

**The Role of Globalization and Country Risks in
International Tourism Development: Evidence from
Global Panel-Data Analysis**

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ABSTRACT

This study investigates the relationship between globalization, international country risks, and international tourism development. Different approaches of panel regression were applied to the panel data from a sample including 133 countries to determine if country risks and globalization indicators are linked with international tourism development.

The findings present evidence that economic, social, and political globalizations are significant factors for tourism development. Thus, this study proves that economic, social, and political integration of countries are significant driving forces behind their tourism development. The findings also show that real exchange rate, overall population, and gross domestic product do also exert statistically significant effects on tourism development of the selected 133 countries.

The results also indicate that country risks factors compiled by ICRG are the other important determinants of international tourism development respectively. The country risk dimensions involving economic, political, and financial factors, all have a significant role in describing tourism development. The results reveal that, considering political factors, corruption, investment profile and government stability are the most important determining factors of tourism development. There is a negative association between tourism development and six political risks dimensions including corruption, ethnic tensions, military in politics, religious tension, internal and external conflict. It indicates that higher level of country risk related to these variables is noticeably associated with less tourism development and vice versa.

Considering economic risk factors, current account as % of GDP and inflation are the most important defining factors. Considering financial risk factors current account as % of XGS and net international liquidity significantly and positively impacts on all tourism development. Exchange rate stability also positively impacts on tourism development.

This study's outcomes have important implications for policymakers. Policy makers should consider the impacts of different dimensions of globalization and country risks while forecasting and planning strategies to improve tourism industry. Policy-makers should consider the negative effects of risks dimensions on tourism, as it has recently been one of the most vital sectors for development in many countries.

Keywords: Globalization indicators, Country risks indicators, Tourism development, Dynamic Panel

ÖZ

Bu çalışma globalleşme, ülke riskleri ve uluslararası turizm sektörü arasındaki ilişkiyi irdelemektedir. Çalışmada, globalleşmenin ve risk faktörlerinin turizm sektörü üzerindeki etkilerini inceleyebilmek için 133 farklı ülke verilerine panel veri analizi uygulanmıştır. Bulgular, ekonomik, sosyal ve politik globalleşmenin turizm büyümesi için belirleyici faktörler olduğunu ortaya koymaktadır. Şöyle ki, bu faktörler, turizm sektörü büyümesinin lokomotifidir. Çalışmanın bulgularına göre ayrıca, reel döviz kurları, ülke nüfusu, ve gayri safi yurtiçi hasıla da seçilmiş olan 133 ülkede turizm üzerinde anlamlı etki yarattığı ortaya çıkmıştır. Bir diğer bulguya göre de, ülke risk faktörlerinin de turizm gelişimi üzerinde anlamlı etki yarattığı yönündedir. Ülke risk faktörleri, ekonomik, siyasi, ve finansal olarak kategorilere ayrılmış olup hepsinin de turizm üzerindeki etkisi anlamlı bulunmuştur. Politik risk faktörleri olarak, yolsuzluk, yatırım iklimi, ve hükümet istikrarı ön plana çıkmıştır. Toplam 6 kategoride incelenen politik risk faktörleri ki bunlar yolsuzluk, etnik eğilimler, ordunun siyasi rolü, dini eğilimler, dış ve iç siyasi çekişmeler şeklinde tanımlanmıştır, turizm büyümesi üzerinde negatif yönde anlamlı etki yaptıkları ortaya çıkarılmıştır. Çalışmada, ekonomik risk faktörleri olarak cari işlemler dengesi ve enflasyon ön plana çıkmıştır. Finansal risk olarak yine cari açık ve uluslararası likidite pozisyonu ön plana çıkmış olup, turizm büyümesi üzerinde anlamlı etki yarattıkları ortaya çıkarılmıştır. Çalışmanın sonuçları, politika üreticilere önemli mesajlar içermektedir.

Anahtar Kelimeler: Globalleşme Göstergeleri, Ülke Risk Göstergeleri, Turizm Gelişmesi, Dinamik Panel

To Those Whom I Love

Especially

My Dear Parents Whose Light Of Affections

Have Always Enlightened My Path And

Nourished My Soul

And My Two Brothers

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LIST OF ABBREVIATIONS

BB	Budget Balance
CAG	Current Account as % of GDP
CAX	Current Account as % of XGS
COR	Corruption
DA	Democratic Accountability
DS	Foreign Debt Service as a % of XGS
EC	External Conflict
EG	Economic Globalization
ET	Ethnic Tensions
FD	Foreign Debt as a % of GDP
FE	Fixed Effects
GDP	Gross Domestic Products
GDPC	GDP per Capita
GDPG	Real GDP Growth
GFC	Gross fixed Capital Formation
GMM	Generalized Method of Moments
GS	Government Stability
IC	Internal Conflict
ICRG	International Country Risk Guide
INF	Inflation
IP	Investment Profile
LIQ	Net International Liquidity
MP	Military in Politics

OLS	Ordinary Least Squares
PG	Political Globalization
POP	Overall Population
PRS	Political Risk Services
RE	Random Effects
RER	Real Effective Exchange Rates
RP	Religious Tension
SC	Socioeconomic Conditions
SG	Social Globalization
TA	Tourism Arrivals
TE	Tourism Expenditures
TR	Tourism Receipts
XRS	Exchange Rate Stability

Chapter 1

INTRODUCTION

1.1 Introduction

Tourism has had a remarkable growth in the last decades and became one of the important industries with a great share in economic development of many countries and turned to an important sector that brings benefits to the economy such as employment creation, foreign exchange earnings, government revenue, and reduction in poverty (Clancy, M. J.1999; Saha & Yap, 2013). Beside these direct effects, tourism industry has also incredible indirect positive impacts on economy through its contribution to the balance of payment, improving the human livings standards, rising government revenues through profits and taxes, and expanding production of goods and services (Paramati, Alam, & Chen, 2016).

Despite different national and international conflicts, political instabilities, natural disasters, terrorists attacks and economic distress in different parts of the world, international tourism receipts have grown from 487 billion in 1995 to 1.5 trillion in 2014 (figure 1 shows this upward trend); international tourism arrivals have grown from 525,128 in 1995 to 1.151 billions in 2014 (figure 2 shows this upward trend); international tourism expenditures have grown from 462.353 billion in 1995 to 1.411 trillion in 2014 (figure 3 shows this upward trend).

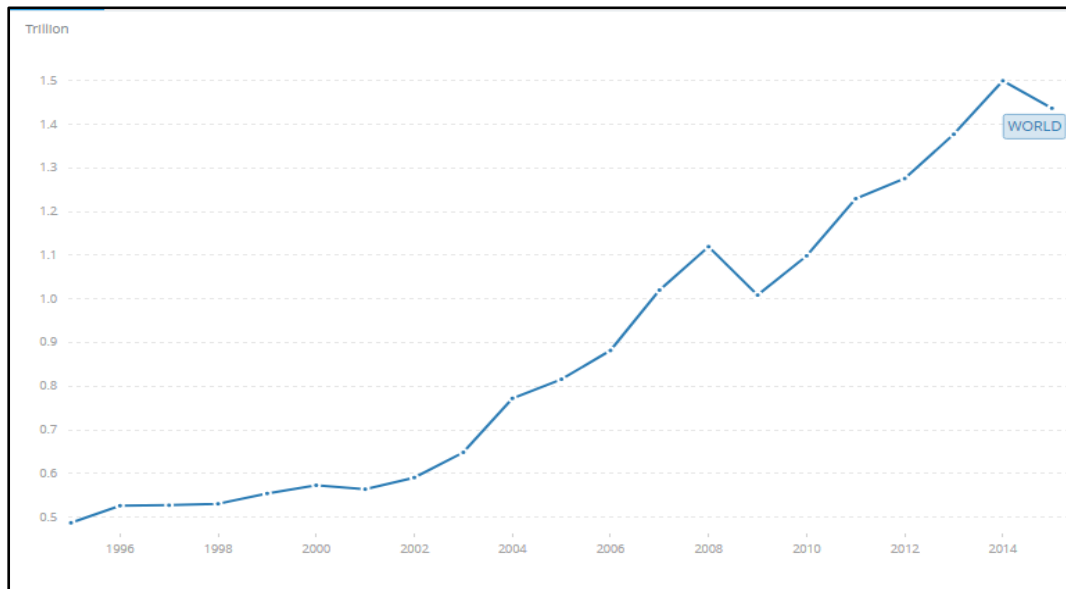


Figure 1: International tourism, receipts (current US\$) in the world.¹

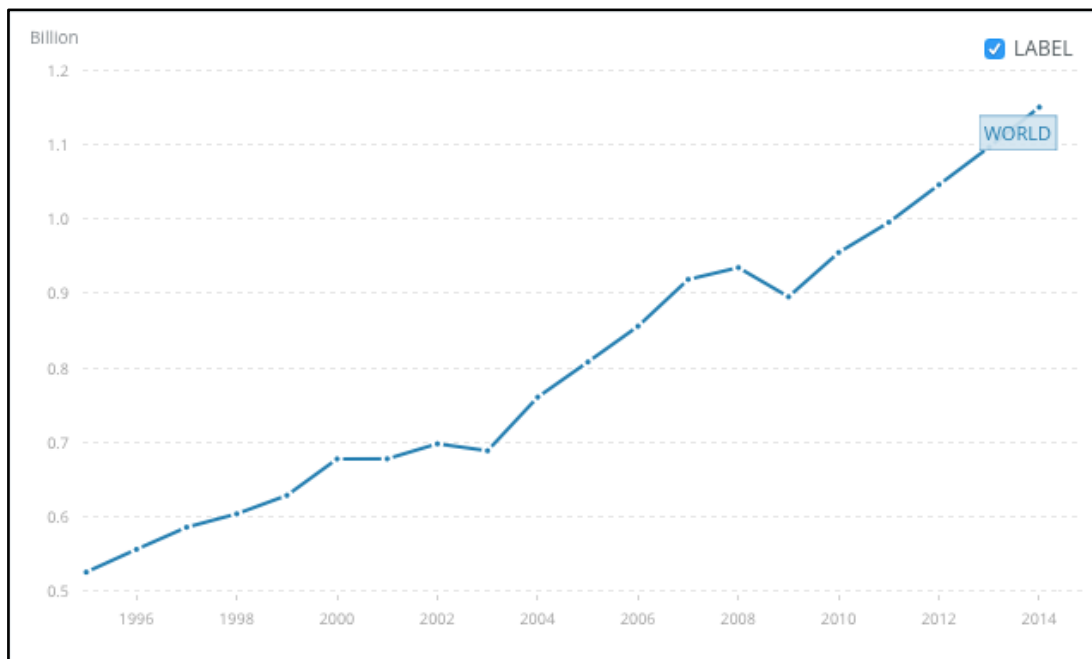


Figure 2: International tourism, number of arrivals in the world¹.

¹ <http://data.worldbank.org>

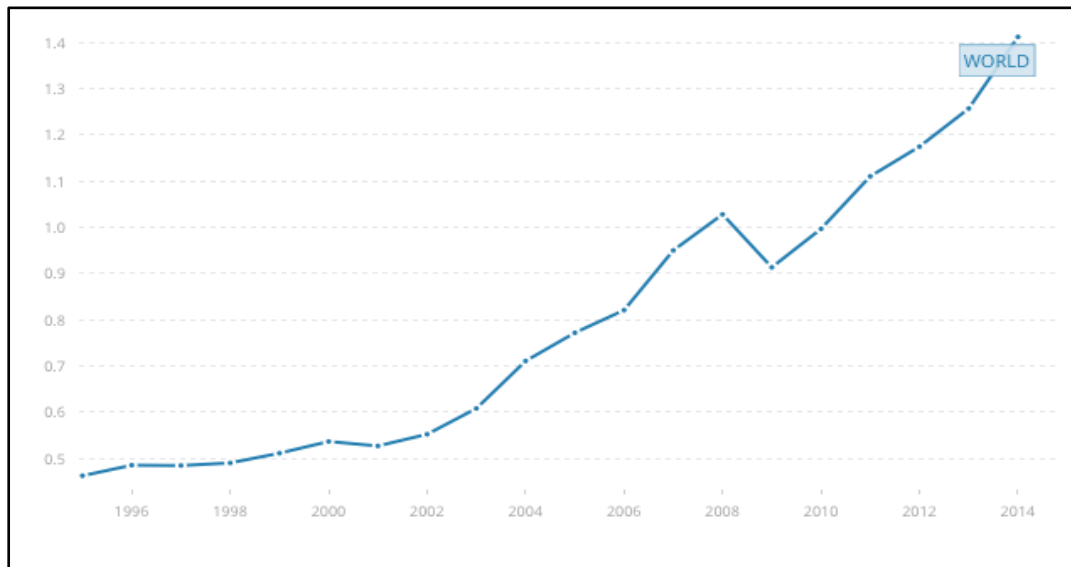


Figure 3: International tourism, expenditures (current US\$) in the world².

Considerable research attention has been devoted to tourism development in recent years. Researchers have claimed that tourism development is affected by financial systems (Karadzova & Dicevska, 2011), financial institutions (Becker, 1995), transport infrastructure (Khadaroo & Seetanah, 2007), political risks (Eilat & Einav, 2004; Saha & Yap, 2014), infrastructure development (Gebrehiwot & Gebre, 2015; Chew, 1987; Inskeep, 1991; Martin & Witt, 1988), and some economic variables, such as gross domestic product (GDP), real exchange rates, and bilateral trade agreements (Culiuc, 2014).

Globalization is considered a determining factor with huge impact on tourism industry growth (Fereidouni, Al-Mulali, & Najdi, 2014; Cohen, 2012) as it expands the market and integrates societies; decreases geographical restrictions on sociocultural classifications (Waters, 1995; Friedman, 1999); increases the flow of people, ideas, and technologies (Albrow, 1996); and alters societies' economic,

² <http://data.worldbank.org>

political, and cultural infrastructure. As a result of globalization, the tourism industry as a service trade became more sensitive to financial, economic, and political crises (Kiani, 2011; Al-Rjoub, 2011; Sinnakkannu & Nassir, 2008). Agenor (2003) argued that globalization provides favorable opportunities for tourism industry development by motivating societies and economies to become more internationally integrated. The process of globalization and the outcome levels of globalization of a country facilitate travel to and stay in the destination, and may be considered as a driver of a country's tourism development. More globalized destinations have fewer restrictions to foreign travelers and investors. That's why they can be more competitive on the tourist market (Ivanov & Webster, 2013).

However, the positive effects of tourism industry can be hindered by different types of risk such as political instability (Sonmez 1998; Seddighi, Theocharous, & Nuttall 2002; Llorca- Vivero 2008), political violence (Neumayer, 2004), terrorism (Sonmez 1998; Drakos & Kutan, 2003; Sonmez, Apostolopoulos, & Tarlow 1999; Feridun, 2011; Sandler, 1991; Enders, Sandler, & Parise, 1992; Raza & Jawid, 2013; Saha & Yap, 2014), and corruption (Lau & Hazari, 2011; Das & Dirienzo, 2010; Saha & Yap, 2015, Poprawe, 2015). Any political, economic or social changes or unrests can deteriorate this industry (Saha & Yap, 2013). The country risk literature claims that decrease in a country's risk level is noticeably correlated with higher economic growth rates, and vice versa (Devereux & Smith, 1994; Krebs, 2003; Borensztein, De Gregorio, & Lee, 1998).

1.2 Aim of the Study

Given the importance of the country risks and globalization for tourism industry this study aims to study the nature of relationship between international tourism

development, globalization and international country risks. In the other words, this study analyzes both the impacts of globalization and international country risks indicators on tourism development. KOF index of globalization and international country risks factors compiled by International Country Risk Guide (ICRG) are used to evaluate these relationships.

The first empirical chapter of this study checks the impacts of globalization indicators on international tourism development. The KOF calculation method addresses three aspects of globalizations including economic, social, and political. More specially, this study examines whether Social Globalization (SG), Political Globalization, and Economic Globalization (EG) affect tourism development indicators including Tourism Arrivals (TA), Tourism Expenditure (TE), and Tourism Receipts (TR). Dynamic panel data framework was carried out by using information derived from an analytical framework on 133 countries from 1995 to 2014 to test the above-mentioned relationship. Different approaches in panel regressions were applied in this study to produce accurate estimates.

The second empirical chapter investigates the impacts of international country risks on international tourism development. The ICRG calculation method addresses three aspects of country risks including economic, financial, and political. ICRG also provides sub-dimensions of each element, 22 dimensions in total; 5 dimensions specify economic risk factor, 5 dimensions mark financial factor, and 12 variables imply political factor. Therefore, in this study, country risks factors refer to any financial, economic, and political sub-dimension to provide the comprehensive risk status of the studied country. Ergo the second part of this study expands the tourism literature by proving the effects of ICRG's twenty sub-features on international

tourism development indicators. A dynamic panel data framework was carried out by using information derived from an analytical framework on 133 countries from 1995-2012 and it was utilized to test the above-mentioned relationship. A present Generalized-Method-of Moments (GMM) technique was applied in the second part of the study for dynamic panels. Some robustness inspection was applied in which findings are robust to the decrease in the sample size.

1.3 Contribution of the Study

This study contributes to the existing literature on tourism development, globalization, and country risks in different ways: although globalization and country risks have received widespread recognition from developing countries over the past decades, their effects on tourism development has received little recognition in the literature. Owing to this gap, the current study focuses on the dynamic relationships between tourism development, globalization and country risks, which have been barely examined in tourism literature. The model then provides more accurate analysis of tourism development for the purposes of predicting and planning efficient crisis recovery strategies.

Additionally, researches that concentrate on the impact of different dimensions of globalization and international country risks are slender. However, researchers, such as Sequeira et al., (2008) and Page et al., (2012), proposed that an interesting way to determine tourism development is to detach the effect of different factors. So this study expands tourism literature by examining the impact of globalization indicators and international country risks sub factors on tourism development as measured by tourism arrivals, tourism expenditures, and tourism receipts. Due to the model this study uses, it also generates more accurate estimations regarding tourism

development and provides comprehensive results for forecasting purposes. The findings of the current study provide policy makers with important implications to enhance tourism expansion. Moreover, the outcomes may be instrumental for risk management aims.

Second, regarding the methodological perspective, this study modifies and extends the methodology used in former studies. Descriptive analyses, surveys, and time series analyses are the most desirable approaches in the tourism literature. So, this paper modifies and extends on the methodology used in previous works by employing different approaches including Bundell and Bond's (1998) dynamic panel Generalized Method of Moments (GMM) to check abovementioned links, allowing us to generate more reliable estimates compared to past studies.

Third, regarding the literature, previous studies have focused on specific countries or at least a region as their case studies (Sequeira et al., 2008; Leung et al., 1996; Henderson, 2003; Duffy, 2000; Fereidouni et al., 2014). No studies with global coverage have been conducted in this regard. Therefore, the outcomes will broaden the tourism literature.

1.4 Structure of the Study

The remainder of this study is organized as follows: Chapter 2 provides globalization and country risks trends. Chapter 3 presents the relevant literature on the link between globalization, international country risks, and international tourism development. Chapter 4 investigates the globalization factors and international tourism development nexus. Chapter 5 investigates the country risk factors and

international tourism development nexus. Chapter 6 provides conclusion, summary of the finding, policy implications and directions for future researches.

Chapter 2

GLOBALIZATION AND COUNTRY RISKS

2.1 Globalization and Trends

Mustafa (2010) claimed that globalization ideas are so comprehensive that coming up with an all-inclusive, satisfactory definition that encompasses all its aspects is impossible. As such, globalization has been defined differently by different researchers. Some definitions reflect its geographical dimensions and deal with national borders. For instance, Scholte's (2002) globalization definition involves whether state governments allow people, goods, and services to move freely between national borders without set restrictions in order to enable the development of an open world economy. In other contexts, globalization refers to economic, cultural, and social changes that are developing worldwide. The International Monetary Fund defines globalization as the growing global unification of economies, especially through trade and financial flows, which also reflects the movement of people (labor) and knowledge (technology) beyond global borders (IMF, 2000). Globalization has developed a strong network of connections that transcend national boundaries and integrate communities into new "space-time combinations" (Hall, 1992). Furthermore, societies around the world are devising a world that shares a single interconnected and interdependent whole, cultural diversity in societies, either a homogeneous mass or a single social order, which prompted the deterioration of community distinctness (Allen & Massey 1995). This gave rise to Nicolescu's (2015) globalization argument, which claims that the world is developing into a "global

village,” or at least partially into a single economic system, politically, socially, and culturally. Scholte (2002) believed that globalization is about sharing knowledge and various objects with people around the world. In general, researchers define globalization as global economic integration, global forms of governance, and globally interlinked social and environmental growth. However, there is still no universally accepted definition for globalization (Dreher, Gaston, & Martens, 2008).

Keohane and Nye’s (2000) recent efforts to develop globalization frameworks specify three dimensions that must be considered. They introduce the variable economic globalization (EG) to represent the long distance flow of goods, capital, and services, as well as information and perceptions associated with market exchange. The variable political globalization (PG), on the other hand, is seen as a tool that helps distribute government policies around the world, while social globalization (SG) refers to the diffusion of information, images, people, and views (Dreher, 2006). Objective indicators are helpful in determining which countries are or are about to be globalized, and these include the Maastricht Globalization Index (MGI) (Martens & Zywiets, 2006), which was created by the Dutch Research Institute, and the globalization index produced by the KOF Swiss Economic Institute (Dreher, Gaston, & Martens, 2008). The MGI refers to globalization as the expansion of cross-national interactions that assist in developing transnational structures and global interactions in cultural, economic, ecological, political, technological, and social processes on global, supra-national, national, and regional levels (Rennen & Martens, 2003). Using the KOF Index, Clark (2000), Norris (2000), Keohane, and Nye (2000) defined globalization in relation to social, political, and economic factors. Globalization is perceived to be a process of creating networks of connections between state and non-state actors at multi-continental distances, which

are mediated through a variety of flows, including people, information, ideas, capital, and goods. Globalization is said to diminish national boundaries and promote cross-national economic, political, cultural, social, and technological unification on a global scale, as well as create intricate relationships of mutual interdependence (Dreher, Gaston, & Martens, 2008). This study will implement the new measures developed by the KOF Index, along with various economic, social, and political elements, to more meticulously analyze how globalization indicators affect tourism development.

2.2 Country Risks and Trends

The Literature on International Country Risk Guide is profoundly exceptional and extensive. Political changes, economic and financial refinement, world trade globalization and capital market openness brought about country risk, which is known as the potential and capability of a country to service its financial debts, has gained recognition during the last two decades (Cosset & Roy, 1991; Ramcharran, 1999). Krayenbuehl, 1985, explained country risk as the prospect whereby a state or nation would be helpless when it comes to repaying their debt to external investors. Some researchers refer to country risk as the investment risk met across borders and is largely covered by, financial economic, and political risk factors (Liu et al., 2016; Oetzel, Bettis, & Zenner, 2001; Verma & Soydemir, 2006 Hoti & McAleer, 2004; Nordal, 2001; Erb, Harvey, & Viskanta, 1996 ; van Wyk, Dahmer, & Custy, 2004).

Political risk, known as non-business risk is presented by political violence such as battle, internal and external conflicts, regional contention, rebellions cause government change, and terrorist attacks. Social aspects include civil conflicts like

ethnic clashes, unequal income distribution, and religious tensions (Hoti & McAleer, 2002). Shanmugam, 1990, added outside causes as additional political influencers of country risk. For example, if a country is not directly involved in the war, still is located in a region, which its neighbor is at war, the chance of unexpected war may increase its country risk level. So, political risk is known as the major influencer that reversely effects the profitability of economy sectors (Shanmugam, 1990). Among the elements of country risk, economic and financial hazards can be mentioned as two important components, which include factors like unexpected decline in business conditions, increase in manufacturing expenses and energy price as well as inefficient investment in foreign funds (Nagy, 1988). Hoti, 2002, also refers to the economic and financial management changes to be other important factor. Juttner, 1995, also considers manufacture disordering, damage in installations, and dangers to personnel as important factors which are observed by foreign direct investors.

Measuring country risk has become an essential part of strategic decision-making (Liu et al. 2016); that's why managers and policy makers constantly use country risk measures for advice (Bouchet, Clark, & Gros Lambert, 2003; Oetzel, Bettis, & Zenner, 2001). Risks related with partaking in international relations have significantly increased, so the process of analyzing and predicating future risks is becoming harder for policy makers in financial, political and economic department (Hoti & McAleer, 2002). Therefore, it is essential to provide comprehensive evaluation of country risk and its probable effects on international business.

2.2.1 Country Risk Rating

Various consultancies and business information providers like Political Risk Services (PRS), International Country Risk Guide (ICRG), Economist Intelligence Unit (EIU), Standard and Poor's, Institutional Investor (II), Euromoney, &

Moddy's, provide Country risk analysis (Hoti & McAleer, 2002). They carry out qualitative and quantitative evaluations, combine the economic related factors and information as well as political and financial risk ratings to reach to composite risk rating (Hoti & McAleer 2002, Shareef, 2007). Compared to other sources, ICRG is the only data provider, which produces comprehensive and reliable monthly data for many countries (Hoti, 2005). It includes three elements namely, political, financial, and economic causes (Chang Liu. Et. Al, 2016). ICRG also provides sub-dimensions of each element, 22 dimensions in total; 5 dimensions specify economic risk factor, 5 dimensions mark financial factor, and 12 variables imply political factor on a scale of 0-100. Composite risk rating is calculated by dividing the sum of three component risk ratings by two. Each of the financial and economic factors account for 25% of the composite risk rating and political factors account for 50% of the composite index. Therefore, the lower the given risk rating, the higher will the related risk be.

An economic weaknesses and strengths of a country is assessed by economic risk rating. When the strengths prevail over weaknesses, it indicates a low economic risk while outweighed weaknesses are sign of high economic risk. The five economic risks factors are as follow: Current Account Balance as a Percentage of GDP, Budget Balance as a Percentage of GDP; Annual Inflation Rate; Real Annual GDP Growth; GDP per Head of Population.

Financial risk rating provides information about a country's ability to meet its financial commitments (Hoti, 2003). It is an evaluation of the country's capability to pay for its commercial, official, and trade debt obligations (Hoti, 2003). Financial rating evaluates financial environment through the following variables:

Exchange Rate Stability; Net Liquidity as Months of Import Cover; Current Account as a Percentage of Export in Goods and Services; Foreign Debt Service as a Percentage of Export in Goods and Services; Foreign Debt as a Percentage of GDP.

Political risk considered as a non-business risk presented by national and international political forces (Hoti, Chan, & McAleer, 2002). Political risk index monitors and rates the political stability of a country comparing to other countries. Political risk rating is measured by using the following variables: Bureaucracy Quality; Democratic Accountability; Ethnic Tensions; Law and Order; Religious Tensions; Military in Politics; Corruption; External Conflict; Internal Conflict; Investment Profile; Socio-economic Conditions; Government Stability.

Based on the literature, all companies are influenced by country risk and country risk rating is considered to be an effective tool, which helps investors in their decision making (Rodriguez & LeMaster, 2007).

Country risk has been considered as a significant factor that impact on managers' perceptions and attitudes which will consequently affect their strategic management decisions (Van Wyk, Dahmer, & Custy, 2004; Bansal & Clelland, 2004). Additionally, it influences corporate performance (Miller & Bromiley, 1990; Erb, Harvey, & Viskanta, 1996), and asset depreciations (Feinberg & Gupta, 2009). It also impacts on shareholder investments (Rodríguez & LeMaster, 2007; Hoti & McAleer, 2004; Cosset & Roy, 1991; Miller & Bromiley, 1990; Bansal & Clelland, 2004) and stakeholders (Van Wyk, Dahmer, & Custy, 2004). It is also known to be a significant factor in structuring international competitive

strategies (Nordal, 2001).

Chapter 3

LITERATURE REVIEW

3.1 Globalization and Tourism Nexus

Globalization, referring to the improved interconnectedness between nations (Shaw & Williams, 2002), has removed national barriers and promoted the free flow of people, goods, information, communication, and lifestyles around the world (Cohen, 2012). This, along with the open skies policy, contributes to tourism development.

A relatively smaller stream of the literature has studied the link between globalization indicators and tourism development. Fereidouni, Al-Mulali, and Najdi (2014) questioned the relationship between globalization indicators and tourism arrivals (TAs) in the Middle East and North Africa. Panel co-integration and Granger causality techniques were used to analyze both the short- and long-term relationships. The results indicate a long-term bidirectional causal relationship between inbound tourism and economic globalization (EG), social globalization (SG), and political globalization (PG). Positive bidirectional causal relationships were found between economic globalization (EG) and social globalization (SG) and inbound tourism in the short term. Furthermore, the outcomes indicate a unidirectional causality from both political and overall globalization to inbound tourism. The Granger causality results showed that, in general, globalization at both the aggregate and disaggregate levels has a causal relationship with international tourism arrivals (TAs) with feedback. Ivanov and Webster (2013a) employed a

cross-sectional analysis of 167 countries to examine globalization's effect on tourism's contribution to economic growth. The results indicated that social, economic and political globalization indicators do not influence tourism's contribution to economic growth. The same authors also examined the link between globalization and destination competitiveness by applying a cross-sectional analysis of 127 countries. They found globalization indicators to have a significant positive impact on destination competitiveness, as measured by the Travel and Tourism Competitiveness Index (Ivanov & Webster, 2013b).

Some researchers have assessed the link between international tourism and economic globalization (EG) indicators, such as international trade (Katircioglu, 2009; Fischer & Gil-Alana, 2009; Khan, Toh, & Chua, 2005; Kulendran & Wilson, 2000; Santana-Gallego, Ledesma-Rodriguez, & Perez-Rodriguez, 2011; Shan & Wilson, 2001) and foreign direct investment (FDI) (Katircioglu, 2011; Dunning & Kundu, 1995; Gholipour & Al-Mulali, 2014; Sanford & Dong, 2000; Tang, Selvanathan, & Selvanathan, 2007; Zhang, Ebbers, & Zhou, 2011). Mpofu (2009) referred to international trade as a factor facilitating tourism growth. International trade needs investors to travel abroad, which significantly influences international business and tourism growth.

Cultural convergence is caused by social and cultural globalization as a result of media transparency and high Internet consumption; this aids in new technology diffusion, combining people's interactions with the flow of information. Subsequently, this speeds up the globalization process and inevitably promotes tourism development (Boockmann & Dreher, 2003; Dreher, 2006). Modern development has improved tourism's technological aspects. For example,

technological advancement has helped tourists overcome physical distance barriers in transportation, communication, and the purchasing of goods and services (Hannam, Sheller, & Urray, 2006). Aside from this, technological advancement has also allowed tourists to research and acquire detailed information about their destinations, including what the destination has to offer and other important information (Knowles, Diamantis, & El-Mourhabi, 2001). Li and Suomi (2007) claimed that the Internet, computer reservations, and e-commerce have additionally advanced international tourism development.

Some researchers have claimed that political globalization (PG) factors contribute to tourism development. Countries can attract more tourists when they become more integrated into the global economy and society. In other words, when a country creates favorable political relations with other countries, attempts to settle internal conflicts and religious agitations, actively participates in international treaties, and increases the number of foreign embassies, it can increase international tourism arrivals (TAs) (Fereidouni, Al-Mulali, & Najdi 2014). Additionally, resolving political issues concerning country trade block configuration and involvement in several global agreements are vital to tourism development (Goryakin et al., 2015). Overall, regional political integration can lead to greater regional support for creating a medium, encouraging foreign investors to seek opportunities in sectors that can further develop the tourism industry (Goryakin et al., 2015).

3.2 Country Risks and Tourism Nexus

Few studies have focused on ICRG as one of the determinants of tourism development in the literature. Hoti, McAleer, and Shareef, 2007, provided a comparison of country risk returns, tourism growth and their related uncertainties

for two small island namely Malta and Cyprus using multivariate models of conditional volatility. The outcomes revealed that however these two islands are complementary place for international tourists, as tourism pattern variations in one site it causes changes in the other site, but the act of the tourism sectors and the related composite risk are independent both in long and short run. However the outcomes discovered that a positive relationship exists between composite risk rating and tourism growth in two sites. Sequeira and Nunes, 2008 claimed that country risk is a determining factor in tourism specification. The result indicated that composite risk rating and political risk have serious impacts on both arrivals and returns in rich countries. However, in the case of poor countries, tourist arrivals decrease as the country risk increases but their returns seem unaffected. In addition, middle-income countries (Latin America, The Middle East and Southern Europe) tourism specification is significantly impacted regarding arrivals and returns.

Shareef and Hoti, 2005, undertook a study to evaluate the economic, social and political characteristics of twenty small islands where the country's main source of national income is based on tourism industry. This analysis affirmed a notable association between international tourism earning and economic growth. Comparisons of annual country risk rating (economic, financial, political, and composite risk rating) for sites from 1984 to 2001 were provided to test the link among the country's economic growth and the country risk. Despite all, the literature professes the increase in country risk rating is affected by economic growth increases and vice versa, mixed results are provided. Accordingly, a positive association between the country risk rating and its economic growth among 13 of 24 cases has been observed and the rest are negative. The economic

growth was positively related with all four risks ratings for the Bahamas, Dominican Republic and Haiti and were negative for Cyprus, Malta and Jamaica. So, no general pattern in the direction between economic growth and country risk rating was revealed.

The level of political risk as a factor of country risks may affect tourism development in such a way that the increase in political risk level may drop tourism arrivals and revenue to a great extent. Oh and Reuveny, 2010, claimed that due to the unforeseen changes in role of country from amiability to hostility, once contextual uncertainty increases, political risk will rise, and with the increased skepticism in political relations, tourist arrivals may fall. Internal conflict along with inter-ethnic hatred between Thai Muslims and the militants, also terrorist attacks all have negative impact on tourism industry (Tarrant,2010; Saha &Yap, 2014). Drakos and Kutan, 2003, undertook a study concerning the impacts of terrorism on tourist arrivals in Greece, Israel, and Turkey; The results indicated that terrorism adversely affect tourist arrivals in the studied countries. Moreover, the strength of casualties and geographical location of terrorist attacks may have important own and spill-over impact on the effected countries. Teye (1988) stated that when a country experiences political unrest, its government limits the tourism development and tries to control the violence. In addition, factors like socioeconomic rules that increase public dissatisfaction, military involvement in politics which may cause military struggles, and unqualified bureaucracy may intensify the level of political hazard and accordingly damage tourism industry by reducing tourists arrival (Oh & Reuveny, 2010).

All-encompassing results regarding the relation between tourism and corruption

are provided in the existing literature. Some researchers determine corruption to have adverse effect on tourism demand. Thereupon countries with low corruption rate are faced with greater volume of tourism demand and vice versa (Lau & Hazari, 2011; Das & Dirienzo, 2010). Saha and Yap, 2013, emphasized that if a corrupt country does not pursue tourism strategies and policies, its tourism industry will be on the brick of collapse. Furthermore, in these countries, there always exists the possibility of social turmoil and anarchy, which have negative impact on tourism development in corrupt countries. Nonetheless, Yap and Saha, 2013 mentioned that in countries with cultural and architectural heritage corruption does not have diverse impacts on tourist arrival. On the contrary, political scientists such as Leff, 1964 and Huntington, 1968, believed that it is possible that corruption causes an increase in tourism demand. Likewise, Corruption has been known as a factor which has reverse impact on airport productivity (Yan & Oum, 2014). Still, Randrianarisoa.et. al, 2015, claimed that this effect by and large depends on ownership status of the airports. Therefore, airports which are located in more corrupt countries with mixed public-private ownerships, have private gains lower than the level of efficiency.

Generally, countries which experience political instability usually face internal and external conflicts, various forms of violence, tensions among different ethnic or religious groups, military coups as well as terrorism all of which cause negative public image and troubles in tourism planning procedure and their demand (Issa & Altinay 2006). Therefore, the impacts of political hazard on tourism industry are inevitable, as a matter of fact, a high level of political uncertainty could deteriorate the execution of tourism industry. Accordingly, it is of significant importance to analyze the impact of political risk along with the extent to which it

can adversely affect tourism industry.

In order to check the impact of exchange rate on tourism demand, several intensive studies have been carried out. The results were diverse. Some empirical studies have been conducted to find the link between exchange rate and tourism demand. The outcomes suggested that there is no significant relationship between the two (Vanegas & Croes, 2000, Quadri & Zheng, 2010). Croes and Vanegan(2005) used annual data from 1975 to 2000 to conduct a study in order to discover the impacts of exchange rate on tourism arrivals to Aruba from USA. The result suggested that exchange rate has a positive impact on tourism arrivals. Webber, 2001, proposed that the exchange rate volatility impacts on tourism industry in two ways. First, exchange rate volatility has influence on the selection of tourists' destination (Akar, 2012), tourists opt for countries where the exchange rate is favorable (Wang, Chen, & Lu, 2008). Second, changes in exchange rate affects the length of time visitors spend in destination as well as their expenditure (Tang et al. 2014). So, tourists tend to stay longer and spend more money when the exchange rate in the destination is favorable (Crouch, 1993). On the contrary, some empirical studies have shown noticeable reverse impacts of exchange rate on tourism demand (Saayman & Saayman, 2013, Chan & McAleer, 2012).

Chapter 4

INVESTIGATING GLOBALIZATIONS FACTORS AND INTERNATIONAL TOURISM DEVELOPMENT NEXUS

4.1 Introduction

Considerable research attention has been devoted to tourism development in recent years. Researchers have claimed that tourism development is affected by financial systems (Karadzova & Dicevska, 2011), financial institutions (Becker, 1995), transport infrastructure (Khadaroo & Seetanah, 2007), political risks (Eilat & Einav, 2004), infrastructure development (Gebrehiwot & Gebre, 2015; Chew, 1987; Inskip, 1991; Martin & Witt, 1988), and some economic variables, such as gross domestic product (GDP), real exchange rates, and bilateral trade agreements (Culiuc, 2014). However, while many factors have been distinguished as determinants of tourism development, the results are inconclusive and need more investigation. As a part of the services trade, tourism serves as an engine of growth in tourism destination countries (Grzinic, Zarkovic, & Zanketic, 2010; Katircioglu, 2009; Omotor, 2008).

Globalization is considered a determining factor with huge impact on tourism industry growth (Fereidouni, Al-Mulali, & Najdi, 2014) as it expands the market and integrates societies; decreases geographical restrictions on sociocultural classifications (Waters, 1995; Friedman, 1999); increases the flow of people, ideas, and technologies (Albrow, 1996); and alters societies' economic, political, and

cultural infrastructure. On the one hand, as a result of globalization, the tourism industry as a service trade became more sensitive to financial, economic, and political crises (Kiani, 2011; Al-Rjoub, 2011; Sinnakkannu & Nassir, 2008). On the other hand, Cohen (2012) claimed that globalization has had remarkable influence on the tourism industry's development. Agenor (2003) argued that globalization provides favorable opportunities for tourism industry development by motivating societies and economies to become more internationally integrated. Fereidouni, Al-Mulali, and Najdi (2014) examined the link between globalization indicators and tourism arrivals (TAs), claiming that inbound tourism promotes globalization and that the global economy and societal interaction increases tourism arrivals (TAs) in the short and long term.

Although the literature has established the relationship between globalization indicators and tourism arrivals (TAs), no attention has been given to the relationship between globalization indicators and tourism development as measured by tourism expenditures (TEs), or as tourism receipts (TRs). Leitaó (2011) examined the relationship between globalization and intra-industry trade in the case of the USA. However, considering both the lack of research on this topic and Ivanov and Webster's (2013a) suggestion, examining these links is a unique idea and could yield useful information. Hence, this study aims to broaden the tourism literature by assessing whether globalization influences tourism development. More specifically, this study examines whether social globalization (SG), political globalization (PG), or economic globalization (EG) affect tourism arrivals (TAs), tourism expenditures (TEs), or tourism receipts (TRs). In this research, the KOF Globalization Index was used to evaluate these relationships; the KOF calculation method addresses globalization's economic, social, and political aspects. This study investigates these

relationships using annual data from 133 countries between 1995 and 2014. The panel dataset dimensions include all the countries for which data on these variables was obtainable and which had favorable observation time lengths. Different approaches in panel regressions have been adapted in the current study to produce accurate estimates.

This study contributes to both the existing knowledge on tourism development determinants and the globalization literature in the following ways. First, although globalization has received widespread recognition from developing countries over the past few decades, its effect on tourism development has received little recognition in the literature. To the best of our knowledge, there has only been one study in this field examining the link between globalization indicators and TA, namely, Fereidouni, Al-Mulali, and Najdi's (2014) research. Owing to this gap, this study will be the first to check the link between globalization indicators and tourism development, as measured by tourism arrivals (TAs), tourism expenditures (TEs), and tourism receipts (TRs). Due to the model that this study uses, it will also generate more accurate estimations regarding tourism development and provide comprehensive results for forecasting purposes. Furthermore, this data will be quite beneficial for policymakers who need to understand how globalization indicators influence tourism development.

Second, regarding the methodological perspective, this study modifies and extends the methodology used in former studies. Descriptive analyses, surveys, and time series analyses are the most desirable approaches in the tourism literature. Furthermore, considering the link between globalization and tourism, former studies applied panel cointegration and Granger causality techniques (Fereidouni, Al-Mulali,

& Najdi, 2014). Therefore, this study will be the first to use different approaches including Blundell and Bond's (1998) dynamic panel Generalized Method of Moments (GMM) to check these links, allowing us to generate more reliable estimates compared to past studies.

Third, regarding the literature, previous studies have focused on specific countries as their case studies (Fereidouni, Al-Mulali, & Najdi, 2014). No studies with global coverage have been conducted in this regard. Therefore, the outcomes will broaden the tourism literature.

4.2 Theoretical Setting

The empirical models were specifically designed as a reduced form of the dynamic panel model of tourism development. Tourism expenditures (TEs), tourism arrivals (TAs), and tourism receipts (TRs) represent three different proxies for tourism development in three different models. In each model, the specific proxy was a function of globalization sub-indices: economic globalization (EG), political globalization (PG), and social globalization (SG). These factors' influence on tourism expenditures (TEs), tourism arrivals (TAs), and tourism receipts (TRs) was examined separately based on equations (1), (2), and (3). The variable, CV, is control variables added to the models of the present study:

$$TA_{it} = CV_{it} + EG_{it} + PG_{it} + SG_{it} + C_i + \psi_t + \varepsilon_{it} \quad (1)$$

$$TE_{it} = CV_{it} + EG_{it} + PG_{it} + SG_{it} + C_i + \psi_t + \varepsilon_{it} \quad (2)$$

$$TR_{it} = CV_{it} + EG_{it} + PG_{it} + SG_{it} + C_i + \psi_t + \varepsilon_{it} \quad (3)$$

Where i denotes the country ($i=1, \dots, 133$) and t denotes the time period ($t=1995, \dots, 2012$). Equations (1) through (3) are fairly general specifications, allowing for

dynamic tourism development effects, stochastic error terms (ϵ), fixed time effects (ψ), and individual fixed country effects (C).

4.3 Data and Methodology

4.3.1 Data

Annual data from 133 countries between 1995 and 2014 was used to examine globalization's influence on tourism development. The choice of period and countries was based on data availability. All variables were transformed into the natural logarithmic form in order to capture growth effects in regressions (Katircioglu, 2010).

Dependent variables: This study's dependent variable was tourism development. Past studies have used several alternatives for measuring tourism development (Song, Li, Witt, & Fei, 2010; Katircioglu 2010), including tourism expenditures (TEs), the number of nights spent at tourism accommodations, lengths of stay, the number of international tourism arrivals (TAs), and tourism receipts (TRs). The literature's most commonly used measures were statistical availability and consistency between data sources, international tourism arrivals (TAs), tourism expenditures (TEs), and international tourism receipts (TRs). (Tang & Tan, 2015; Ridderstaat et al., 2014; Nguyen et al., 2014; Tugcu, 2014; Saha & Yap, 2014; Lee & Brahmaasrene, 2013; Song et. al., 2010). Accordingly, this study used these three indicators to comprehensively measure tourism industry development. The advantage of using these three indicators is the ability to observe the extent to which economic, political, and social globalization indicators affect the number of international visitors, the revenue earned from the tourism industry, and expenditures by international visitors.

This data was extracted from the World Bank (2016). The natural logs of international tourism expenditures (TEs), international tourism arrivals (TAs), and international tourism receipts (TRs) separately were used as dependent variables in different models.

According to the World Bank, international tourism expenditures (TEs) refer to the expenditures of international outbound visitors in other countries, including payments to foreign carriers for international transport. International tourism receipts (TRs) refer to expenditures by international inbound visitors, including payments to national carriers for international transport. International tourism arrivals (TAs) refer to the number of tourists traveling to a country other than the one in which they usually reside for a period not exceeding 12 months, and whose main purpose for visiting is not an activity remunerated from within the country visited.

Independent variables: Globalization was independent variable. This study sought to capture the influence of globalization's sub-components, in this case economic globalization (EG), social globalization (SG), and political globalization (PG), on tourism development. This data was collected from the KOF Globalization Index (2016), which was prepared by the Swiss Economic Institute. The KOF Globalization Index was introduced in 2002 (Dreher, 2006), and it was updated and described in detail by Dreher, Gaston, and Martens (2008). The index covers 207 countries through 23 variables and consists of the three main sub-dimensions: economic, social, and political. The KOF Index is well-known and has been frequently used by researchers over the last decade (Lee & Lin, 2016; Law, Tan, & Azman-Saini, 2015; Fereidouni, Al-Mulali, & Najdi, 2014; Chang, Berdiev, & Lee, 2013; Ivanov & Webster, 2013a,b). The three key aspects of the KOF Globalization

Index used in this study are: economic globalization (EG), which distinguishes the long distance flow of goods, capital, and services, in addition to understanding information assisting in market exchanges; political globalization (PG), which represents the distribution of government policies; and social globalization (SG), which conveys how ideas, information, images, and people progress (Dreher, Gaston, & Martens, 2008).

Economic globalization: The primary measure of globalization was the relevant KOF sub-index, which is a composite measure comprising the following variables: trade (percent of GDP), FDI stocks (percent of GDP), portfolio investment (percent of GDP), income payments to foreign nationals (percent of GDP), hidden import barriers, mean tariff rate, taxes on international trade (in percent of current revenue), and capital account restriction.

Political globalization: This study took advantage of the political KOF Index mentioned above, which is a composite measure including information on the following four components: the number of foreign embassies in a given country, membership in international organizations, participation in U.N. Security Council missions, and the number of signed international treaties (Dreher, Gaston, & Matrens, 2008). This component was designed to measure the degree of a country's international political engagement (Dreher, 2006).

Social globalization: The main measure of this globalization subcategory was the social KOF Globalization Index, which is based on the following variables: telephone traffic transfers (percent of GDP), international tourism foreign population (percent of total population), international letters (per capita), Internet users (per

1,000 people), TVs (per 1,000 people), trade in newspapers (in percent of GDP), number of McDonald's restaurants (per capita), number of Ikea stores (per capita), and trade in books (in percent of GDP).

Each dimension ranged from 1–100, with higher values showing greater levels of globalization. More information about the indices and variable weights are provided in Appendix A (more information at <http://www.globalization.kof.ethz.ch>).

Control Variables: In parallel to the literature studies, control variables of gross domestic product (GDP, 2010 = 100 at dollar prices), gross fixed capital formation (GFC, 2010 = 100 at dollar prices), overall population (POP), and real effective exchange rates (RER, 2010 = 100) have been added to the empirical analyses of this study as suggested in the works of Poprawe (2015) and Yap and Saha (2013). This is to avoid omitted variable problems in regressions.

Table 1 shows the descriptive statistics of the variables employed in this study. Table 2 illustrates the correlation matrix of tourism development indicators and globalization factors. According to this table, independent variables are not generally and highly correlated. Therefore, no autocorrelation problems are expected.

Four different unit root tests were applied to check whether or not the data was stationary. According to the results (Appendix B), all of the variables seem to be stationary at their level forms; thus, this finding enables us to proceed with estimations of regressions using the level forms of series under consideration.

Table 1: Descriptive statistics

	Variable Name	Variable Definition	Mean	Median	Maximum	Minimum	Std. Dev.	Obs.
Tourism Development	TE	Tourism Expenditures	21.102	21.027	25.590	16.013	1.913	2309
	TR	Tourism Receipts	21.285	21.490	26.027	13.459	2.012	1663
	TA	Tourism Arrivals	14.632	14.721	18.222	8.987	1.746	2286
Globalization	SG	Social Globalization	50.614	47.413	93.536	4.2588	22.734	2391
	EG	Economic Globalization	59.549	59.036	99.028	10.080	17.760	2337
	PG	Political Globalization	68.565	70.544	98.156	21.208	18.948	2391
Control Variable	GDP	Gross Domestic Product	22.290	11.387	107.700	172.490	34.640	2459
		Gross Fixed Capital						
	GFC	Formation	1.610	2.960	4.790	0.518	4.740	2459
	POP	Population	46.384	10.481	136.000	6.760	1.500	2660
	RER	Real Exchange Rates	99.832	98.768	827.170	46.316	30.854	2459

Note: This dataset includes data for 133 countries from 1995–2014.

Table 2: Correlation Matrix

	LN _{TA}	LN _{TR}	LN _{TE}	LN _{EG}	LN _{SG}	LN _{PG}	LN _{GDP}	LN _{GFC}	LN _{POP}	LN _{RER}
ln _{TA}	1									
ln _{TR}	0.9121	1								
ln _{TE}	0.8437	0.8983	1							
ln _{EG}	0.3825	0.5169	0.4419	1						
ln _{SG}	0.6157	0.7404	0.6249	0.7892	1					
ln _{PG}	0.6506	0.6470	0.6897	0.2896	0.3846	1				
ln _{GDP}	0.5857	0.7124	0.6761	0.6552	0.8422	0.3767	1			
ln _{GFC}	0.7850	0.7814	0.8994	0.2467	0.4439	0.6768	0.5629	1		
ln _{POP}	0.4693	0.3600	0.5458	-0.2222	-0.1539	0.5215	-0.1172	0.7461	1	
ln _{RER}	-0.0148	-0.0172	0.0201	-0.0629	-0.1191	-0.0013	0.0056	-0.0220	-0.0227	1

4.3.2 Methodology

This study has employed various panel estimation methods for regressions of equation (1) through (3) in order to control for robustness of results. Therefore, regressions with ordinary least squares (OLS), fixed effects (FE), random effects (RE), dynamic OLS, fully modified OLS, and at the end, the generalized method of moments (GMM) approaches have been estimated from panel data of this study. Equations (1) through (3) are examples of the linear dynamic panel model introduced by Bundel and Bond (1998). Their GMM method solves likely cross-section dependence and endogeneity problems in a regression model. The GMM method can also solve other problems that make the estimation inconsistent – for example: 1) autocorrelation problems due to lagged dependent variables and 2) a small sample size or a large number of cross sections. It is important to mention that prior to these estimations, standard panel unit root tests will be carried out to see if data generating process of series are stationary.

4.4 Results and Discussion

This section presents and discusses those results of regression analyses. Panel estimates for the 133 countries' tourism development are presented in Tables 3 through 5. Table 3 reports the regression results of equation (1). The variables of globalization factors (EG, SG, and PG) generally exert positively significant effects on tourist arrivals across different methodological regressions. There are some negative signs for their coefficients but are not statistically significant. This is to conclude that no matter what approach is selected for equation (1), the effects of economic, social, and political globalization factors on tourist arrivals are positively significant. Table 3 also shows that control variables of this study (GDP, POP, and RER) do also exert statistically

significant effects on tourist arrivals to the selected 133 countries. The signs of coefficient for real exchange rates with respect to tourist arrivals are negative as expected.

Table 4 reports the regression results of equation (2) where tourism receipts are dependent variable. The variables of globalization factors (EG, SG, and PG) again generally exert positively significant effects on tourism receipts across different methodological regressions. This is to conclude that no matter what approach is selected for equation (2), the effects of economic, social, and political globalization factors on tourist arrivals are positively significant. Table 4 also shows that control variables of this study (GDP, POP, and RER) do also exert statistically significant effects on tourism receipts of the selected 133 countries.

Finally, Table 5 reports the regression results of equation (3) where tourism expenditures are dependent variable. The variables of globalization factors (EG, SG, and PG) again generally exert positively significant effects on tourism expenditures across different methodological regressions. This is to conclude that no matter what approach is selected for equation (3), the effects of economic, social, and political globalization factors on tourism expenditures are again positively significant. Table 5 also shows that control variables of this study (GDP, POP, and RER) do also exert statistically significant effects on tourism expenditures of the selected 133 countries.

Table 3: The Effects of Globalization factors on tourist arrivals

Dependent Variable	lnTA									
	OLS	FE	RE	DOLS None	DOLS With Constant	DOLS With Trend	FMOLS None	FMOLS With Constant	FMOLS With Trend	GMM
Intercept	-6.660*	10.640*	-5.918*	-	-	-	-	-	-	-6.948***
lnEG	-0.747*	0.070	0.328*	-1.028*	0.622*	0.062	-1.207*	0.235***	0.119	1.314*
lnSG	2.367*	0.387*	0.955*	1.520*	0.559*	-0.042	2.236*	0.702*	-0.034	1.488***
lnPG	0.952*	0.812	1.045*	1.430*	0.692*	-0.058	0.669*	1.262*	0.176**	0.053
lnGDP	-0.070	-0.111*	0.054	0.399*	0.024	-0.154	0.003	0.084	-0.091***	0.094
lnGFC	0.257*	0.220*	0.158*	-0.025	0.197**	0.279*	0.281***	0.129**	0.224*	0.208
lnPOP	0.204**	-0.301**	0.415*	0.388*	1.128*	-2.303*	0.161	0.724*	-2.219*	0.334***
lnRER	0.476*	-0.109**	-0.008	-0.527*	-0.133	-0.297*	-0.300**	0.042	-0.078	-0.183
AR (-2)	-	-	-	-	-	-	-	-	-	0.945*
Adj. R ²	0.747	0.981	0.531	0.930	0.987	0.995	0.736	0.979	0.992	0.981
S.E. of Reg.	0.900	0.243	0.268	0.455	0.197	0.120	0.116	0.256	0.150	0.241
F-prob.	0.000	0.000	0.000	-	-	-	-	-	-	-
Long run var.	-	-	-	0.225	0.035	0.009	0.268	0.131	0.036	-
Obs.	2416	2416	2416	2279	2264	2264	2331	2331	2331	2259

***, **, and * indicate statistical significance at the 10%, 5%, and 1%, respectively.

Table 4: The Effects of Globalization factors on tourism receipts

Dependent Variable	lnTR									
	OLS	FE	RE	DOLS None	DOLS With Constant	DOLS With Trend	FMOLS None	FMOLS With Constant	FMOLS With Trend	GMM
Intercept	-4.481*	12.071*	-9.277*	-	-	-	-	-	-	-3.518
lnEG	-0.288*	0.741*	1.138*	-0.778*	1.328*	0.761*	0.688*	0.979*	0.373**	2.144*
lnSG	2.517*	0.759*	1.477*	1.714*	0.680*	-0.260	2.512*	1.300*	0.024	0.935***
lnPG	0.996*	0.380*	0.882*	1.482*	0.393**	-0.383**	0.926*	0.895*	-0.101	-0.685
lnGDP	-0.141	-0.250*	0.146**	0.195	0.293**	-0.122	-0.033	0.335*	-0.048	0.143
lnGFC	0.522*	0.456*	0.343*	0.446*	0.349*	0.530*	0.468*	0.220*	0.428*	0.434
lnPOP	-0.071	-0.509*	0.299*	-0.115	1.450*	-0.379	-0.027	1.331*	-0.720	0.248
lnRER	0.676*	0.293*	0.414*	0.211	0.454*	0.243**	-0.025	0.356*	-0.081	0.100
AR (-2)										0.928*
Adj. R ²	0.822	0.975	0.608	0.942	0.983	0.990	0.819	0.972	0.986	0.972
S.E. of Reg.	0.878	0.323	0.303	0.457	0.243	0.188	0.183	0.347	0.243	0.339
F-prob.	0.000	0.000	0.000	-	-	-	-	-	-	-
Long run var.	-	-	-	0.208	0.047	0.020	0.194	0.230	0.088	-
Obs.	2424	2424	2424	2268	2268	2252	2338	2338	2338	2268

***, **, and * indicate statistical significance at the 10%, 5%, and 1%, respectively.

Table 5: The Effects of Globalization factors on tourism expenditures

Dependent Variable	lnTE									
	OLS	FE	RE	DOLS None	DOLS With Constant	DOLS With Trend	FMOLS None	FMOLS With Constant	FMOLS With Trend	GMM
Intercept	-4.821*	12.071	9.277*	-	-	-	-	-	-	-5.050
lnEG	-0.288**	0.741*	1.138*	0.568*	1.322*	0.582*	-0.259	0.619*	0.271*	1.081
lnSG	2.517*	0.759*	1.477*	1.075*	0.576*	0.042	1.023*	1.483*	0.533*	1.365**
lnPG	0.996*	0.380*	0.882*	0.692*	0.198	0.133	0.372**	0.669*	-0.070	-0.221
lnGDP	-0.141	-0.250*	0.146**	0.208	0.469*	0.398*	0.826*	0.452*	0.196**	0.027
lnGFC	0.522*	0.456*	0.343*	0.452*	0.169***	0.211*	-0.038	0.054	0.252*	0.493
lnPOP	-0.071	-0.509*	0.299*	0.196	1.928*	-0.202	0.720*	2.067*	-0.600	0.362
lnRER	0.676*	0.293*	0.414*	0.156	0.590*	0.345*	-0.355*	0.782*	0.404*	0.028
AR (-2)	-	-	-	-	-	-	-	-	-	0.906
Adj. R ²	0.822	0.975	0.608	0.954	0.985	0.992	0.883	0.971	0.988	0.979
S.E. of Reg.	0.878	0.323	0.373	0.407	0.226	0.160	0.689	0.343	0.215	0.284
F-prob.	0.000	0.000	0.000	-	-	-	-	-	-	-
Long run var.	-	-	-	0.164	0.040	0.015	0.159	0.233	0.073	-
Obs.	2424	2424	2424	2267	2267	2251	2338	2338	2338	2266

***, **, and * indicate statistical significance at the 10%, 5%, and 1%, respectively.

To summarize, results of this study find that globalization factors as categorized as economic, social, and political globalization exert statistically significant and positive effects on tourism development in the selected 133 countries. And country specific economic aggregates such as national income, overall population, and real exchange rates are important and significant contributors to these effects.

4.5 Conclusion and Implication

This study examined how globalization factors affect international tourism. This study employed panel regression models in order to study a sample of 133 countries using data from 1995–2014. Results suggest that economic, social, and political globalization trends in the globe exert positively significant effects on countries' tourism growth. Thus, an improvement in any one of these globalization factors would mean higher tourism growth in the countries. These results are similar, for example, to the findings of Freidouni, Al-Mulali, and Najdi (2014). Future studies are recommended to examine the causal relationship between globalization factors and tourism development in each country separately, since each country has special characteristics that can influence its tourism growth. However, it would be beneficial to check the links in particular countries.

This study's outcomes have important implications for policymakers. The positive relationship between economic globalization (EG) and tourism development indicate that in order to increase the number of inbound international tourists, countries need to have policies to increase their economic globalization (EG) index by increasing: 1) economic openness as proxied by the sum of exports and the imports of goods and services; 2) the sum of inward and outward foreign direct investment (FDI); and 3) the sum of portfolio investment in financial markets. They also need to regulate tariff

and non-tariff barriers on imported goods in order to secure the domestic market competition. Additionally, governments need suitable taxation policies for international trade, including exchange taxes, exchange profits, export or import monopoly profits, export duties, and import duties. Capital account restrictions can negatively affect tourism development through the economic globalization (EG) channel. Therefore, governments can facilitate: 1) foreign ownership of companies in their countries, 2) foreign access to domestic capital markets, and (3) citizens' access to foreign capital markets.

The positive relationship between social globalization (SG) and the tourism variables indicate that in order to boost tourism development, countries need policies that their social globalization (SG) index by increasing, for example: 1) the sum of gross outflows and the gross inflows of goods, income, services, or financial items; and 2) the number of people with internet access. And finally, positive effects of political globalization have been also found in this study suggesting that countries need to integrate well in political arena in order to develop their tourism policies and contribute to the sector. Having good political relationships with international organizations, involving in international organizations, etc. will contribute to tourism development positively according to the findings of this study.

Chapter 5

INVESTIGATING COUNTRY RISKS AND INTERNATIONAL TOURISM DEVELOPMENT NEXUS

5.1 Introduction

During the last decade, along with the improvement in societies, growth in global economy and progress in humans' living ideals as well as increase in peoples' travel time, world tourism has also been impacted and grown (Cui. Fangnan. et al., 2016). Accordingly, tourism industry has developed into a stage of consistent growth and has become an important sector which provides benefits like increase in employment opportunities, foreign exchange earnings, government revenues as well as alleviating poverty for the economy which leads to economic growth (Clancy, 1999; Saha, and Yap, 2013). However, any political, economic or social changes or unrests can deteriorate this industry (Saha & Yap, 2013). Countries may experience various types of risks such as terrorism, political instabilities, natural disasters each of which may have negative effects on tourism industry (Neves & Nunes, 2008). In addition, during the recent years the risks of getting involved in international relations have dramatically increased and made it more difficult for decision and policy makers to assess and anticipate risks (Hoti, 2003). Moreover, analyzing the risk accompanied by abroad investment has become an essential part of strategic decision-making (Cui. Fangnan. et al., 2016), that is the main reason investors make use of country risk ratios in order to get advice (Bouchet, Clark, & Gros Lambert, 2003; Oetzel, Bettis, & Zenner, 2001).

A lot of research has been undertaken to find out the influences of various types of risks on tourism industry. Results revealed that political instability (Sonmez 1998; Seddighi, Theocharous, & Nuttall 2002; Llorca- Vivero 2008), political violence (Neumayer, 2004), terrorism (Sonmez 1998; Drakos & Kutan, 2003; Sonmez, Apostolopoulos, & Tarlow 1999; Feridun, 2011; Sandler, 1991; Enders, Sandler, and Parise, 1992), and corruption (Lau & Hazari, 2011; Das & Dirienzo, 2010; Saha & Yap, 2015) all adversely affect tourism demand. Arana and Leon 2008, claimed that terrorism-related violence decreased tourist arrivals. Still, Yap and Saha (2013) claimed that there exists no significant association between corruption index and tourist arrival numbers. In addition, some new studies suggested that the impacts of terrorism attacks and political insecurity on tourism development differ across nations (Llorca- Vivero, 2008) and may act at different levels (Seddighi, Theocharous, & Nuttall, 2002).

Nevertheless, extensive studies have been carried out regarding this issue. Still, the association between country risks compiled by International Country Risk Guides (ICRG) and Tourism Development (TD) has received little attention in tourism literature. Inadequate research has been conducted on ICRG, which focuses on individual factors namely political, financial, and economic risk. Eric Neumayer, 2004, also considered it worthy of mention to examine the effects of three factors of ICRG on tourism. Additionally, the impacts of sub-dimensions of ICRG have not been discussed in tourism literature. Furthermore, it will be interesting to evaluate and assimilate certain risks, which predominantly affect tourism specification (Sequeira & Nunes, 2008). Ergo this study supports this flow of literature with intent to create a model, which can capture the effects of each component of ICRG on TD. Therefore, in this study, country risk refers to

any financial, economic, and political aspects to provide the comprehensive risk status of the studied country (Gregorio, 2005; Bouchet, Clark, & Gros Lambert, 2003). Financial risk component is represented by five variables (foreign debt service as a percentage of export in goods and services, foreign debt as a percentage of GDP, net liquidity as months of import cover, current account as a percentage of export in goods and services and exchange rate stability); Economic risk component is indicated by five variables (GDP growth, GDP per capita, budget balance as a percentage of GDP, inflation rate, and current account balance as a percentage of GDP); and 10 variables (socio-economic conditions, government stability, internal and external conflicts, investment profile, corruption, religious and ethnic tensions, military in politics, and democratic accountability) representing the political risk component. Tourism development with three indicators: international tourist arrivals, international tourism receipt, and tourism expenditure is used as the dependent variable.

A dynamic panel data framework was carried out by using information derived from an analytical framework on 133 countries from 1995-2012 and it was utilized to test the above-mentioned relationship. A present Generalized-Method-of Moments (GMM) technique was applied in this study for dynamic panels. Some robustness inspection was applied in which findings are robust to the decrease in the sample size.

This study contributes to both the existing literature on the determinants of tourism development and the literature on ICRG in different ways. In the first place, in spite of all the paramount roles ICRG plays in previous study, ICRG influence has been somewhat ignored in tourism literature and deserves more

recognition (Sequeira, Neves, & Nunes, 2008). Hence, the current study focuses on the impact of ICRG on TD, which has been rarely examined in tourism literature. The model then provides more accurate analysis of tourism development for the purposes of predicting and planning efficient crisis recovery strategies. Additionally, research which concentrate on the distinctive components of ICRG is slender, so examining certain risks that influence tourism would be useful (Sequeira, Neves, & Nunes, 2008). Also, Page, Song, and Wu (2012) proposed an interesting way to detach the effects of each factor on tourism demand. Therefore, it is necessity to have a better approach and find out the association between various types of risk and tourism expansion. This research expands the tourism literature by proving the effects of ICRG's twenty sub-features for the first time. If these factors have great effect on the growth of tourism, then these findings will provide policy makers with important implications to enhance tourism expansion. Additionally, the outcome may be instrumental for risk management aims.

Secondly, taking into account the methodological approach, this paper modifies and extends on the methodology used in previous works. Tourism literature has majorly concentrated on descriptive analysis of how various types of risk such as political instability and corruption may influence tourism business (Loannides & Apostolopoulos 1999; Leung, Lam, & Wong 1996). Furthermore, time series study and survey analysis have been used by several authors (Prideaux, Laws, & Faulkner 2003; Hoti, McAleer, & Shareef 2005; Das & Dirienzo 2010;), but rarely have adopted panel data. This study carried out Generalized Method of Moment (GMM) standard test to produce reliable estimates. Besides, present study is among few studies that have lunched robustness check in order to

examine the sensitivity of the outcome to the alternative specifications.

Thirdly, using tourism arrivals, tourism receipt, and tourism expenditure to better weigh tourism development. Utilizing these three aspects would benefit and provide deep proof to enable us see to what length the various types of risk may cause to international tourist numbers and profit derived from tourism business and tourism expenditure. Furthermore, regarding tourism literature, majority of studies focus on certain countries or at least a region as their case studies (Sequeira, Neves, & Nunes, 2008; Leung, Lam & Wong, 1996; Henderson, 2003; Duffy, 2000;). Tourism literature is lacking in global coverage, none has been carried out in regards to this survey, factual outcome of this survey elongate tourism literature.

5.2 Theoretical Setting

The empirical models are specified as a reduced form dynamic panel model of tourism development. Tourism Arrivals (TA), Tourism Expenditures (TE) and Tourism receipts (TR) are three different proxies of tourism development in three different models.

In each model, the specific proxy of tourism development is a function of economic, financial or political risk factors.

Political risk factors include Corruption (COR), Democratic Accountability (DA), External Conflict (EC), Investment Profile (IP), Internal Conflict (IC), Government Stability (GS), Ethnic Tensions (ET), Religion in Politics (RP), Socioeconomic Conditions (SC), and Military in Politics (MP). This study checks the impact of these

factors on Tourism Arrivals (TA), Tourism Expenditures (TE) and Tourism receipts (TR) separately based on equations (1), (2) and (3).

$$TA_{it} = TA(-1)_{it-1} + GS_{it} + IP_{it} + IC_{it} + COR_{it} + RP_{it} + EC_{it} + SC_{it} + DA_{it} + C_i + \psi_t + \varepsilon_{it} \quad (1)$$

$$TE_{it} = TE(-1)_{it-1} + GS_{it} + IP_{it} + IC_{it} + COR_{it} + RP_{it} + EC_{it} + SC_{it} + DA_{it} + C_i + \psi_t + \varepsilon_{it} \quad (2)$$

$$TR_{it} = TR(-1)_{it-1} + GS_{it} + IP_{it} + IC_{it} + COR_{it} + RP_{it} + EC_{it} + SC_{it} + DA_{it} + C_i + \psi_t + \varepsilon_{it} \quad (3)$$

Economic risk factors include Budget Balance (BB), Real GDP Growth (GDPG), GDP per Capita (GDPC), Current Account as % of GDP (CAG), and Inflation (INF). This study examines the impact of these factors on Tourism Arrivals (TA), Tourism Expenditures (TE) and Tourism receipts (TR) separately based on equations (4), (5) and (6).

$$TA_{it} = TA(-1)_{it-1} + CAG_{it} + GDPG_{it} + GDPC_{it} + BB_{it} + INF_{it} + C_i + \psi_t + \varepsilon_{it} \quad (4)$$

$$TE_{it} = TE(-1)_{it-1} + CAG_{it} + GDPG_{it} + GDPC_{it} + BB_{it} + INF_{it} + C_i + \psi_t + \varepsilon_{it} \quad (5)$$

$$TR_{it} = TR(-1)_{it-1} + CAG_{it} + GDPG_{it} + GDPC_{it} + BB_{it} + INF_{it} + C_i + \psi_t + \varepsilon_{it} \quad (6)$$

Financial risk factors include Net International Liquidity (LIQ), Foreign Debt as a % of GDP (FD), Foreign Debt Service as a % of XGS (DS), Current Account as % of XGS (CAX), and Exchange Rate Stability (XRS). This study checks the impact of these factors on Tourism Arrivals (TA), Tourism Expenditures (TE) and Tourism receipts (TR) separately based on equations (7), (8) and (9).

$$TA_{it} = TA(-1)_{it-1} + CAX_{it} + LIQ_{it} + FD_{it} + DS_{it} + XRS_{it} + C_i + \psi_t + \varepsilon_{it}$$

(7)

$$TE_{it} = TE(-1)_{it-1} + CAX_{it} + LIQ_{it} + FD_{it} + DS_{it} + XRS_{it} + C_i + \psi_t + \varepsilon_{it}$$

(8)

$$TR_{it} = TR(-1)_{it-1} + CAX_{it} + LIQ_{it} + FD_{it} + DS_{it} + XRS_{it} + C_i + \psi_t + \varepsilon_{it}$$

(9)

Where t denotes the time period ($t=1995, \dots, 2012$) and i denotes the country ($i=1, \dots, 133$). Equations (1) till (9) are fairly general specification, which allows for dynamic tourism development effects, a stochastic error term (ε), fixed time effects (ψ), and individual fixed country effects (C).

5.3 Data and Methodology

5.3.1 Data

This study investigates the relationship between ICRG indicators and tourism development using annual data for 133 countries over the period 1995-2012. The dimensions of the panel data set are chosen to include all those countries for which data on all variables is obtainable with favorable time length of observations.

A. Dependent variable

The dependent variable in this study is tourism development. Based on the literature, there are some alternatives to measure tourism development (Song, Li, Witt, & Fei, 2010; Katircioglu, 2010) such as tourism expenditure, the number of nights spent at tourists' accommodation, length of stay, and international tourist arrivals. Considering statistical availability and consistency between data sources, international tourist arrivals, tourism expenditure, and international tourism receipts are the most commonly used measures in the literature (Tang & Tan, 2015; Ridderstaat et al., 2014; Nguyen et al., 2014; Tugcu, 2014; Saha & Yap, 2014; Lee & Brahmašreṇe, 2013; Song, Witt, & Fei, 2010). According these three indicators used in this study to comprehensively measure development of tourism industry. The benefit of using these three factors is that to show to what extent ICRG, mainly financial, economic, and social risk factors, impact on international visitors number, revenue earned from tourism industry and expenditure by international visitors. These data are extracted from World Bank (2016). In all nine models, natural log of International tourism expenditures, natural log of International tourism number of arrivals and natural log of International tourism receipts use as dependent variable separately in different models.

According to World Bank, International tourism expenditures are to the international outbound tourists' expenditures in other countries. International transport payments to foreign carriers are also included. International TRs is international inbound tourists' expenditures. International transport payments to national carriers are also included.

International TAs refer to the number of visitors traveling to a country other than the one in which they usually reside for a less than twelve-month period, and whose

main purpose for visiting is not an activity remunerated from within the country visited.

B. Independent variable

To investigate the importance of country risks in describing tourism development, the authors have used measures of political, economical and financial risks from the International Country Risk Guide (ICRG) database prepared by Political Risk Services (PRS). The ICRG index are well-known and frequently used by researchers such as Kayar & Kozak, 2010; Mazanec & Ring, 2011; Shareef & Hoti, 2005; Randrianarisoa et al., 2015; Goswami & Samai, 2014; Hoti, McAleer, & Shareef, 2007; Liu et al., 2016; Verma & Soydemir, 2006; Saha & Yap, 2014; Sequeira & Nunes, 2008; Kiyamaz, 2009; Busse & Hefeker, 2007; Baek & Qian, 2011). The International Country Risk Guide (ICRG) rating includes 22 variables in three subcategories of risk: Five economic, twelve political, and five financial risks. Each sub-categories has an index. The Political Risk index is based on 100 points, Financial Risk and Economic Risk each is based on 50 points. The composite scores, ranging from zero to 100, are then broken into categories from Very Low Risk (80 to 100 points) to Very High Risk (zero to 49.9 points).

The main independent variables of interests are 20 measures of ICRG in three subcategories of risk, while five dimensions characterize economic risk, 5 dimensions signify financial risk, and 10 dimensions imply political risk. The five economic risks variables are as follow: Annual Inflation Rate; Real Annual GDP Growth; Budget Balance as a Percentage of GDP; GDP per Head of Population; Current Account Balance as a Percentage of GDP. Financial rating measures financial environment through the following variables: Net Liquidity as Months of Import Cover; Foreign Debt Service as a Percentage of Export in Goods and

Services; Foreign Debt as a Percentage of GDP; Current Account as a Percentage of Export in Goods and Services; Exchange Rate Stability. Political risk dimensions are as follow: Government Stability; Socio-economic Conditions; Investment Profile; Internal Conflict; Democratic Accountability; Ethnic Tensions; Religious Tensions; Military in Politics; Corruption; External Conflict. Each factors of risk is given a maximum numerical value (risk point), while higher number of points representing a lower risk for that element and the lower is a given risk rating, the higher is related risk³. Based on the ICRG index, a low score for a country reveals that the country is highly economically, politically or financially unstable. The more the political, economical, and financial instability in a country, the lower the country's tourism demand. Following Saha and Yap (2014), for consistency and ease of interpretation the author has rescaled the following variables: Internal Conflict; Ethnic Tensions; Religious Tensions; Military in Politics; Corruption; External Conflict; Inflation. So the higher score representing a higher risk for that element and minimum score is representing low risk and high stable country. So, the more the instability in a country, the lower the country's tourism development. So the expected sign for these variables are negative.

Table 6 shows the descriptive statistics of all variables used in this study.

³ More information is provided by PRS Group: <http://www.prsgroup.com/icrg/icrg.html>.

Table 6: Descriptive statistics

	Variable Name	Variable Definition	Mean	Median	Max.	Min.	Std. Dev.	Obs.
political risk factors	GS	Government Stability	8.457	8.750	12.000	0.000	1.977	2394
	IP	Investment Profile	8.719	9.000	12.000	2.000	2.356	2394
	IC	Internal Conflict	0.111	0.100	2.400	0.083	0.071	2394
	COR	Corruption	0.393	0.333	1.500	0.000	0.189	2394
	RP	Religious Tension	4.590	5.000	6.000	0.000	1.430	2394
	EC	External Conflict	0.098	0.095	0.261	0.083	0.016	2394
	SC	Socioeconomic Conditions	6.312	6.000	11.000	0.500	2.219	2391
	DA	Democratic Accountability	4.294	5.000	6.000	0.000	1.615	2394
	MP	Military in Politics	0.272	0.200	4.000	0.000	0.235	2394
	ET	Ethnic Tensions	0.264	0.222	2.000	0.000	0.134	2394
Economic Risk Factors	CAG	Current Account as % of GDP	2.350	2.351	2.708	0.000	0.265	2348
	GDPG	Real GDP Growth	1.946	2.064	2.303	-1.792	0.386	2348
	GDPC	GDP per Capita	0.682	0.916	1.720	-3.401	0.874	1896
	BB	Budget Balance	1.805	1.859	2.303	-0.134	0.313	2350
	INF	Inflation	0.493	0.459	5.284	-7.489	0.321	2394
Financial Risk Factors	CAX	Current Account as % of XGS	11.666	11.875	15.000	0.000	1.838	2394
	LIQ	Net International Liquidity	2.106	2.000	5.000	0.000	1.360	2394
	FD	Foreign Debt as a % of GDP	0.225	0.154	24.000	0.000	0.710	2394
	DS	Foreign Debt Service as a % of XGS	0.127	0.114	1.000	0.000	0.064	2394
	XRS	Exchange Rate Stability	8.614	9.500	10.000	0.000	2.054	2394
Tourism Development	TA	Tourism Arrivals	14.632	14.721	18.222	8.987	1.746	2286
	TE	Tourism Expenditures	21.102	21.027	25.590	16.013	1.913	2309
	TR	Tourism Receipts	21.285	21.490	26.027	13.459	2.012	1663

Note: This dataset includes the data for 133 countries for the period of 1995 to 2012.

Tables 7, 8 and 9 illustrate the correlation matrix of tourism development indicators and political, economic and financial risk factors respectively.

Table 7: Correlation matrix of tourism development indicators and political risk factors

	TR	TE	TA	GS	IP	IC	COR	RT	EC	SC	DA	MP	ET
TR	1.00												
TE	1.00	1.00											
TA	0.99	0.99	1.00										
GS	-0.10	-0.07	0.01	1.00									
IP	0.67	0.68	0.74	0.57	1.00								
IC	-0.04	-0.01	0.06	0.66	0.24	1.00							
COR	0.68	0.69	0.75	0.44	0.57	0.22	1.00						
RP	0.25	0.28	0.33	0.57	0.50	0.67	0.48	1.00					
EC	0.60	0.63	0.68	0.62	0.82	0.64	0.81	0.79	1.00				
SC	0.07	0.06	0.06	-0.02	0.07	-0.04	0.08	0.72	0.73	1.00			
DA	0.12	0.12	0.13	0.02	0.11	0.01	0.11	0.77	0.70	0.71	1.00		
MP	0.23	0.23	0.31	0.28	0.49	0.17	0.51	0.69	0.85	0.74	0.65	1.00	
ET	0.64	0.64	0.71	0.49	0.53	0.34	0.56	0.80	0.85	0.67	0.70	0.74	1.00

Because of high correlation between independent variables RP, EC, SC, DA, MP, ET in equations 1,2 and 3, the author enters them in different models for TA, TE and TR (models 1 till 18).

Table 8: Correlation matrix of tourism development indicators and economic risk factors

	CAC1	GDPG1	GDPC1	BB	INF1	TR1	TE1	TA1
CAC1	1.00							
GDPG1	0.55	1.00						
GDPC1	-0.23	-0.28	1.00					
BB	0.17	0.63	-0.70	1.00				
INF1	-0.48	-0.34	-0.44	-0.05	1.00			
TR1	0.61	0.33	0.27	-0.02	-0.40	1.00		
TE1	0.62	0.35	0.26	-0.01	-0.40	1.00	1.00	
TA1	0.69	0.40	0.22	0.00	-0.44	0.99	0.99	1.00

Because of high correlation between independent variables GDPG, GDPC and BB in equations 4,5 and 6, the author enters them in different models for TA, TE and TR (models 19 till 27).

Table 9: Correlation matrix of tourism development indicators and financial risk factors

	CAX1	LIQ	FD1	DS	XRS	TR1	TE1	TA1
CAX1	1.00							
LIQ	0.17	1.00						
FD1	0.10	-0.02	1.00					
DS	0.01	-0.07	0.65	1.00				
XRS	0.24	0.00	0.03	0.05	1.00			
TR1	0.79	0.20	-0.21	-0.04	0.17	1.00		
TE1	0.80	0.20	-0.20	-0.03	0.17	1.00	1.00	
TA1	0.84	0.21	-0.12	-0.03	0.19	0.99	0.99	1.00

Because of high correlation between independent variables DF and DS in equations 7, 8 and 9, the author enters them in different models for TA, TE and TR (models 28 till 33).

4 different unit root tests were applied to check whether the data is stationary or not. The results are presented in Appendix C. According to this table, all of the variables are stationary at level, except tourism development variables. TA, TE and TR are stationary at first difference.

5.3.2 Methodology

Arellano and Bond (1991) developed a linear dynamic panel model that was applied in equations (1) till (9). Unobserved panel-level effects are included in these equations. These effects can be either fixed or random. Most of standard estimation approaches are inconsistent because of correlation between the lag(s) of the dependent variable and the unobserved panel-level effects (Arellano & Bond,1991). Generalized method of moments (GMM) approach developed by Arellano and Bond (1991) can solve this problem by generating consistent parameter estimates for the

models. Their approach applies a first differencing transformation to eliminate the unobserved country-specific heterogeneity.

Considering the following econometric problems that may arise from estimating equation (1) till (9); the authors prefer to apply Arrellano_Bond GMM approach:

- 1- The panel dataset has a larger country dimension (N=133) and a short time dimension (T =18)
- 2- Likely autocorrelation problem because of the presence of the lagged dependent variable $TE(-1)_{it-1}$.
- 3- The causality may run from risk factors to tourism variables and vice versa. So, risk factors are assumed to be endogenous. The regressors may also be correlated with the disturbances.
- 4- Correlation between explanatory variables and Time-invariant country characteristics (fixed effects), such as demographics and geography.

Two-stage least squares (2SLS) can be used by the author, which is a fixed-effects instrumental variables estimation to solve problem 3 (and problem 4). But if selected instruments in the first-stage of 2SLS method are weak, the fixed-effects IV estimators are likely to be biased in the regression. So, the author prefers to use the Arellano – Bond (1991) difference GMM estimator. Using this method, the endogenous variables are pre-determined and, therefore, not correlated with the disturbances in the equations. GMM method applies first-differences to solve problem 4 (fixed effects).

By transforming the regressors by first differencing the fixed country-specific effect is removed, because it does not vary with time. The past levels of the first-differenced lagged dependent variable (problem 2) are used as instruments for it.

Finally, the Arellano – Bond estimator was designed for the panels with large cross section (N) and small time period (T) (problem 1). There is no necessity to apply Arellano – Bond estimator in large-T panels, because in this kind of panels, the correlation of the lagged dependent variable with the error term is negligible (Roodman, 2006), and also, a shock to the country's fixed effect, decreases with the time.

Blundell and Bond (1998) develop a system GMM estimator based on Arellano and Bover (1995). This approach can solve Arellano and Bond (1991) approach problems like poor performance in the case of large autoregressive parameters. In present paper, the system GMM approach is used to estimate the models. In the estimation of Equations (1) till (9), lagged tourism development indicator treat as endogenous.

An analysis is also performed for robustness check on the main findings in the previous regression. OLS method, has favorable properties if its assumptions are true, other wise, its results are misleading. Therefore, OLS method is said to be not robust to violations of its assumptions. The author sorts he countries based on their international tourism arrivals, and drops the countries in the top 10% and the bottom 10% of the list and checks the effect of globalization factors using the same GMM method. So, the sample size decreases from 133 to 107 countries. This method is only applied for one of the tourism development indicators, Tourism Arrivals (TA).

5.4 Results and Discussion

The results of the analyses are presented and discussed in this section. Panel estimates for 113 countries' tourism development are presented in Table 10, 11 and 12. In all of the models, the first lag of each tourism variable is significant in 1% level and has a positive impact on that tourism indicator.

Table 10 reports the Impact of political risk factors on tourism development. According to Table 10, due to eighteen models regressed on tourism development factors, the variables Government Stability (GS) and Investment Profile (IP) are the most important determining factors in measuring tourism development. Because these two independent variables are significant in 1% level in all Tourism Arrivals (TA), Tourism Expenditures (TE) and Tourism receipts (TR) regressions, except model 4. In model 4, Investment Profile is significant in 5% level. Corruption (COR) is also the significant independent variable in all Tourism Arrivals (TA), Tourism Expenditures (TE) models. There is a negative correlation between the Tourism Arrivals, Tourism expenditures and Tourism receipts rate and six risk rates of Corruption, Ethnic Tensions, External and Internal Conflict, Religious Tension, and Military in Politics. It indicates that higher level of country risk related to these variables is noticeably associated with lower Tourism Arrivals, Tourism expenditures and Tourism receipts, and vice versa.

The models show that Socioeconomics Conditions (SC) and Democratic Accountability (DA) are not significant in any model.

Table 11 reports the Impact of economic risk factors on tourism development. According to Table 11, due to nine models regressed on tourism development

factors, the variables Current Account (% GDP), Real GDP Growth (GDPG), and Inflation (INF) are the most important determining factors in measuring tourism development. Because inflation rate is the significant independent variable in 1% level in all Tourism Arrivals (TA), Tourism Expenditures (TE) and Tourism receipts (TR) regressions. Current Account (% GDP) is also the significant independent variable in 1% level in all Tourism Arrivals (TA), Tourism Expenditures (TE) and Tourism receipts (TR) models except model 22.

Budget Balance (BB) and GDP per Capita (GDPC) are effective factors on Tourism Expenditures (TE). But only Real GDP growth is effective on Tourism Arrivals. Its significant in 10% level. GDP per Capita and Real GDP Growth are also effective factors on Tourism receipts.

Table 10: Impact of political risk factors on tourism development

Tourism Arrivals (TA)		Independent Variables (Political Risk Factors)												Hansen	AR(2)	Obs.
		TA(-1)	GS	IP	IC	COR	RP	EC	SC	DA	MP	ET	C			
Model 1	0.8759 ^a (0.0100)	0.0883 ^a (0.0322)	0.0853 ^a (0.0300)	-0.1111 ^a (0.0356)	-0.1628 ^b (0.0742)	-0.1215 ^c (0.0727)	-	-	-	-	-	0.0182 ^a (0.0014)	0.653	0.324	2075	
Model 2	0.8752 ^a (0.0100)	0.0912 ^a (0.0318)	0.0915 ^a (0.0304)	-0.1230 ^a (0.0379)	-0.1477 ^c (0.0757)	-	-0.0836 ^c (0.0449)	-	-	-	-	0.0184 ^a (0.0014)	0.645	0.348	2075	
Model 3	0.8751 ^a (0.0100)	0.0997 ^a (0.0317)	0.0886 ^a (0.0328)	-0.0917 ^c (0.0535)	-0.1797 ^b (0.0736)	-	-	-0.0290 (0.0468)	-	-	-	0.0182 ^a (0.0014)	0.549	0.389	2075	
Model 4	0.8736 ^a (0.0102)	0.0971 ^a (0.0316)	0.0734 ^b (0.0308)	0.0763 (0.0547)	-0.1953 ^a (0.0741)	-	-	-	0.0544 (0.0634)	-	-	0.0183 ^a (0.0014)	0.592	0.219	2075	
Model 5	0.8789 ^a (0.0100)	0.0898 ^a (0.0317)	0.0953 ^a (0.0303)	-0.1250 ^c (0.0675)	-0.1410 ^c (0.0750)	-	-	-	-	-0.2026 ^b (0.0788)	-	0.0177 ^a (0.0014)	0.540	0.431	2075	
Model 6	0.8754 ^a (0.0100)	0.0874 ^a (0.0323)	0.0788 ^a (0.0298)	0.1153 (0.0872)	-0.1689 ^b (0.0738)	-	-	-	-	-	-0.1284 (0.0810)	0.0183 ^a (0.0014)	0.512	0.384	2075	
Tourism Expenditures (TE)		TE(-1)	GS	IP	IC	COR	RP	EC	SC	DA	MP	ET	C	Hansen	AR(2)	Obs.
Model 7	0.8791 ^a (0.0101)	0.1102 ^a (0.0419)	0.2063 ^a (0.0382)	-0.1277 ^a (0.0459)	-0.1742 ^b (0.0931)	-0.2927 ^a (0.0910)	-	-	-	-	-	-	0.0255 ^a (0.0021)	0.555	0.438	2145
Model 8	0.8788 ^a (0.0101)	0.1249 ^a (0.0417)	0.2050 ^a (0.0387)	-0.1162 ^b (0.0499)	-0.1820 ^c (0.0952)	-	-0.1077 ^c (0.0595)	-	-	-	-	-	0.0256 ^a (0.0021)	0.642	0.256	2145
Model 9	0.8777 ^a (0.0101)	0.1368 ^a (0.0411)	0.1810 ^a (0.0409)	-0.0594 (0.0438)	-0.2336 ^b (0.0920)	-	-	0.0389 (0.0575)	-	-	-	-	0.0255 ^a (0.0021)	0.429	0.374	2145
Model 10	0.8783 ^a (0.0103)	0.1378 ^a (0.0412)	0.1926 ^a (0.0393)	0.0693 (0.0444)	-0.2265 ^b (0.0935)	-	-	-	-	-0.0099 (0.0810)	-	-	0.0254 ^a (0.0021)	0.515	0.491	2145
Model 11	0.8798 ^a (0.0102)	0.1317 ^a (0.0412)	0.2053 ^a (0.0389)	-0.1017 ^b (0.0470)	-0.2028 ^b (0.0931)	-	-	-	-	-	-0.1619 (0.0997)	-	0.0252 ^a (0.0021)	0.602	0.509	2145

Model 12	0.8785 ^a (0.0101)	0.1227 ^a (0.0422)	0.1894 ^a (0.0380)	-0.1022 ^b (0.0479)	-0.2074 ^b (0.0928)	-	-	-	-	-	-0.1512 (0.0999)	0.0255 ^a (0.0021)	0.489	0.327	2145
<hr/>															
Tourism Receipts (TR)	TR(-1)	GS	IP	IC	COR	RP	EC	SC	DA	MP	ET	C	Hansen	AR(2)	Obs.
Model 13	0.8483 ^a (0.0113)	0.2195 ^a (0.0542)	0.2763 ^a (0.0492)	-0.2467 ^a (0.0595)	-0.1336 (0.1203)	-0.3821 ^a (0.1192)	-	-	-	-	-	0.0317 ^a (0.0023)	0.375	0.544	2170
Model 14	0.8490 ^a (0.0114)	0.2330 ^a (0.0538)	0.2842 ^a (0.0499)	-0.2574 ^a (0.0636)	-0.1091 (0.1234)	-	-0.2033 ^a (0.0755)	-	-	-	-	0.0317 ^a (0.0023)	0.432	0.396	2170
Model 15	0.8473 ^a (0.0114)	0.2583 ^a (0.0532)	0.2895 ^a (0.0535)	-0.1906 ^a (0.0564)	-0.1873 (0.1190)	-	-	-0.1098 (0.0749)	-	-	-	0.0316 ^a (0.0023)	0.489	0.348	2170
Model 16	0.8461 ^a (0.0116)	0.2542 ^a (0.0533)	0.2540 ^a (0.0506)	-0.1622 (0.1573)	-0.2107 ^c (0.1208)	-	-	-	0.0356 (0.1062)	-	-	0.0317 ^a (0.0024)	0.546	0.319	2170
Model 17	0.8504 ^a (0.0114)	0.2400 ^a (0.0533)	0.2925 ^a (0.0501)	-0.2486 ^a (0.0600)	-0.1350 (0.1203)	-	-	-	-	-0.3963 ^a (0.1270)	-	0.0311 ^a (0.0023)	0.502	0.227	2170
Model 18	0.8487 ^a (0.0114)	0.2208 ^a (0.0546)	0.2542 ^a (0.0490)	-0.2469 ^a (0.0616)	-0.1486 (0.1201)	-	-	-	-	-	-0.3526 ^a (0.1305)	0.0315 ^a (0.0023)	0.459	0.367	2170

Note: a, b, c denote statistical significance at 1%, 5%, and 10% levels, respectively. Over-identifying restrictions are tested via Hansen statistic under the null of valid instruments. The second order serial correlations in residuals are tested via AR(2) under the null of no serial correlation. Standard errors are reported in parentheses and they are asymptotically robust to heteroscedasticity. only p-values are reported for the regression diagnostic tests,

Table 11: Impact of economic risk factors on tourism development

Tourism (TA)	Arrivals	Independent Variables (Economic Risk Factors)									
		TA(-1)	CAG	GDPG	GDPC	BB	INF	C	Hansen	AR(2)	Obs.
Model 19		0.8756 ^a (0.0101)	0.6136 ^a (0.1973)	0.2037 ^c (0.1216)	- -	- -	0.8879 ^a (0.1728)	0.1457 ^a (0.0135)	0.298	0.419	2034
Model 20		0.8838 ^a (0.0107)	0.5364 ^a (0.1999)	- -	0.0686 (0.0856)	- -	0.8128 ^a (0.2715)	0.1384 ^a (0.0146)	0.322	0.422	2025
Model 21		0.8764 ^a (0.0102)	0.6804 ^a (0.1959)	- -	- -	0.0414 (0.1551)	0.8800 ^a (0.1626)	0.1465 ^a (0.0141)	0.511	0.377	1623
Tourism (TE)	Expenditures	TE(-1)	CAG	GDPG	GDPC	BB	INF	C	Hansen	AR(2)	Obs.
Model 22		0.8969 ^a (0.0096)	0.1449 (0.2428)	0.7113 ^a (0.1629)	- -	- -	-0.9285 ^a (0.2263)	0.1720 ^a (0.0191)	0.681	0.213	2105
Model 23		0.9064 ^a (0.0104)	0.1387 ^a (0.3354)	- -	0.3236 ^a (0.1168)	- -	-0.9120 ^a (0.2471)	0.1456 ^a (0.0210)	0.603	0.622	1695
Model 24		0.8963 ^a (0.0098)	0.4702 ^c (0.2435)	- -	- -	0.3970 ^c (0.2075)	-0.9293 ^a (0.2278)	0.1780 ^a (0.0200)	0.588	0.404	2095
Tourism (TR)	Receipts	TR(-1)	CAG	GDPG	GDPC	BB	INF	C	Hansen	AR(2)	Obs.
Model 25		0.8595 ^a (0.0110)	0.1045 ^a (0.0152)	0.7677 ^a (0.2056)	- -	- -	0.9146 ^a (0.2975)	0.2166 ^a (0.0216)	0.373	0.321	2123
Model 26		0.8796 ^a (0.0115)	0.1048 ^a (0.0186)	- -	0.3468 ^b (0.1395)	- -	0.9238 ^a (0.3028)	0.1851 ^a (0.0227)	0.597	0.346	1704
Model 27		0.8567 ^a (0.0111)	0.1548 ^a (0.0151)	- -	- -	0.0593 (0.2589)	0.9385 ^a (0.2816)	0.2282 ^a (0.0224)	0.535	0.491	2113

Note: see table 10.

Table 12 reports the Impact of financial risk factors on tourism development. According to Table 12, due to six models regressed on tourism development factors, the variables Current Account as % Exported Goods and Services (CAX) and Net International Liquidity (LIQ) are the most important determining factors in measuring tourism development. Because they are significant independent variables in all Tourism Arrivals (TA), Tourism Expenditures (TE) and Tourism receipts (TR) regressions. Net International Liquidity is significant in 1% level in all of the models. Exchange Rate Stability (XRS) is also the significant independent variable in all Tourism Arrivals (TA), Tourism Expenditures (TE) and Tourism receipts (TR) models except model 33.

Foreign Debt as % of GDP (FD) doesn't have any effect on any of Tourism Arrivals (TA), Tourism Expenditures (TE) and Tourism receipts (TR). Foreign Debt Service as % of XGS (DS) has a positive effect on Tourism Expenditures (TE) and Tourism receipts (TR) but it doesn't have any effect on Tourism Arrivals (TA).

Table 12: Impact of financial risk factors on tourism development

Tourism Arrivals (TA)	Independent Variables (Financial Risk Factors)								Hansen	AR(2)	Obs.
	TA(-1)	CAX	LIQ	FD	DS	XRS	C				
Model 28	0.8778 ^a (0.0100)	0.0658 ^a (0.0236)	0.1809 ^a (0.0515)	-0.0280 (0.0240)	- -	0.0591 ^a (0.0231)	0.0170 ^a (0.0013)	0.353	0.435	2075	
Model 29	0.8760 ^a (0.0101)	0.0608 ^b (0.0257)	0.1685 ^a (0.0511)	- -	0.0036 (0.0338)	0.0472 ^a (0.0198)	0.0171 ^a (0.0013)	0.447	0.318	2075	
Tourism Expenditures (TE)	TE(-1)	CAX	LIQ	FD	DS	XRS	C	Hansen	AR(2)	Obs.	
Model 30	0.8807 ^a (0.0098)	0.1146 ^a (0.0296)	0.3274 ^a (0.0653)	-0.0014 (0.0306)	- -	0.0885 ^b (0.0423)	0.0234 ^a (0.0019)	0.473	0.331	2145	
Model 31	0.8715 ^a (0.0103)	0.0729 ^b (0.0329)	0.3081 ^a (0.0643)	- -	0.1183 ^a (0.0444)	0.0975 ^c (0.0561)	0.0248 ^a (0.0020)	0.464	0.279	2145	
Tourism Receipts (TR)	TR(-1)	CAX	LIQ	FD	DS	XRS	C	Hansen	AR(2)	Obs.	
Model 32	0.8594 ^a (0.0112)	0.1387 ^a (0.0389)	0.2910 ^a (0.0876)	0.0039 (0.0401)	- -	0.0715 ^c (0.0416)	0.0278 ^a (0.0022)	0.670	0.244	2170	
Model 33	0.8527 ^a (0.0115)	0.0957 ^b (0.0429)	0.2667 ^a (0.0864)	- -	0.1272 ^b (0.0572)	0.0821 (0.0681)	0.0287 ^a (0.0022)	0.603	0.311	2170	

Note: See Table 10.

Table 13 shows Robustness check output. Turning to the coefficient estimates, it is shown the effect on the coefficient estimates of moving to robust estimation.

The robust-estimator produces a much larger positive impact of CAG on TA than does non-robust estimation (approximately 0.9 versus 0.6) with the coefficient estimated with similar precision (standard error: around 0.2). This new regression generates a much larger positive impact of GDPG on TA than does non-robust estimation squares (0.46 versus 0.12) with the robust-estimator coefficient estimated with better precision (standard error: 0.01 versus 0.12). The robust-estimator also produces a much larger positive impact of CAX on TA than does non-robust estimation (approximately 0.1 versus 0.06) with the coefficient estimated with similar precision (standard error: around 0.02). For political risk factors, GS, IP, IC and COR, the robust-estimator produces an approximately similar coefficient with lower standard error.

Finally, the results of the estimation support the main findings that risk has a significant impact on Tourism Arrivals (TA).

Table 13: Impact of different risk factors on tourism arrivals for 107 countries (robustness check)

Tourism Arrivals (TA)	Independent Variables (Economic Risk Factors)									
	TA(-1)	CAG	GDPG	GDPC	BB	INF	C	Hansen	AR(2)	Obs.
Model 34	0.8892 ^a (0.0984)	0.8692 ^a (0.0211)	0.4671 ^c (0.0118)	- -	- -	0.6662 ^a (0.1271)	0.1338 ^a (0.0134)	0.221	0.534	1624
Model 35	0.9029 ^a (0.1071)	0.8354 ^a (0.2186)	- -	0.1499 (0.0919)	- -	0.1538 (0.1447)	0.1257 (0.0877)	0.072	0.122	1311
Model 36	0.8926 ^a (0.0099)	0.9228 ^a (0.2140)	- -	- -	0.0171 (0.0157)	0.1006 (0.1269)	0.1342 ^a (0.0140)	0.821	0.621	1618
Tourism Arrivals (TA)	Independent Variables (Financial Risk Factors)									
	TA(-1)	CAX	LIQ	FD	DS	XRS	C	Hansen	AR(2)	Obs.
Model 37	0.8848 ^a (0.0102)	0.0962 ^a (0.0250)	0.0965 ^c (0.0538)	-0.0855 (0.0890)	- -	0.0514 ^c (0.0287)	0.1569 (0.0136)	0.353	0.221	1649
Model 38	0.8829 ^a (0.0102)	0.1012 ^a (0.0251)	0.0838 (0.0539)	- -	0.0045 (0.0214)	0.0455 ^b (0.0233)	0.1617 (0.1136)	0.447	0.382	1649

Table 13 contd.

Tourism Arrivals (TA)	Independent Variables (Political Risk Factors)												Hansen	AR(2)	Obs.
	TA(-1)	GS	IP	IC	COR	RP	EC	SC	DA	MP	ET	C			
Model 39	0.8858 ^a (0.0110)	0.0832 ^a (0.0232)	0.0704 ^a (0.0249)	-0.1111 ^a (0.0406)	-0.1320 ^a (0.0502)	-0.1103 (0.0833)	-	-	-	-	-	0.0103 ^a (0.0011)	0.403	0.378	1649
Model 40	0.8887 ^a (0.0101)	0.0518 ^a (0.0113)	0.0710 ^b (0.0327)	-0.1040 ^a (0.0289)	-0.1179 ^b (0.0597)	-	-0.0667 ^a (0.0239)	-	-	-	-	0.0184 ^a (0.0014)	0.365	0.419	1649
Model 41	0.7759 ^a (0.0111)	0.0787 ^a (0.0309)	0.0636 ^a (0.0229)	-0.0619 ^b (0.0303)	-0.1108 ^c (0.0586)	-	-	-0.0204 (0.0398)	-	-	-	0.0102 ^a (0.0016)	0.189	0.316	1649
Model 42	0.8986 ^a (0.0182)	0.0881 ^a (0.0308)	0.0749 ^c (0.0428)	-0.0676 ^c (0.0356)	-0.1483 ^a (0.0521)	-	-	-	0.0604 (0.0441)	-	-	0.0113 ^a (0.0010)	0.214	0.327	1649
Model 43	0.8079 ^a (0.0131)	0.0817 ^a (0.0321)	0.0765 ^b (0.0354)	-0.1091 ^b (0.0541)	-0.1162 ^c (0.0596)	-	-	-	-	-0.2176 ^c (0.1197)	-	0.0131 ^a (0.0012)	0.483	0.428	1649
Model 44	0.8179 ^a (0.0152)	0.0797 ^b (0.0374)	0.0713 ^a (0.0279)	-0.0893 ^b (0.0389)	-0.1237 ^c (0.0668)	-	-	-	-	-	-0.1017 (0.0711)	0.0116 ^a (0.0011)	0.538	0.271	1649

Note: See Table 10.

5.5 Conclusion and Implication

In this study, the author reports quite a robust effect of country risk on international tourism specialization. By using a recently developed estimator, the system GMM of Blundell and Bond (1998), and applying it to a broad sample of countries during the period from 1995 to 2012. The analysis shows that 10% increase in any of the tourism indicators in each year can increase that tourism indicator by more than 8% in the following year.

10% increase in government stability rate can increase tourism arrivals, tourism expenditures and tourism receipts by more than 0.8%. Higher government's ability to carry out its declared program(s), and its ability to stay in office leads to higher Tourism indicators. 10% increase in Investment Profile rate can increase Tourism Arrivals by more than 0.7% Tourism Expenditures by more than 2% and Tourism receipts by more than 0.4%. Factors increasing the risk to investment may decrease number of International tourism arrivals, Tourism Expenditures and Tourism receipts.

10% increase in Internal Conflict risk decreases Tourism Arrivals by more than 0.7%, Tourism Expenditures by more than 0.5% and Tourism receipts by more than 1.6%. 10% increase in Corruption decreases Tourism Arrivals by more than 0.7%, Tourism Expenditures by more than 1.7% and Tourism receipts by more than 1.1%. 10% increase in Religion in Politics risk decreases Tourism Arrivals by 1.2%, Tourism Expenditures by 2.9% and Tourism receipts by 3.8%. 10% increase in External Conflict risk decreases Tourism Arrivals by 0.8%, Tourism Expenditures by 1% and Tourism receipts by 2%. 10% increase in Military in Politics risk decreases

Tourism Arrivals by 2%, Tourism Expenditures by 1.6% and Tourism receipts by 3.9%. 10% increase in Ethnic Tensions risk decreases Tourism Arrivals by 1.2%, Tourism Expenditures by 1.5% and Tourism receipts by 3.5%.

10% increase in Current Account (% GDP) point increases Tourism Arrivals by more than 5%, and also Tourism Expenditures and Tourism receipts by more than 1%. Higher share of current account in GDP can expand tourism industry of the countries. 10% increase in inflation point leads to more than 8% increase in Tourism Arrivals and Tourism receipts. And also, more than 9% decrease in Tourism Expenditures. Tourism Arrivals is positively affected by inflation. Higher inflation, which is in line with depreciation of local currency, leads to increase in Tourism Arrivals and Tourism receipts. This finding is in line with the literature and theory. Local currency depreciation can increase a country's export and this time tourism export. On the other hand, Higher inflation which is in line with depreciation of local currency, can decrease a country's import and this time tourism import. Negative sign of inflation rate coefficient in tourism expenditures equation is in line with the literature and proves this theory.

As it was expected there is a positive relationship between GDP point of countries and their tourism development. 10% increase in Real GDP Growth point increases Tourism Arrivals by more than 2% and also Tourism Expenditures and Tourism receipts by more than 7%. 10% increase in GDP per Capita point increases Tourism Expenditures and Tourism receipts by more than 3%. 10% increase in Budget Balance point increases Tourism Expenditures around 4%.

10% increase in the point of countries in Current Account as % Exported Goods and Services can increase Tourism Arrivals by more than 0.6%, Tourism Expenditures by more than 0.7%, and Tourism receipts by more than 0.9%. 10% increase in the point of countries in Net International Liquidity can increase Tourism Arrivals by more than 1.6%, Tourism Expenditures by more than 3%, and Tourism receipts by more than 2.6%. 10% increase in the point of countries in Exchange Rate Stability Tourism Arrivals by more than 0.4% and Tourism Expenditures and Tourism receipts by more than 0.7%.

Any risk associated with Foreign Debt Service can affect tourism expenditures and tourism receipts negatively. This study didn't study the causal relationship between different risk factors and tourism development in this study. It can open an interesting area to explore this causal relationship in different lags for the future studies.

The results of the study have remarkable policy implications for governments. In order to increase the number of international inbound tourists and tourism receipts the countries need to increase their government unity, legislative strength and popular support. These factors may also increase tourism expenditures of countries through government stability channel.

Lower payment delays, higher profits repatriation can increase number of international tourism arrivals, tourism expenditures and tourism receipts by decreasing investment profile risk in a country.

Internal conflict has a negative effect on tourism development. Governments need to decrease political violence in the country and its actual or potential impact on governance.

Negative effect of corruption on tourism development indicates that policy makers have to pay a special attention to corruption within the political system. Foreign investment is threatened by corruption via different channels: 1- instabilizing the political process, 2- decreasing the efficiency of business and government. 3- distorting financial and economic environment. Financial corruption is the common form of corruption, which makes it impossible to conduct an effective business, and leads to withdrawal of an investment. Policy makers need to be careful about bribes and payments, which are related to loans, police protection, tax assessments, exchange controls, or import and export licenses.

Tourism development is negatively affected by Religious Tensions. It means policy makers should prevent the domination of society and governance by a especial religious group that wants to apply religious law instead of civil law, and express its own identity.

External conflict risk has a negative effect on tourism development. Governments need to decrease the risk to the government from foreign action, ranging from violent external pressure (cross-border conflicts) to non-violent external pressure (sanctions, territorial disputes, trade restrictions, withholding of aid, diplomatic pressures, etc).

Risk of intervention of military in politics is very common both in developing democratic or totalitarian regimes. So, the involvement of military in politic, is a

democratic accountability reduction. This research shows that it has a negative effect on tourism development. Therefore, policy makers have to prevent military to become involved in government, for example, because of a created or actual external or internal threat.

Ethnic tensions risk can affect tourism development negatively. So, governments need to have plans to decrease racial and nationality tensions. They have to control intolerant groups that are unwilling to compromise.

Improving balance on the current account of the balance of payments has a positive effect on tourism industry. Higher balance leads to higher international tourism arrivals, tourism expenditures and tourism receipts. The current account is a critical factor in an economy's health. With improving balance of trade and net income from abroad we can experience better tourism industry.

Governments can decrease the value of their local currency to increase their tourism arrivals and tourism receipts. This policy can also decrease the money outflow through decrease in tourism expenditures channel. But policy makers need to be careful that higher inflation as a result of depreciation of local currency can decrease the welfare in the society.

Positive and significant coefficient of GDP growth in the models implies that macroeconomic policies to improve economic growth and economic expansion like reduction in business taxes, improving infrastructure and entrepreneurship development can expand tourism industry of countries. Contraction of economy may

lead to decline in tourism arrivals and tourism receipts. Lower level of income can decrease the expenditures of international outbound visitors in other countries.

Positive and significant coefficient of current account (as % of exports) in the models implies that macroeconomic policies of governments regarding trade policies, competitiveness, exchange rate, forex reserves, inflation rate and others to get a better balance and a current account surplus of trade, can positively affect tourism development.

Tourism development in a country can be positively affected by increase in the total estimated official reserves for a given year. So, governments need to have policies to increase official reserves and at the same time, decrease the average monthly merchandise import cost. These kinds of policies can increase net liquidity point of a country. To reach this goal, reserve management need to be careful about 1- availability of enough foreign exchange reserves to meet defined objectives. 2- controlling market, liquidity, and credit risks. 3- generating reasonable earnings on the funds invested.

Chapter 6

CONCLUSION

6.1 Conclusion

This study investigates the dynamic relationship between globalization, international country risks and international tourism development. Employing different approaches of panel regression such as GMM to panel data from a sample including 133 countries, the results indicate that globalization and country risks are significant factors for tourism development. To summarize, results of this study find that globalization factors as categorized as economic, social, and political globalization exert statistically significant and positive effects on all tourism development indicators including tourism arrivals, tourism expenditures, and tourism receipts of the selected 133 countries. These results are in line with the findings of Freidouni, Al-Mulali, and Najdi (2014). Thus, an improvement in any one of these globalization factors would mean higher tourism growth in the countries. And country specific economic aggregates such as national income, overall population, and real exchange rates are important and significant contributors to these effects.

The country risks dimensions complied by ICRG involving economic, political, and financial factors, all have a significant role in describing tourism development. These results are in line with the findings of Hoti, McAleer, and Shareef, 2007 and Sequeira and Nunes, 2008. The results indicated that, considering political factors, corruption, investment profile and government stability are the most important determining

factors of tourism development. Investment profile and government stability positively impacts on all tourism indicators. There is a negative association between all tourism indicators and six risk rates of corruption, ethnic tensions, military in politics, religious tension, and internal and external conflict. It indicates that higher level of country risk related to these variables is noticeably associated with lower tourism arrivals, tourism expenditures and tourism receipts, and vice versa. Considering economic risk factors, current account as % of GDP and inflation are the most important defining factors. Inflation and current account as % of GDP positively impacts on tourism indicators except for the relationship between inflation and tourism expenditure. Considering financial risk factors current account as % of XGS and net international liquidity significantly and positively impacts on all tourism indicators. Exchange rate stability also positively impacts on tourism arrivals, expenditure, and receipt.

The literature of tourism development has emphasized the importance of macroeconomic factors in helping this sector to grow and prosper. But tourism literature has for the most part, very little to say about the impact of globalization and risks on tourism development, and to the best of our knowledge, this study is the first research into this impact, a topic that is likely to grow in importance while tourism industry is growing as attention to the service sector by policy makers is increasing, especially in the countries with narrow productive capacities while facing adverse domestic production shocks.

6.2 Summary of Findings

1. To summarize, results of this study find that globalization factors as categorized as economic, social, and political globalization exert statistically

significant and positive effects on tourism development in the selected 133 countries.

2. Country specific economic aggregates such as national income, overall population, and real exchange rates are important and significant contributors to these effects.
3. The variables of globalization factors (EG, SG, and PG) generally exert positively significant effects on tourist arrivals across different methodological regressions. This is to conclude that no matter what approach is selected for the equation, the effects of economic, social, and political globalization factors on tourist arrivals are positively significant.
4. Control variables of this study (GDP, POP, GFCF and RER) do also exert statistically significant effects on tourist arrivals to the selected 133 countries. The signs of coefficient for real exchange rates with respect to tourist arrivals are negative as expected.
5. The variables of globalization factors (EG, SG, and PG) again generally exert positively significant effects on tourism receipts across different methodological regressions. This is to conclude that no matter what approach is selected for the equation, the effects of economic, social, and political globalization factors on tourist receipts are positively significant.

6. Control variables of this study (GDP, POP, GFC and RER) do also exert statistically significant effects on tourism receipts of the selected 133 countries.
7. The variables of globalization factors (EG, SG, and PG) again generally exert positively significant effects on tourism expenditures across different methodological regressions. This is to conclude that no matter what approach is selected for the equation, the effects of economic, social, and political globalization factors on tourism expenditures are again positively significant.
8. Control variables of this study (GDP, POP, GFC and RER) do also exert statistically significant effects on tourism expenditures of the selected 133 countries.
9. The country risk dimensions involving economic, political, and financial factors, all have a significant role in describing tourism development.
10. Considering the impact of political risk factors on tourism development. The variables Government Stability (GS) and Investment Profile (IP) are the most important determining factors in measuring tourism development. Because these two independent variables are significant in 1% level in all Tourism Arrivals (TA), Tourism Expenditures (TE) and Tourism receipts (TR) regressions.
11. Investment Profile is significant in 5% level.

12. Corruption (COR) is also the significant independent variable in all Tourism Arrivals (TA), Tourism Expenditures (TE) models.
13. There is a negative correlation between the Tourism Arrivals, Tourism expenditures and Tourism receipts rate and six risk rates of Corruption, Ethnic Tensions, External and Internal Conflict, Religious Tension, and Military in Politics. It indicates that higher level of country risk related to these variables is noticeably associated with lower Tourism Arrivals, Tourism expenditures and Tourism receipts, and vice versa.
14. The models show that Socioeconomics Conditions (SC) and Democratic Accountability (DA) are not significant determinants for tourism development.
15. Considering the impact of economic risk factors on tourism development, the variables Current Account (% GDP) and Inflation (INF) are the most important determining factors in measuring tourism development. Because inflation rate is the significant independent variable in 1% level in all Tourism Arrivals (TA), Tourism Expenditures (TE) and Tourism receipts (TR) regressions. However it negatively impacts on tourism expenditure. Current Account (% GDP) is also the significant independent variable in 1% level in all Tourism Arrivals (TA), Tourism Expenditures (TE) and Tourism receipts (TR).
16. All of Budget Balance (BB), GDP per Capita (GDPC), Real GDP Growth (GDPG) are effective factors on Tourism Expenditures (TE). But only Real

GDP growth is effective on Tourism Arrivals. Its significant in 10% level. GDP per Capita and Real GDP Growth are also effective factors on Tourism receipts.

17. Considering the impact of financial risk factors on tourism development, the variables Current Account as % Exported Goods and Services (CAX) and Net International Liquidity (LIQ) are the most important determining factors in measuring tourism development. Because they are significant independent variables in all Tourism Arrivals (TA), Tourism Expenditures (TE) and Tourism receipts (TR) regressions. Net International Liquidity is significant in 1% level in all of the models.

18. Exchange Rate Stability (XRS) is also the significant independent variable in all Tourism Arrivals (TA), Tourism Expenditures (TE) and Tourism receipts (TR).

19. Foreign Debt as % of GDP (FD) doesn't have any effect on any of Tourism Arrivals (TA), Tourism Expenditures (TE) and Tourism receipts (TR).

20. Foreign Debt Service as % of XGS (DS) has a positive effect on Tourism Expenditures (TE) and Tourism receipts (TR) but it doesn't have any effect on Tourism Arrivals (TA).

21. The robust-estimator produces a much larger positive impact of CAG on TA than does non-robust estimation (approximately 0.9 versus 0.6) with the coefficient estimated with similar precision (standard error: around 0.2).

22. The robust-estimator generates a much larger positive impact of GDPG on TA than does non-robust estimation squares (0.46 versus 0.12) with the robust-estimator coefficient estimated with better precision (standard error: 0.01 versus 0.12).
23. The robust-estimator also produces a much larger positive impact of CAX on TA than does non-robust estimation (approximately 0.1 versus 0.06) with the coefficient estimated with similar precision (standard error: around 0.02).
24. For political risk factors, GS, IP, IC and COR, the robust-estimator produces an approximately similar coefficient with lower standard error.
25. Finally, the results of the estimation support the main findings that risk factors have significant impacts on Tourism Development.

6.3 Policy Implications

This study's outcomes have important implications for policymakers. Policy makers should consider the impacts of different dimensions of globalization and country risks while forecasting and planning strategies to improve tourism industry.

The empirical results of this study indicate that increase in the level of globalization increases the tourism demand in the countries of the sample. Since globalization level in these countries is likely to grow in the future, this additional growth in tourism demand stemming from increased globalization needs to be taken into account while modeling tourism demand. Policy-makers can use the complementary association between international tourism and globalization to promote economic

growth. Policies regarding tourism services in tourist destinations in these countries are one area where the findings of this paper could affect.

The positive relationship between economic globalization (EG) and tourism development indicate that in order to increase the number of inbound international tourists, countries need to have policies to increase their economic globalization (EG) index by increasing: 1) economic openness as proxied by the sum of exports and the imports of goods and services; 2) the sum of inward and outward foreign direct investment (FDI); and 3) the sum of portfolio investment in financial markets. They also need to regulate tariff and non-tariff barriers on imported goods in order to secure the domestic market competition. Additionally, governments need suitable taxation policies for international trade, including exchange taxes, exchange profits, export or import monopoly profits, export duties, and import duties. Capital account restrictions can negatively affect tourism development through the economic globalization (EG) channel. Therefore, governments can facilitate: 1) foreign ownership of companies in their countries, 2) foreign access to domestic capital markets, and (3) citizens' access to foreign capital markets.

The positive relationship between social globalization (SG) and the tourism variables indicate that in order to boost tourism development, countries need policies that their social globalization (SG) index by increasing, for example: 1) the sum of gross outflows and the gross inflows of goods, income, services, or financial items; and 2) the information flows through different channels 3) the number of educated people and internet access.

The positive effects of political globalization (PG) have been also found in this study suggesting that countries need to integrate well in political arena in order to develop their tourism policies and contribute to the sector. Having good political relationships with international organizations will contribute to tourism development positively according to the findings of this study. Moreover the enhancement of international diplomatic relationships with other nations may increase the number of international tourists.

The results of the impact of international country risks on tourism development have remarkable policy implications for policy makers at these countries. In order to increase the number of international inbound tourists and tourism receipts the countries need to increase their government unity, legislative strength and popular support. These factors may also increase tourism expenditures of countries through government stability channel. Lower payment delays, higher profits repatriation can increase number of international tourism arrivals, tourism expenditures and tourism receipts by decreasing investment profile risk in a country. Governments should consider the positive impacts of political stability on tourism industry and in order to improve tourism in their countries they have to maintain political stability.

Policy-makers should consider the negative effect of risk on tourism, as it has been one of the most vital sectors for development in many countries. Internal conflict has a negative effect on tourism development. Governments need to decrease political violence in the country and its actual or potential impact on governance.

Negative effect of corruption on tourism development indicates that policy makers have to pay a special attention to corruption within the political system. Foreign

investment is threatened by corruption via different channels: 1- instabilizing the political process, 2- decreasing the efficiency of business and government. 3- distorting financial and economic environment. Financial corruption is the common form of corruption, which makes it impossible to conduct an effective business, and leads to withdrawal of an investment. Policy makers need to be careful about bribes and payments, which are related to loans, police protection, tax assessments, exchange controls, or import and export licenses.

Tourism development is negatively affected by religious tensions. It means policy makers should prevent the domination of society and governance by a especial religious group that wants to apply religious law instead of civil law, and express its own identity.

External conflict risk has a negative effect on tourism development. Governments need to decrease the risk to the government from foreign action, ranging from violent external pressure (cross-border conflicts) to non-violent external pressure (sanctions, territorial disputes, trade restrictions, withholding of aid, diplomatic pressures, etc).

Risk of intervention of military in politics is very common both in developing democratic or totalitarian regimes. So, the involvement of military in politics is a democratic accountability reduction. Our research shows that it has a negative effect on tourism development. Therefore, policy makers have to prevent military to become involved in government, for example, because of a created or actual external or internal threat.

Ethnic tensions risk can affect tourism development negatively. So, governments need to have plans to decrease racial and nationality tensions. They have to control intolerant groups that are unwilling to compromise.

For those country that frequently face uncertainties and tensions, the focus should be on crisis management to ensure the safety of tourists and to defend the nations treasure. However countries may face unpredictable terrorism acts or social unrest anytime, it is essential for countries to be prepared with effective strategies to preserve tourism products.

Improving balance on the current account of the balance of payments has a positive effect on tourism industry. Higher balance leads to higher international tourism arrivals, tourism expenditures and tourism receipts. The current account is a crucial factor in an economy's health. With improving balance of trade and net income from abroad we can experience better tourism industry.

Governments can decrease the value of their local currency to increase their tourism arrivals and tourism receipts. This policy can also decrease the money outflow through decrease in tourism expenditures channel. But policy makers need to be careful that higher inflation as a result of depreciation of local currency can decrease the welfare in the society.

Positive and significant coefficient of GDP growth in the models implies that macroeconomic policies to improve economic growth and economic expansion like reduction in business taxes, improving infrastructure and entrepreneurship development can expand tourism industry of countries. Contraction of economy may

lead to decline in tourism arrivals and tourism receipts. Lower level of income can decrease the expenditures of international outbound visitors in other countries.

Positive and significant coefficient of current account (as % of exports) in the models implies that macroeconomic policies of governments regarding trade policies, competitiveness, exchange rate, inflation rate and others to get a better balance and a current account surplus of trade, can positively affect tourism development.

Tourism development in a country can be positively affected by increase in the total estimated official reserves for a given year. So, governments need to have policies to increase official reserves and at the same time, decrease the average monthly merchandise import cost. These kinds of policies can increase net liquidity point of a country. To reach this goal, reserve management need to be careful about 1- availability of enough foreign exchange reserves to meet defined objectives. 2- controlling market, liquidity, and credit risks. 3- generating reasonable earnings on the funds invested.

6.4 Research Limitations

Considering the limitation of the study, the first problem that author faces when examining the impact of country risk and globalization on tourism development is that most countries lack the appropriate data. Other limitation of the study refers to the data that ends at 2014 for globalization part and at 2012 for ICRG because the data was not available for globalization and ICRG at the time this study had been carried out. Thus the actual results of the study should be interpreted with some caution since the data sets are based on availability.

6.5 Further Research Directions

Further study on this subject is important and may be feasible once more data becomes available. It can open an interesting area to explore this causal relationship in different lags for the future studies. Future studies are recommended to examine the causal relationship between globalization factors and tourism development in each country separately, since each country has special characteristics that can influence its tourism growth. However, it would be beneficial to check the links in particular countries.

Also checking the impact of the overall ICRG index and Globalization index on tourism development would be beneficial and provide useful information for government and policy makers.

Future studies can follow different approaches: 1- They may select some other economic and socioeconomic variables as control variable. 2- They can investigate the causality test result for a few numbers of countries individually.

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APPENDICES

Appendix A: The KOF Index of Globalization

Indices and Variables	Weights
A. Economic Globalization	[36%]
i) Actual Flows	(50%)
Trade (percent of GDP)	(22%)
Foreign Direct Investment, stocks (percent of GDP)	(27%)
Portfolio Investment (percent of GDP)	(24%)
Income Payments to Foreign Nationals (percent of GDP)	(27%)
ii) Restrictions	(50%)
Hidden Import Barriers	(24%)
Mean Tariff Rate	(28%)
Taxes on International Trade (percent of current revenue)	(26%)
Capital Account Restrictions	(23%)
B. Social Globalization	[38%]
i) Data on Personal Contact	(33%)
Telephone Traffic	(25%)
Transfers (percent of GDP)	(3%)
International Tourism	(26%)
Foreign Population (percent of total population)	(21%)
International Letters (per capita)	(25%)
ii) Data on Information Flows	(35%)
Internet Users (per 1,000 people)	(36%)
Television (per 1,000 people)	(38%)
Trade in Newspapers (percent of GDP)	(26%)
iii) Data on Cultural Proximity	(32%)
Number of McDonald's Restaurants (per capita)	(44%)
Number of Ikea stores (per capita)	(44%)
Trade in books (percent of GDP)	(11%)
C. Political Globalization	[26%]

Embassies in the Country	(25%)
Membership in International Organizations	(27%)
Participation in U.N. Security Council Missions	(22%)
International Treaties	(26%)

Source: Dreher, Axel, 2006; Dreher, Gaston, & Martens, 2008.

Appendix B: Unit Root Test Results

Variable	Levin, Lin and Chu t*	Im, Pesaran and Shin W- stat	ADF - Fisher Chi-square	PP - Fisher Chi-square
lnSG	-21.6884	-11.9955	430.9780	767.1660
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
lnEG	-19.3477	-15.0666	766.3590	276.0890
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
lnPG	-2.63423	25.776	132.348	284.976
	(0.0027)	(0.0000)	(0.0000)	(0.0000)
lnTR	-5.65508	-2.94405	347.853	314.596
	(0.0000)	(0.0016)	(0.0005)	(0.0217)
lnTE	-4.20450	-3.22977	362.707	306.940
	(0.0000)	(0.0004)	(0.0001)	(0.0427)
lnTA	-7.52400	-4.39970	409.420	384.228
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
lnGDP	-7.19999	-2.77475	319.275	292.582
	(0.0000)	(0.0028)	0.0071	0.0804
lnGFC	-8.00773	-1.67863	306.547	253.230
	(0.0000)	(0.0466)	(0.0133)	(0.5018)
lnPOP	-7.18712	-7.09861	615.843	364.472
	(0.0000)	(0.0000)	(0.0000)	(0.0001)
lnRER	-1.78752	-0.88144	177.126	119.199
	(0.0369)	(0.1890)	(0.0977)	(0.9829)

Note: The figures in the parentheses show the p-values.

Appendix C: Unit Root Test results

Variable	Levin, Lin and Chu t*	Im, Pesaran and Shin W-stat	ADF - Fisher Chi-square	PP - Fisher Chi-square
CAG	-55.8913	-46.0358	2009.2900	4102.8600
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
GDPG	-26.3530	-23.7701	1040.8000	967.3430
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
GDPC	-22.7324	-14.2446	640.9630	678.5470
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
BB	-3.2364	-5.9046	423.0840	612.3640
	0.0006	(0.0000)	(0.0000)	(0.0000)
INF	-33.4164	-19.0238	837.0780	420.1200
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
CAX	-14.5016	-4.2794	291.4490	939.2930
	(0.0000)	(0.0000)	0.1359	(0.0000)
LIQ	-2.5226	-6.0334	593.8960	306.0320
	0.0058	(0.0000)	(0.0000)	0.0214
FD	-10.9811	-11.2338	524.8640	685.9720
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
DS	-638.6480	-72.4571	603.9870	1983.0800
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
XRS	-253.0090	-33.7662	648.2230	364.6700
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
GS	-8.5327	-15.4971	691.2060	639.4160
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
IP	-35.6429	-26.1698	1146.0000	1230.3800
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
IC	-11.4525	-14.8715	666.0030	451.8170
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
COR	-22.9224	-12.6907	580.0420	458.8840
	(0.0000)	(0.0000)	(0.0000)	(0.0000)

RP	-26.8859	-20.4969	899.3910	408.2150
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
EC	-21.6286	-16.0785	714.8090	1595.6800
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
SC	-21.2520	-14.1975	1038.3200	588.9540
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
DA	-33.5083	-18.0983	1240.4500	608.6350
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
MP	-25.6883	-13.9921	630.9620	827.1750
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
ET	-29.3491	-19.0066	836.3530	376.0300
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
TR	-2.67523	6.786	142.311	394.956
	0.0037	1.0000	1.0000	(0.0000)
TR	8.4171	20.8026	8.19647	11.3733
	1	1.0000	1.0000	1.0000
D(TR)	-18.8575	-11.2947	527.9570	1131.1500
	0	(0.0000)	(0.0000)	(0.0000)
TE	3.72072	17.2617	15.4258	15.8015
	0.9999	1.0000	1.0000	1.0000
D(TE)	-27.5454	-20.0989	879.9180	947.7430
	0	(0.0000)	(0.0000)	(0.0000)
TA	-8.20015	8.6313	58.3256	40.8781
	0	1.0000	1.0000	1.0000
D(TA)	10.9666	-9.1914	451.9040	1843.4500
	1	(0.0000)	(0.0000)	(0.0000)