

**The Role of Tourism Incomes in the Reduction of Foreign Trade Deficit:
A Comparative Analysis of Turkey and Bosnia-Herzegovina**

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Abstract

The Foreign Trade deficit, one of the most important problems in both developed and developing countries, has been occasionally leading to crises and recessions. Nations benefit from the tourism incomes in the reduction of foreign trade deficit at utmost level. Developing countries such as Turkey and Bosnia-Herzegovina structurally need foreign resources to be able to solve the sustainable development and foreign trade deficit problems. In this context, foreign currency inputs obtained from tourism and regarded as “service industry,” have importance in the reduction of foreign trade deficit of nations. In this sense, tourism industry has a role in both acquiring resources needed and in reducing the foreign trade deficit.

This paper aims to present the role and importance of tourism incomes in reduction of foreign trade deficit in Turkey and Bosnia-Herzegovina comparatively.

Keywords: Tourism industry, Tourism incomes, Foreign trade deficit, Developing countries, Turkey, Bosnia-Herzegovina.

1. INTRODUCTION

Foreign trade deficit, which is one of the most important problem in both developed and developing countries and current account deficit which comes into existence as a result of foreign trade deficit, at times causes crises and stagnations in economies.

Foreign trade deficit emerges when the import of a country exceeds the export, and is a factor which has tremendous influence on current account deficit. When the reasons of foreign trade deficit in development countries are examined, the supply of energy from abroad, the import of exported intermediate goods, investments in technology, and the consumption of luxury goods emerge as the main causes.

In closing their deficit, countries benefit from tourism incomes at utmost level. Due to their structures, developing countries such as Turkey and Bosnia-Herzegovina need foreign resources to be able to solve the sustainable development and foreign trade deficit problems. In this context, the foreign currency obtained from tourism, also known as “a factory without chimney,” acquires importance in reducing foreign trade deficit as well as current account deficit. In this sense, tourism industry has an important role in both acquiring the resources needed and in closing the deficits.

2.ECONOMIC IMPACTS OF TOURISM

Since the second half of the 20th century, tourism became one of the fast-developing and expanding sectors in world economy. As many other industries, it has been often used as a tool for regional and national development. The tourism sector became an important factor with its role in widely creating employment and tax incomes, in mitigating the problems of balance of payment, and in contributing to regional and national economic development. (Çımat&Bahar, 2003:2)

* World tourism contributed \$852 billion to world economy in 2009 with an approximate number of 822 million tourists.

As to Turkey, the country hosted 25,5 million tourists in 2009 and obtained an income of \$21,3 billion. By taking a share of % 2.5 in the world tourism market, Turkey became the 9th country in the ranking of tourism incomes. (<http://www.ttyd.org.tr>)

The development of tourism in a country can create various advantages and costs in various areas. These differences emerge out of the variety in the economic structures and conditions of the countries and regions. However, the monetary and real effects of tourism in countries' economies are seen as the most efficient tools in solving the economic problems of developing countries and in enhancing development. (Durgun, 2006:17)

When the economic impacts of tourism are taken into consideration at a macro level, it is seen that it influences a country's economy in two major ways. The first involves the effects described as of monetary quality. This type of effects is the monetary impacts that the consumption expenditures of tourists create in the economy. Another influence of touristic expenditures is the total of effects known as of real quality, which emerges out as production and employment surplus. (Çuhadar, 2006:33)

Tourism in our days is known as the temporary movement of people from their place of dwelling to different countries with the aim of fulfilling their socio-cultural and psychological needs such as sightseeing, resting, learning, and having fun. Even though it has social and cultural dimensions, tourism is most examined in its economic aspect. Having become a massive economic phenomenon since the 1980s, it has positive influences especially in the economies of developing countries, a situation which features its economic aspect. With its dynamic and economic nature, tourism almost constitutes a point of exit in solving the national and international financial problems that country economies encounter and in overcoming bottlenecks. (Kar& Zorkirişçi&Yıldırım, 2004:88)

When the economic impacts of tourism in Turkey are examined, it is seen that tourism constitutes a sector which plays an important role in closing the deficit in the balance of payment in addition to contributing foreign currency to the national income, and which contributes to the reduction of unemployment by providing employment opportunities to masses. (Çuhadar, 2006:33)

Tourism's financial impacts are generally evaluated with qualitative measurements as monetary and real economic impacts.

The monetary movements and monetary changes that the consumption expenditures of tourists create in a country's economy are called monetary economic impacts. Tourism movements

change the balance of payments in a country by first affecting the supply and demand of foreign currency.

The monetary economic impact of Tourism is as follows:

- The effect of foreign exchange supply and demand for Tourism,
- The effect of foreign exchange balance,
- The effect of price stability.

Among the main monetary impacts of tourism are its effect in the balance of international payments with the increase in foreign currency supply, the revitalization of the economy with the influence of tourism income and distribution, the creation of value-added tax on national income, its role in increasing state income, and its influence on internal prices. Tourism's influence on employment, its effect on other sectors and on infrastructure are evaluated as real economic impacts. (Avcikurt, 2003:26)

In addition to its monetary effects, tourism has real effects such as creating income in the economy, opening up new employment and occupation areas, reducing unemployment by expanding the business volume, and revitalizing the sectors of agriculture, industry, and services. (Durgun, 2006:25)

2.1.Positive Economic Impacts of Tourism

Positive economic impacts of Tourism can offer the following itemized as follows:

- the impact on the balance of payments,
- to effects employment creation
- to encourage investments,
- Income effect of creative,
- Inter-regional balanced development, and development impact
- impact of other economic sectors.

2.2.Negative Economic Impacts of Tourism

Development of Tourism over time, decrease tourism benefits provided, would lead to negative developments indicate. Negative economic impact of tourism in this context, the following substances are as follows:

- Import effect
- inflationary pressures of Tourism,
- the effect of opportunity cost,
- the effect of seasonality of Tourism,
- the effect of foreign capital,
- Economic activity is causing the transition from manufacturing economy to tourist economy.

2.3.The Place of Tourism in Turkish Economy and Its Role in Reduction of Foreign Trade Deficits

The charts showing the share of foreign currency incomes generated by tourism within GDP and export incomes, and the numbers of total employment that it provides demonstrate that tourism has an important role for the economy of the country.

Tourism incomes have an important role in reducing the current account deficit in Turkey. However, in recent years, even though tourism incomes have increased, their share within GDP and export incomes have decreased.

Developing economies realized the dynamic impacts that tourism has on the economy in overcoming the economic problems and the bottlenecks that they face. Gaining importance at local and regional levels, the tourism sector increases the economic appeal of the region with its revitalization of other sectors, the share of foreign currency income within GDP and export incomes, and the employment opportunities that it creates.

In recent years, the share of the service sector in the economy of the country has demonstrated an expansion much bigger than the shares of agriculture and industry. At this point the share of the developed service sector is even larger. Tourism is an important sector which creates and markets services, and its driving force is touristic businesses.

Chart 1 demonstrates the GDP, Export, Import, Foreign Trade Deficit and Tourism Incomes for the past 5 years in Turkey. (www.tuik.gov.tr)

Chart 1: The Share of Tourism Incomes in Turkey in Closing Foreign Trade Deficit

YEARS	GDP (BILLION \$)	EXPORT (BILLION \$)	IMPORT (BILLION \$)	FOR.TRADE DEFICIT (BILLION \$)	TOURISM INCOMES (BILLION \$)	TOURISM INCOME/F. TRADE DEF. (%)	TOURISM INCOME/ GDP (%)
2007	650.1	107,272	170,063	-62,791	18.5	29,4	2,8
2008	736,3	132,027	201,964	-69,937	21.9	31,3	2,9
2009	614,2	102,143	140,928	-38,785	21.2	54,6	3,4
2010	730,9	113,883	185,544	-71,661	20.8	29,0	2,8
2011	770,1	134,969	240,838	-105,869	23.0	21,7	2,9

When data for the last 5 years is examined for both countries, we see a foreign trade deficit for every year. Here we will not dwell upon the reasons for this deficit nor the ways in which it can be prevented. Instead we will elaborate on the importance and value of tourism in the financing of these deficits.

When examined from the perspective of Turkey, tourism incomes have been efficient in closing the deficit. Data from 2009 shows that tourism succeeded at closing 55% of the foreign trade deficit. The low value of foreign trade deficit in 2008 due to the world financial crisis should be noted. As to 2011, when tourism incomes have peaked, the deficit also peaked, and 21.7% of the deficit has been met. Another factor which should be taken into consideration is that, except for 2009, Turkey's tourism incomes have been increasing.

2.4.The Place of Tourism in Bosnia-Herzegovina Economy and Its Role in Reduction of Foreign Trade Deficits

Chart 2 demonstrates the GDP, Export, Import, Foreign Trade Deficit and Tourism Incomes for the past 5 years in Bosnia-Herzegovina.(<http://www.bhas.ba>)

Chart 2: The Share of Tourism Incomes in Bosnia-Herzegovina in Closing Foreign Trade Deficit

YEARS	GDP (BILLION \$)	EXPORT (BILLION \$)	IMPORT (BILLION \$)	FOR.TRADE DEFICIT (BILLION \$)	TOURISM INCOMES (BILLION \$)	TOURISM INCOME/F. TRADE DEF. (%)	TOURISM INCOME/ GDP (%)
2007	15.2	4,151	9,720	-5,569	702.3	12,6	4,6
2008	18.5	5,021	12,188	-7,167	689.5	9,6	3,7
2009	16.9	3,929	8,778	-4,849	622.8	12,8	3,6
2010	16.8	4,804	9,220	-4,416	564.2	12,7	3,3
2011	17.9	5,579	10,380	-4,801	533.4	11,1	2,9

When tourism incomes are evaluated in terms of years, a considerable decrease in tourism incomes can be seen. Parallel to this fall, the effect of tourism incomes in closing foreign trade deficit also decreases. Even though the precautions taken to increase tourism incomes, which have such a big impact on economies, do not provide radical solutions to economic problems, they display tourism's active role in reducing foreign trade deficit.

3.CONCLUSION

It will be possible to reduce foreign trade deficit by decreasing dependence in foreign industry products, by producing and selling goods with high value, by terminating foreign dependence in the energy sector, and by reducing the consumption of luxury goods. Besides these, another factors which should not be ignored, is the tourism incomes that have an important role in reducing the deficits.

The tourism sector in Turkey has undergone a major development especially after 1980, and by providing a foreign currency input, it played an important role in reducing foreign trade deficit and unemployment as well as in ameliorating the balance of payments. (Çımat&Bahar, 2003, p.1)

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