


## Chapter 5

# Impact of Globalization on Inbound Tourism in Mediterranean Countries: A Panel Regression Analysis

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### ABSTRACT

*Tourism sector has become one of the leading economic sectors and export items for the countries in the globalized world after consistent growth during the past six decades. Furthermore, tourism sector is also a significant component of economic growth and an important source of foreign exchange and employment due to its labor intensive structure. Therefore, many countries have designed and implemented various economic and non-economic measures to improve inbound tourism. In this context, this study investigated the impact of economic, social, cultural, and political globalization on inbound tourism in selected Mediterranean countries for the period of 1995-2017 through panel regression analysis considering the limited related literature. The regression analysis revealed that economic globalization, social globalization, cultural globalization, and political globalization positively affected inbound tourism. In this regard, the policies raising economic, social, cultural and political integration with global economy is expected to make a positive contribution to the development of inbound tourism.*

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## INTRODUCTION

The tourism sector has considerably expanded during the last six decades with the accelerating liberalization and globalization processes and become the third largest export category after chemicals and fuels in the world in 2017 (UNWTO (United Nations World Tourism Organization), 2019). Furthermore, 1.5 billion international tourist arrivals were experienced in the world in 2019 (UNWTO, 2020). However, the arrivals considerably change among the regions classified by UNWTO. In this context, the Europe region attracted about half of total international arrivals in 2019 and Asia and the Pacific Region attracted a forth of total international arrivals in 2019, then regions of Americas, Africa, and Middle East respectively followed the regions (UNWTO, 2020).

Tourism sector is a critical part of growing tertiary sector, generates income and foreign exchange, creates jobs due to its labor intensive structure, contributes to the regional development, and supports local communities (OECD, 2020). However, the researchers and policy-makers have generally focused on determinants of tourism sector development considering the positive implications of the tourism sector and many economic, institutional, social, and cultural factors have been revealed as the determinants of tourism sector development (e.g. see Eilat and Einav, 2004; Culiuc, 2014; Shafiullah et al., 2018). In the related theoretical and empirical literature, the influence of globalization has stayed untouched, although globalization has potential to affect the tourism sector through various direct and indirect channels.

Globalization is a multi-dimensional concept reflecting the increased economic, social, cultural, and political integration of the countries, but the definition of the globalization varies depending on the globalization type. Economic globalization consists of trade and financial globalization and social globalization is composed of interpersonal, informational and cultural globalization. On the other side, cultural globalization is a component of social globalization and reflects the transmission of cultural values. Lastly political globalization indicates the transmission of government policies and the ability to take part in international political cooperation (Savina et al., 2019).

The globalization has gained significant speed especially as of 1980s together with liberalization and many countries have removed or loosened the barriers over international flows of goods, services and production factors. The accelerating globalization has led the changes in almost every part of our economic, social, cultural, and political lives. In this context, tourism and globalization are very inter-dependent phenomena. People from different parts of world can easily exchange ideas and values due to globalization. Globalization can make a positive contribution to development of tourism industry through improving and cheapening the transportation industry, facilitating the mobility of persons, culture exchange, and development of delivery. However, the raising globalization can negatively affect tourism via raising the competition among the destinations.

In this study, the impact of economic, social, cultural, and political globalization on inbound tourism in Mediterranean countries will be analyzed through regression analysis considering the limited relevant empirical literature. Mediterranean region holds exceptional historical, cultural, and natural places for various tourism types. Therefore, it is one of the prominent tourism centers with half of the number of international tourists and about one third of tourism revenues in the world (Šimundić and Kuliš, 2016). The next section sums up the related empirical literature and Section 3 describes the dataset and method. Then Section 4 reports and discusses the empirical findings and the paper ends up with Conclusion section.

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