodation Esthablishments by Types and Classes (2001)

		Investment Licenced		Operation Licenced	
Type	Class	Establishments	Beds	Establishments	Beds
Hotels	5 Star	67	39.283	131	78.166
	4 Star	140	47.720	228	66.388
	3 Star	303	47.885	497	85.215
	2 Star	395	33.317	626	55.486
	1 Star	76	3.580	142	8.865
Holiday Villages	1st	45	28.729	73	48.684
	2nd	23	9.951	13	4.307
Motels	1st	4	222	6	900
	2nd	16	529	20	1.049
Special Licenced Hotels	-	26	1.302	75	4.581
Apart Hotels	-	=	=	37	3.233
Pensions	-	118	3.860	125	4.263
Campings	-	11	2.948	9	2.214
Inns	-	2	140	7	1.153
Golf Facilities	-	2	613	3	2.365
Tourism Complexes	-	4	8.369	3	1.451
Training & Practice Facilities	-	3	513	3	499
Thermal Facility	-	1	32	-	=
Service Stations	-	1	54	-	=
Total	-	1.237	229.047	1.998	368.819

Note : At the end of 2001 around 30.000 beds are in operation with investment licence.

Together with operation licenced beds, the total bed capacity in operation is 398.819.

Source : Tourism Ministry

Table 5 Fixed Capital Investments in tourism sector

Years	Tourism/billion\$	Total billion\$	Tourism/Total%
1991	976	24555	4.0
1992	1082	37619	2.9
1993	1056	47834	2.2
1994	712	32060	2.2
1995	974	41182	2.4
1996	980	46314	2.1
1997	1050	51000	2.1
1998	1450	50120	2,8
1999	1625	41335	3,9
2000	1860	46940	4

Note: TL datas are converted into the average buying rate of \$ of the related year.

Table 4

3.TOP 20 in World Tourism (2000)			
<u>Number Of Tourists (Excluding same-day visitors)</u>			
No	Country	Million	The Portion In The World (%)
1	France	75,5	10,8
2	USA	50,9	7,3
3	Spain	48,2	6,9
4	Italy	41,2	5,9
5	China	31,2	4,5
6	England	24,9	3,6
7	Russian Fed.	21,2	3,0
8	Mexico	20,6	3,0
9	Canada	20,4	2,9
10	Germany	19,0	2,7
11	Austria	18,0	2,7
12	Poland	18,0	2,6
13	Hungary	15,6	2,2
14	Hong Kong	13,1	1,9
15	Greece	12,5	1,8
16	Portugal	12,0	1,7
17	Switzerland	11,4	1,6
18	Holland	10,2	1,5
19	Malaysia	10,0	1,4
20	Turkey	9,6	1,4
<u>Tourism Income</u>			
No	Country	Billion \$	The Portion In The World (%)
1	USA	85,2	17,9
2	Spain (*)	32,4	7,2
3	France (*)	31,5	7,0
4	Italy	27,4	5,8
5	England	19,3	4,0
6	Germany (*)	16,7	3,6
7	China	16,2	3,4
8	Austria	11,4	2,4
9	Canada	10,8	2,3
10	Greece	9,3	2,0
11	Australia	8,4	1,8
12	Mexico	8,3	1,7
13	Hong Kong	7,9	1,7
14	Turkey	7,6	1,6
15	Thailand	7,5	1,6

(*) Includes 1999 data as 2000 figures are not available at the end of April 2001		
---	--	--

Table 6

Foreign Capital		Acceptance		in		Tourism sector	
Units of Incentive Permits				Permitted foreign capital million \$			
Year	Tourism	Total	Share of Tourism%	Tourism	Total	Share of Tourism%	
1991	117	940	12.4	240	1967	12.2	
1992	138	1081	12.8	108	1820	5.9	
1993	121	1120	10.8	107	2271	4.7	
1994	73	1089	6.7	57	1485	3.8	
1995	84	1225	6.9	175	2938	6.0	
1996	127	1178	10.8	129	3837	3.4	
1997	142	1340	10.6	240	1678	14.3	
1998	111	1224	9,0	52,1	1645	3,1	
1999	80	1019	7,9	40	1700	2,4	
2000	94	1082	8,7	50	3060	1,6	

Source: DPT

Table 7 Investment Incentive Certificates in Tourism Sector

Amount of Investment Certificates				Investment Amount(million dollars)		
Years	Tourism	Sum	Tourism/Sum	Tourism	Sum	Tourism/Sum
1991	146	1775	8.2	366	9155	4.0
1992	112	1554	7.2	257	7461	3.4
1993	150	3051	4.9	605	20867	2.9
1994	58	1393	4.2	227	7205	3.1
1995	137	4954	2.8	452	47851	0.9
1996	186	5023	3.7	501	24625	2.0
1997	284	5144	5.5	1025	21810	4.7
1998	244	4291	5.6	780	15467	5,0
1999	199	2967	6,7	715	11164	6,4
2000	153	3521	4,3	520	14050	3,7

Note: Amounts are converted into the average buying rate of \$ of the related year.

Source: Undersecretary of Treasury and Foreign Trade

Table 8

Accommodation Sector							
	SIS data	1992	1993	1994	1995	1996	1997
Hotels w. Restaurant	551001	43.687	48.882	52.147	53.306	56.586	91.167
Motels w. Restaurant	551002	1.745	2.416	2.019	1.985	2.117	2.309
Apartment Hotel	551003	457	754	1.191	1.072	1.426	1.350
Pensions	551004	3.688	3.166	4.789	4.445	5.284	5.778
Camping and Accommodation Areas	551005	204	286	272	223	262	327
Holiday villages	551009	5.122	6.703	7.389	9.860	11.818	15.468
Mountain Houses	551011		128	140	150	108	161
Hotels without restaurants	551013	12.744	16.932	15.592	17.882	18.597	22.861
Motels without restaurant	551014	235	597	632	706	706	698
Interim Sum		67.882	79.864	84.171	89.629	96.904	140.119
Food and beverage Sector Including restaurants and bars							
Restaurants with and without alcoholic beverages	552002	92.637	93.559	95.620	10.490	103.169	169.169
Kofte and Kebab Restaurants	552003	25.158	29.088	33.553	35.883	36.738	43.745
Pizza and hamburger restaurants	552004	3.250	7.529	5.500	6.130	6.119	6.197
Bars and beerhouses	552006	7.188	8.091	9.245	7.445	7.800	8.448
bars	552007	1.482	1.656	1.821	2.696	3.571	3.670
Night clubs	552008	1.727	2.054	2.044	2.365	2.247	2.079
Tea gardens	552011	2.284	2.257	2.809	4.844	6.244	6.929
Interim Sum		133.726	144.234	150.592	69.853	165.888	240.237
Transportation and tourism Agencies Sector							
Highway transporting with tariff	6021		141.546	132.003	150.272	149.623	164.711
Highway transporting without tariff	6022		308.731	355.189	363.444	363.506	392.985
Inshore and maritime transportation	6110		24.996	30.557	29.693	26.896	28.259
Airway transportation with tariff	6210		11.495	11.122	12.293	12.840	12.849
Airway transportation without tariff	6220		352	456	686	1.403	2.172
Supporting transportation Activities	6303		4.183	2.988	3.770	5.200	4.868
Tourism agencies and	6304			16.096	14.307	17.903	21.151

tour operators							
Other transportation Agencies	6309		3.797	3.599	4.001	3.697	4.101
Interim Sum			495.100	552.010	578.466	581.068	631.096
Sum			719.198	786.773	737.948	843.860	1.011.452
Changes%				9,40	-6,21	14,35	19,86
Changes % 1993/97							40,64

Source: State Institute of Statistics (SIS)