

## Abstract

The significant impact of international tourism in stimulating economic growth is especially important from a policy perspective. For this reason, the relationship between international tourism and economic growth would seem to be an interesting empirical issue. In particular, if there is a causal link between international tourism demand and economic growth, then appropriate policy implications may be developed. The purpose of this paper is to investigate whether tourism specialization is important for economic development in East Asia and the Pacific, Europe and Central Asia, Latin America and the Caribbean, the Middle East and North Africa, North America, South Asia, and Sub-Saharan Africa, over the period 1991-2008. The impact of the degree of tourism specialization, which is incorporated as a threshold variable, on economic growth is examined for a wide range of countries at different stages of economic development. The empirical results from threshold estimation identify two endogenous cut-off points, namely 14.97% and 17.50%. This indicates that the entire sample should be divided into three regimes. The results from panel threshold regression show that there exists a positive and significant relationship between economic growth and tourism in two regimes, the regime with the degree of tourism specialization lower than 14.97% (regime 1) and the regime with the degree of tourism specialization between 14.97% and 17.50% (regime 2). However, the magnitudes of the impact of tourism on economic growth in those two regimes are not the same, with the higher impact being found in regime 2. An insignificant relationship between economic growth and tourism is found in regime 3, in which the degree of tourism specialization is greater than 17.50%. The empirical results suggest that tourism growth does not always lead to economic growth.

**Keywords:** International tourism, economic development, tourism specialization, threshold variable, panel data.

**JEL Classifications:** C33, L83, O10, O40, O57.