

An empiric on geopolitical risk and the tourism-economic growth nexus

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This study empirically examines the moderating role of geopolitical risk on the tourism-economic growth nexus by applying a recent geopolitical risk indicator in a cross-country panel data growth model context. We employ a DVLS panel data model, nonparametric covariance matrix estimator and System GMM estimation techniques by accounting for unobserved country-specific and time-invariant effects. The research finds that the interaction term of geopolitical risk significantly contributes to the predictive ability of the regression and provides empirical evidence that confirms that only in low geopolitical risk countries international tourism positively and significantly contributes to economic growth. Important theoretical and policy implications flow from these findings. The study not only contributes to advancing academic knowledge on the tourism-growth nexus, but it also has impact beyond academia. Many countries have in the past pursued, and many continue to pursue, tourism specialization and/or tourism-led growth strategies based on the theoretically well-established and empirically validated positive link between inbound tourism and economic growth. Our findings alert policy makers in such countries to the significant moderating role that geopolitical risk plays in affecting the above-mentioned relationship and to the importance of prioritizing geopolitical stability as a policy precursor for the successful implementation of such strategies.

Keywords: geopolitical risk, international tourism, economic growth, panel data analysis