

**Estimating the Potential Crowding-Out Effect on Taiwan's
International Tourism Market
Resulted from the Pour of Mainland China Tourists**

Yi-Heng Tseng

Corresponding author

Assistant professor

Department of International Business

Yuan Ze University

No.135, Yuan-Tung Rd., Chung-Li City, Taoyuan County 32003, Taiwan (R.O.C.)

yhtseng@saturn.yzu.edu.tw

Chia-Ling Chang

Ph.D. Candidate

AI-ECON Research Center

Department of Economics

National Chengchi University

NO.64,Sec.2,Zhi-Nan Rd., Wen-Shan District,Taipei City 11605,Taiwan (R.O.C)

cutesphinx6@yahoo.com.tw

Abstract

Accompanied by the rising purchasing power of residents in emerging industrialized country, and the tendency of reducing average working hours, international tourism has become a worldwide prevalent activities. Further speaking, development of tourism business benefits not only from earning tourism receipt, but also promoting the job growth. As for Taiwan, after changing of government in May 2008, the new authorities kept on taking the tourism industry into one of the projection of “Development of six emerging industries”, and the Taiwan’s Tourism Bureau is also assigned with the “Project Vanguard for Excellence in Tourism”, in order to improve the competency in international tourism market. However, among these tourism policies, the most crucial and widely debated issue is that, whether the contribution of “the first Jiang - Chen discussion (July, 18, 2008)”, namely the formal opening of Taiwan’s tourism market to the mainland China tourists, is beneficial for whole Taiwan’s international tourism market or not? Furthermore, whether the sudden pour of mainland China tourists to Taiwan resulted in “crowding out” other countries tourists or not? Therefore, our paper will discuss the fore-mentioned issues based on the demand-side consideration. First, we established the time series forecasting models of Taiwan’s traditional international tourist arrivals, such as those from Japan, Korea, Hong Kong, United States, Canada, Singapore, Malaysia, and United Kingdom, respectively. Then, incorporated with the VAR model and Out-of-Sample prediction method, the empirical results show that after formally opening Taiwan’s tourism market to the mainland China since 2008Q3, the China tourists did not result in the crowding-out effect for other counties tourists, entirely. On the contrary, under the perspective of aggregation of those fore-mentioned eight countries, the international tourist arrivals did not decrease, but appear to be continuing increasing in the recent 4 quarters, instead.