

# Terrorism or Political Terrorism Vs Tourism: New Evidence from Developing Countries

Saima Sarwar

Lecturer & Ph.D Scholar, Government College University, Lahore, Pakistan

M. Wasif Siddiqi

Senior Visiting Professor Department of Economics, Government College, University, Lahore, Pakistan

## Abstract

In the 21st century, tourism emerges as a significant income generating sector as well as weapon for growth and survival for various countries<sup>1</sup>. Tourism is the largest global industry with continuously growing global market which will triple in size by 2020<sup>2</sup>. Besides, numerous natural and human-caused disasters, the threat that accompanies political turmoil, tends to frighten potential tourists more severely. Such uncertainties in an economy can impede the flow of tourism. Terrorism risk tends to intimidate the traveling public more severely—as demonstrated by the realignment of travel flows and cancellation of vacations during periods of heightened terrorist activity. The tourism industry is highly vulnerable to such disturbances—whether social or political (i.e., riots, insurgency, terrorism, crime, political upheaval, war, regional tensions). This study also aims at finding a nexus between Terrorism and tourism based on new evidence from developing nations. Moreover developing nations have been further divided into two panels i.e. Politically Free , and Politically Not Free nations. This classification has been made to see whether political environment also affects terrorism activities in nations or not. Similarly another important aspect of this study is to see whether simply terrorist's activities or Political terrorism<sup>3</sup> is a hurdle for the development of an economy. For this purpose different variables related to political terror and failures have also been used. Moreover time span for the study is from 1995-2011. Both parametric and non-parametric approaches have been employed. For evaluating the impact of Terrorist activities, data has been taken from World Governance Indicators(WGI), while data for tourism is from World Tourism Organization (UNWTO).

**Keywords:** Tourism, Economic Development, panel Data

**JEL:** L83, O10, C23.

## Introduction

“Terrorism” word has its origin from the latin word “*terrere*”, which means “to cause to tremble.” This term became popularized during the “Reign of Terror” carried out by the revolutionary government in France from 1793 to 1794 (Juergensmeyer, 2003: 5). Mid 80's was the start of international terrorism. Therefore since 80s, scholars from diverse disciplines are trying to examine the relationship between terrorism and tourism (Richter 1989; Richter and Waugh 1986), the economic impacts of terrorism (Enders and Sandler 1991; Enders, Sandler and Parise 1992), implications for tourism marketing (Brady and Widdows 1988; Buckley and Klemm 1993; Conant et al. 1988; D'Amore and Anuza 1986; Hollier 1991; Hurley 1988; Lehrman 1986; Sonmez 1994), and the impacts of political instability or war on tourism (Gartner and Shen 1992; Hall 1994; Mansfeld and Kliot 1996; Mihali 1996; Pitts 1996; Richter 1980, 1983; Schwartz 1991; Scott 1988; Sharpley and Sharpley 1995; Smith 1996; Teye 1986, 1988). There is a widespread view among tourism analysts that international visitors are very concerned about their personal safety (Edgel, 1990:119) and that ‘(. . .) tourism can only thrive under peaceful conditions’ (Pizam and Mansfield, 1996: 2). But problem is not only pure terrorists activities but another important issue is related to political terrorism. Mostly researchers unanimously agree that political violence in any form is harmful for the destination image and, as well as for the tourist inflows and outflows. Moreover political stability and tourism go hand in hand and, though tourism is perceived as being particularly vulnerable to international threats such as terrorism (Richter and Waugh, 1986: 238), analysts accept that it may be impossible to isolate tourists completely from the effects of international turbulence (Hall and O'Sullivan, 1996: 120). Security and peace may be crucial for tourism and international travel, but national and supranational organizations concerned with tourism have little influence on peace and security agendas (Hall, Timothy and Duval, 2003).

One of the most widely cited cases of the effect of international conflict on tourism industry is that of the Gulf

<sup>1</sup> E. T. Heath, “Globalization of the Tourism Industry: Future Trends and Challenges for South Africa,” *South African Journal of Economic and Management Sciences*, vol. 4, pp. 542-569, 2001.

<sup>2</sup> World Tourism Organization, World Tourism Barometer.

<sup>3</sup> E. Neumayer, “The impact of political violence on tourism: Dynamic cross-national estimation,” *Journal of Conflict Resolution* vol. 48(2), pp. 259-281, 2004

War in 1991. Several theoretical studies offer valuable insight and help advance understanding of the unique relationship between terrorism and tourism (Aziz 1995; Richter 1983; Richter and Waugh 1986; Wahab 1995). Richter compares peaceful travel between countries to diplomatic relations to explain the nature of the relationship and suggests that travelers might be targeted for violent attacks because they are perceived as ambassadors for their countries, as well as "soft" targets (Salazar 2006). When tourists are victimized, the situation is instantly magnified by the media and the political conflict between terrorists and their establishment is transferred to a much wider scale of international attention. The tourist's country of origin becomes involved in the situation and the subsequent involvement of other countries intensifies the pressure on the government that the terrorists are sending a message to. The widespread media attention focused on the terrorists' political views confirms the usefulness of tourists to terrorists (Richter 1983). Richter (1983) suggests that tourism styles and itineraries might be viewed, by some, as representing ideological values, class behavior, and political culture of both tourists and their countries of origin. Moreover, as tourism represents a significant economic activity, terrorist attacks on tourists become effective tools for obtaining resources from or gaining political advantages over government officials (Richter and Waugh 1986). The literature also confirms a definite substitution effect among destinations when terrorism or political turmoil risk is evident (Gu and Martin 1992; Mansfeld and Kliot 1996) and suggests that tourists' nationality and level of previous experience influences their reactions to terrorism (Cook and McCleary 1983; D'Amore and Anuza 1986; Hurley 1988; Tremblay 1989; Wall 1996). However now a days world is facing a new phenomenon of terrorism that is "modern terrorism" which is not necessarily about the numbers. In fact, most modern terrorist attacks, while violent in nature, generally produce limited damage or casualties. LaFree and Dugan note that over 53% of terrorist organizations from the Global Terrorism Database included in their study (1974–2004) have never produced a single fatality (LaFree and Dugan 2004).

### Literature Review

This study is an also an attempt to show the relationship between terrorism and tourism. A considerable and large cohesive body of literature exists in this regard from different authors. But since September 2001 an explosion of such type of research can be observed very easily. But this study differentiates from all those past works in a way that it incorporates the political terrorism aspect generally for developing economies of the world taking into consideration the regime type and specifically for Muslim world as well. Here below is a brief literature review related to previous studies showing the nexus between these two important phenomenon.

Sonmez (1998) related tourism, political turmoil and war to terrorism. He described that terrorists take tourism as a political tool for creating instability in an economy. Moreover he proved that political violence in any form is detrimental to tourism industry through deteriorating its image. He used analytical and descriptive method of research for making this nexus but didn't make the use of any data for confirming this relationship among these variables.

Sonmez and Graefe (1998) found that decision making process of tourists is based on international travel attitude, risk perception level, terrorist activities along with age, gender and income. They explored that if risk is associated with tourism then it becomes a constraint for tourists for making decisions regarding travel. Results showed that about 49% of the variation in decision making process is due to gender, education, income, travel experience, travel attitude, and risk perception. And only last two appeared to be highly significant predictors. peace and political stability are proportionally related to vulnerability of tourism industry to terrorism and to think about a world free of terrorism in future is impossible now.

Drakos and Kutun(2001) extended the model given by Enders et.al (1992) by changing the time period of study and also trying to find the effect of terrorism on regional cooperation among nations and their shares into each other's markets. They took three nations Israel, Greece and Turkey. And observed that in turkey and Israel terrorism has negatively affected the tourists inflow but not in Greece. They justify it through reasoning that during 90s there exists the possibility of reduced number of attacks. Moreover they also observed that increased number of attacks in Greece are causing to increase in the relative market share Israel while terrorism incidence in Israel is benefitting Turkey's market share. They concluded that location of terrorist activities like either in urban or in rural areas and their intensity have a strong impact on the decision making process of tourists.

Bloomberg, Hess and Weerapana (2002) found that increased terrorism is related to reduced economic activity. Using a panel dataset 130 countries for the period 1968-91 they proved that both these variables are not independent of each other. Moreover in high income and democratic countries such incidence of terrorism are more and lower incidence of economic contraction. This analysis was done for overall economic performance but not particularly for tourism industry.

Neumayer(2004) is the first one so far who tried to prove empirically the effects of political violence on tourism using cross national panel. This study used many other political conflict variables for making a nexus between tourism and political instability. Panel included the maximum number of nations for which data was available. Time span was from 1979-2000. This study concluded that such political violence has negatively affected

tourist's activities in nations. Results also showed that one standard deviation increase in political violence reduced 32% tourists arrivals. While for other political variables conflict variables, one standard deviation increase reduced tourist arrivals by 22%. Moreover variable for terrorism used in this study showed that one standard deviation increase in terrorists attacks declined 8.8% tourist arrival.

Bloomberg, Hess, and Orphanides (2004) assessed the macroeconomic consequences of terrorism using unbalanced panel data set for 177 nations. Through applying structural VAR model they found that terrorism has a significant but small negative effect on growth. Moreover they showed that due to terrorism, investment spending shifts to government spending for increasing securities measures. They investigated that terrorist attacks are more frequent in developed nations but the impact of such attacks is strong in developing nation more as compared to developed nations.

Masqutia (2008) described terrorism in a political economy perspective and tried to prove descriptively that terrorism and economic performance are related to each other bidirectionally. He proposed that terrorist activity can be a result of economic deprivation like poverty and unemployment situations but on the other side such activities can also reduce economic activity in an economy like flight of capital, reduced FDI, lack of investment due to insecure conditions in nation etc. Moreover he concluded that due to lack of data on organizational setup of terrorist groups, government investment for counter attacks, and longrun patterns of violence restricting us to identify a sophisticated relationship of terrorism with other economic variables. And he also emphasized that terrorism and civil wars should not be used interchangeably because these are two different types of political violence.

Fielding and Shotland (2010) studied that how Egyptian tourist industry has been affected through political violence. They found a negative response from US and EU tourists in 1990s.

Rehman, Holdschlag, Ahmed and Qadir(2011) also explored a strong relationship between political instabilities and tourist inflows in South. They conducted a research on Chitral district in the eastern Hindukush. Through interviews from local respondents, it was observed that such variations in tourists inflow affects the income level of the residents of such mountainous and hilly areas. Moreover external terrorists activities like 9/11 attacks have put the burden of "war on terror" in Pakistan and the role of media in making image about the safety of such places is also affecting negatively tourist industry.

Korstanje and Clayton (2012) conducted recently a study showing a relationship between terrorism and tourism. This research tried to focus that why despite threat of political conflicts and terrorists attacks, tourists don't stop themselves visiting those places. The findings of the study showed that in US after 9/11 there has been shown a decline of 13.5% in tourists and temporary loss of 365,000 jobs in economy. Moreover this study concluded that people are more willing to visit places where security risks are quite higher than in their own country.

Hans(2012) tried to find the implications of terrorism and observed that social integration alongwith economic development is needed to combat terrorism. He also cited Indian tourism industry loss in case of Kashmir and proved that socio-economic issues in form of poverty, unemployment, inequality are related to violence and terrorist activities.

## **Methodology**

So far to analyze the microeconomic and macroeconomic effects of terrorism, reliance has been made on both time series and panel estimation. Sandler and Enders, Eckstein and Tsiddon(2004), Drakos and Kutan(2003) Eldor and Melnick (2004) relied on Time Series method of estimation. While Blomberg, Hess, and Orphanides (2003), Gupta, Clements, Bhattacharya, and Chakravarti (2004), Tavares (2004) mostly applied panel data estimation for observing the effects of terrorism on the economy of nations. Proponents of both techniques give their own justifications for the selection of specific models. Like advocates of time series technique rejects panel estimation on the ground that such estimations gives the average picture of all countries with diverse situations which may not be very reliable. Moreover cross boarders spillover effects, microeconomic effects and forecasts can not be easily observed through it. On the other hand advocates of panel estimation reject time series analysis for many reasons especially such analysis does not give generalized picture across nations and the estimated model may be a theoretical with no antecedent behavioral model<sup>1</sup>. This study employs dynamic panel estimation. For this purpose all developing countries have been taken as sample for which data is available. Time span of the study is from 1995-2011.

## **Variables and Data Sources**

Main variables included in this study are

1. Absence of Terrorism
2. Political Terrorism
3. Inbound Tourism
4. Outbound Tourism

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<sup>1</sup> See Sandler and Enders, "Economic consequences of terrorism in developed and developing countries: An overview"

### **Absence of Terrorism**

For terrorism mostly authors have used operationalized definition. Up to date different proxies have been used for this purpose. e.g. number of terrorist attacks (Drakos and Kutun (2003), Eldor and Melnick (2004), Enders and Sandler (1991), Enders and Sandler (1996), Enders, Sandler, and Parise (1992), Nitsch and Schumacher (2004), Tavares (2004), dummy variable taking occurrence of terrorism in given year (Blomberg, Hess, and Orphanides (2004), Nitsch and Schumacher (2004), terrorism incidents per capita (Tavares (2004), Blomberg, Hess, and Orphanides (2004), data on conflict from ICRG (Gupta, Clements, Bhattacharya, and Chakravarti (2004), terrorism index (Eckstein and Tsiddon (2004), and number of casualties from terrorist attack (Abadie and Gardeazabal (2003). But in this study a new approach has been used to see the relationship between terrorism and tourism. For this purpose impact of absence of terrorism has been analysed and data has been taken from WGI. This dataset has this advantage that it covers large number of countries and data is not missing for most of the nations.

### **Political Terrorism**

This is standards-based human rights variable. It is the first quantitative dataset which measures state behavior towards human rights. Here "Terror" means state terror which includes violations of physical or personal integrity by state agents. Moreover state agents means militia and parliamentary organizations. This measure is basically human rights violation measure in a nation. It only focuses on state behavior and human rights practices in state and does not take into account domestic or societal violence. It includes extrajudicial and state sponsored killings, misuse of power by country police and intentional killings of civilians by security forces and by political enemies. It is 5-point scale. Level 5 shows terror is prevailing in whole population and leaders are using all means for getting their goals achieved. Level 4 of the scale shows that violations of political and civil liberties has started expanding and torture is now a permanent element of society. Level 3 reports extensive political imprisonment, and political murders. Level 2 tells limited amount of political activity and rare cases of murders and torture. Level 1 shows the prevalence of rule of law in nation and almost no case of brutality and political murders. So it means lower values of scale shows minimum terror and insecurity and higher values approaching to 5 shows prevalence of extreme level of terror everywhere in society. Data has been collected by Amnesty International and US State Department.

### **Inbound Tourism**

It means that tour of some non-residents to our nation. This can be measured through two proxies. Either using number of arrivals or taking into account total amount of receipts. The data definition and source of these two has been given below.

- i. **Receipts:** International tourism receipts are expenditures by international inbound visitors, including payments to national carriers for international transport. These receipts include any other prepayment made for goods or services received in the destination country. They also may include receipts from same-day visitors, except when these are important enough to justify separate classification. For some countries they do not include receipts for passenger transport items. Data source is UNWTO.

### **Outbound Tourism**

It means when someone goes out of their own country. This can also be measured through two proxy variables. Number of departures and Expenditures.

- i. **Expenditures:** International tourism expenditures are expenditures of international outbound visitors in other countries, including payments to foreign carriers for international transport. These expenditures may include those by residents traveling abroad as same-day visitors, except in cases where these are important enough to justify separate classification. For some countries they do not include expenditures for passenger transport items. Data source is UNWTO.

### **Empirical Analysis**

Various methods are available for measuring the long run relationship among variables. Like FMOLS, DOLS, PMG, MG, Fixed Effects model etc. All these methods have different essential conditions to be fulfilled before using them for analysis. This study has employed FMOLS and DOLS technique for finding this long run estimation among variables after proving that all these variables are cointegrated with each other. Fixed effects model has not been applied because it has been analyzed that if number of countries is quite high than time period then such model gives bias estimators. Moreover MG and PMG is more suitable when T is larger or closer to N but here this condition is also not getting fulfilled. And only FMOLS Pedroni (2000, 2001) and DOLS (Harris and Sollis, 2003) are the two methods which fits to our panel situation. FMOLS is the most suitable technique for providing optimal estimates of cointegration regression (Bum and Jeon, 2005). It is a non-parametric approach for dealing with corrections for serial correlation – it therefore takes into account the possible correlation between the error term and the first differences of the regressors as well as the presence of a constant term. But to apply this technique, the need to satisfy the condition that there is cointegration between variables of order I(1). Therefore firstly it is necessary to find whether variables are stationary of same order and

cointegrated or not. While on the other side DOLS is a parametric approach where the lagged first-difference terms are explicitly estimated. With DOLS, the errors are augmented with leads, lags and contemporaneous values of the regressors. All the analyses have been completed using the program EViews 7 (Quantitative Micro Software, Irvine, CA, USA).

**(i) Panel Unit Root Tests**

Two tests have been applied for observing the stationarity of variables. Levin–Lin (1992) LLC and IPS t-bar (1997). The process of determining the stationarity of variables in panel is same as for single time series. In panel unit root estimation, ADF test is employed in order to determine the presence of unit root in data. The ADF model for panel data can be written as:

$$\Delta y_{it} = \rho_i y_{it-1} + \sum_{j=1}^p \delta_i \Delta y_{it-j} + x'_{it} \beta + \varepsilon_{it},$$

Where  $y_{it}$  is the series of interest being  $i = 1, 2, \dots, N$  cross-section units over periods  $t = 1, 2, \dots, T$ ,  $x_{it}$  represents a column vector of exogenous variables, including any fixed effects or individual trends,  $\rho_i$  is the mean-reversion coefficient,  $p$  is the lag length of the autoregressive process and  $\varepsilon_{it}$  a idiosyncratic disturbance assumed to be a mutually independent. If  $|\rho_i| < 1$ ,  $y_{it}$  is said to be weakly (trend-) stationary, and if  $\rho_i = 1$ , then  $y_{it}$  presents a unit root. The results of the panel unit root tests from LLC and IPS tests are reported in Table 1.1 and Table 1.2. Both the panel tests include a constant and a heterogeneous time trend in their specifications. The test results show that the unit root null could not be rejected and hence the series are generated by an I (1) process.

**Table 1.1: Panel Unit Root Test at Level.**

Variable	Situation	Common Unit Root	Individual Unit Root
		LLC-ADF	IPS-ADF
Ln Inbound Tourism	Individual Intercept	12.5291	4.58070
		1.0000	1.0000
Ln outbound Tourism	Individual Intercept	17.0303	3.03415
		1.0000	0.9988
PT	Individual Intercept	2.87325	1.70248
		0.9980	0.9557
AT	Individual Intercept	1.77186	1.79099
		0.9618	0.9634

**Table 1.2: Panel Unit Root Test at First Difference**

Variable	Situation	Common Unit Root	Individual Unit Root
		LLC-ADF	IPS-ADF
Ln Inbound Tourism	Individual Intercept	-34.4092	-43.3434
		0.0000	0.0000
Ln outbound Tourism	Individual Intercept	-19.3805	-9.36581
		0.0000	0.0000
PT	Individual Intercept	-64.6261	-70.8843
		0.0000	0.0000
AT	Individual Intercept	-4.98247	-17.9696
		0.0000	0.0000

**Panel Co-integration**

For finding the cointegration among variables, various tests have been introduced. In this study Pedroni cointegration test and Kao test has been applied. Panel cointegration test has seven statistics and it has null hypothesis of “no cointegration”. Table 1.3 shows the results of this test and it can be seen that four statistics prove to be significant at 1% level of significance. So it confirms the existence of cointegration among variables.

**Table: 1.3: Pedroni Co-integration Test**

Panel Cointegration Statistics (Within-Dimension)	Inbound tourism	Outbound tourism	Group Mean Panel Cointegration Statistics (Between-Dimension)	Inbound tourism	Outbound tourism
Panel v-statistics	-7.535141 1.0000	-8.302836 1.0000	Group p-statistics	7.956091 1.0000	-8.038720 0.0000***
Panel ρ-statistics	2.389559 0.9916	-11.43315 0.0000***	Group pp-statistics	-2.987957 0.0014***	-17.07370 0.0000***
Panel PP-statistics	-5.572734 0.0000***	-14.00625 0.0000***	Group ADF-statistics	-2.640519 0.0041***	5.746992 1.0000
Panel ADF-statistics	-5.294549 0.0000***	0.717832 0.7636			

‘\*\*\*’ shows rejection of null hypothesis of no cointegration.

Similarly the second test also confirms the presence of cointegration among these variables.

Again this test also has the same null hypothesis and p-value shows the rejection of it at 1% level of significance.

**Table:1.4: Kao Test**

Kao’s Residule Panel Cointegration Test		
Null Hypothesis	Inbound tourism	Outbound tourism
No Cointegration	[-20.51083] (0.0000)***	[-20.57520] (0.0000)***

‘\*\*\*’ indicates rejection of null hypothesis.

[ ] shows t-statistics, ( ) shows probability of rejecting null hypothesis..

Now after cointegration results that there is a long run relationship among these variables FMOLS and DOLS estimation techniques have also been applied for confirming these results. For empirical analysis, the following model specification has been used to investigate the long-run relationship among tourism, political stability and political terrorism for developing nations.

$$\text{LnIT}_{it} = \alpha_{it} + \beta_i t + \gamma_{1i} \text{PT}_{it} + \gamma_{2i} \text{AT}_{it} + \epsilon_{it} \quad (1)$$

$$\text{LnOT}_{it} = \alpha_{it} + \beta_i t + \gamma_{1i} \text{PT}_{it} + \gamma_{2i} \text{AT}_{it} + \epsilon_{it} \quad (2)$$

Where

IT= inbound Tourism

OT= outbound Tourism

PT= Political Terrorism

AT= absence of terrorism

$i = 1; \dots; N$  shows number of countries in the panel and  $t = 1; \dots; T$  refers to the time period. The parameters  $\alpha_i$  and  $\gamma_i$  explains the possibility of country-specific fixed effects and deterministic trends, respectively.  $\epsilon_{it}$  describes the estimated residuals which represent deviations from the long-run relationship.

**Table 1.5: Results From FMOLS model**

Dependent Variable: Ln Inbound Tourism

Panel Group	Number of nations	Intercept	PT	AT
Whole Panel	128	21.61932 [22.40861] (0.0000)	-0.811557 [-2.615787] (0.0090)*	0.630477 [3.843250] (0.0001)***
Democratic Nations	57	14.94318 [13.82363] (0.0000)	2.123999 [4.631875] (0.0000)***	2.423014 [3.887374] (0.0001)***
Non-Democratic Nations	71	20.91179 [22.44257] (0.0000)	-0.827733 [-2.705863] (0.0069)**	0.589388 [1.727371] (0.0844)*
Muslim Nations Panel	43	22.15816 [18.49980] (0.0000)	-1.008302 [-2.569638] (0.0104)**	0.683577 [3.069958] (0.0022)***

‘\*’, ‘\*\*’, ‘\*\*\*’, shows 10%, 5%, 1% level of significance respectively.

[ ] shows t-statistics, ( ) shows probabilities

The above table shows the results of model for four panels. i.e. for all developing nations, democratic developing nations, non-democratic developing nations and for all Muslim developing nations. All panels exhibits the negative impact of political terrorism on tourism industry (Neumayer: 2004) and except for democratic nations

(Bloomberg, Hess and Weerapana :2002), Korstanje and Clayton: 2012). These authors proved that democratic and high income nations are having more such terrorist incidence and less chances of contraction in economic activities. Moreover, being democratic, such nations have strong institutions following law and order in nation. That's why any activity by terrorists or political terrorists can not easily interrupt economic activities in such nations. From table it can be seen that political terrorism is effecting tourism industry much in case of Muslim nations as compared to other cases. Here 1% change is the level of political terrorism or human rights violation bringing down tourist's expenditures in host destination more than 100%. However it can be seen that in the lower intensity of terrorism or political stability is positively related in case of all panels. But impact of this variable on tourist's behavior can be observed much more clearly in democratic nations as compared to other cases. 1% change increase in removal of terrorism and violence is bringing more than 200% positive change in the attitudes of tourists regarding their confidence for making expenditure in host nation. Political terrorism is also exhibiting positive relationship with tourist's spending in case of democratic nations because in such nations these types of terrors are not prevailing in societies or in other words violation of human rights is not easily observable that's why 1% change in this variable shows more improvement in the level of political terrorism being democratic and this improvement leads to positive change in the behavior of tourists towards the risk in making expenditure in host nation.

**Table 1.6: Results From DOLS model**

Dependent Variable: Ln Inbound Tourism

Panel Group	Number of nations	Intercept	PT	AT
Whole Panel	128	19.60353 162.4776 0.0000***	-1.033667 [-4.772198] (0.0000)***	0.369279 [2.752975] (0.0060)***
Democratic Nations	57	16.49295 26.26148 0.0000***	1.452784 [5.403916] (0.0000)***	1.021536 [2.919202] (0.0036)***
Non-Democratic Nations	71	19.69236 40.03945 0.0000***	-0.157370 [-0.990290] (0.3222)	0.636465 [3.797618] (0.0002)***
Muslim Nations Panel	43	19.65592 82.67112 0.0000***	-0.168324 [-0.750693] (0.4531)	0.686393 [2.906615] (0.0038)***

‘\*’, ‘\*\*’, ‘\*\*\*’, shows 10%, 5%, 1% level of significance respectively.

[ ] shows t-statistics, ( ) shows probabilities

When DOLS model was also applied on the same dataset, it can be seen that results are same and in most cases significance has also increased for the absence of terrorism. Now after observing effect of political terrorism and absence of violence on inbound tourism, the same exercise has been done for outbound tourism. Here in the table given below results have been summarized for model (2).

**Table 1.7: Results From FMOLS model**

Dependent Variable: Ln outbound Tourism

Panel Group	Number of nations	Intercept	PT	AT
Whole Panel	128	19.17364 108.6475 0.0000***	0.335904 1.696537 0.0899*	-0.359988 -1.872122 0.0613*
Democratic Nations	57	19.31956 142.4807 0.0000***	1.176704 8.716008 0.0000***	-1.155272 -5.816587 0.0000***
Non-Democratic Nations	71	19.47002 48.88321 0.0000***	1.141164 5.270105 0.0000***	0.301873 0.807132 0.4197
Muslim Nations	43	19.69920 45.86789 0.0000***	1.069997 4.176541 0.0000***	0.596391 1.447417 0.1482

‘\*’, ‘\*\*’, ‘\*\*\*’, shows 10%, 5%, 1% level of significance respectively.

[ ] shows t-statistics, ( ) shows probabilities

From the table it can be viewed that political terrorism is causing the movement of tourists to outside the host nation in all panels and this effect is more strong in case of democratic nations. Moreover absence of terrorism is

showing strong and significant negative effect on such movements of tourists from host nation. But in case of non-democratic and muslim nations, this variable is not showing any significant relationship with the departure of tourists from host nation. Overall whole panel confirms all results in expected relationship. Similarly when DOLS was applied on the same model, results become more significant even for non-democratic and muslim nations panel but only for these two nations even absence of terrorism is showing depature of tourist from such nations.

**Table 1.8: Results From DOLS model**

Dependent Variable: Ln outbound Tourism

Panel Group	Number of nations	Intercept	PT	AT
Whole Panel	128	18.84798	1.530617	-1.264759
		145.5204	8.021944	-5.263173
		0.0000***	0.0000***	0.0000***
Democratic Nations	57	19.32106	1.205942	-1.078347
		142.6874	7.893189	-5.180551
		0.0000***	0.0000***	0.0000***
Non-Democratic Nations	71	19.46423	1.160057	0.291772
		115.4752	4.319074	1.818229
		0.0000***	0.0000***	0.0693*
Muslim Nations	43	19.55243	0.933144	0.355119
		95.24417	3.272866	1.781628
		0.0000***	0.0011***	0.0752*

‘\*’, ‘\*\*’, ‘\*\*\*’, shows 10%, 5%, 1% level of significance respectively.

[ ] shows t-statistics, ( ) shows probabilities

**Concluding Remarks:**

This study has tried to see the effect of political terrorism along with the effect of absence of simple terrorism specifically for developing nations of the world. All those nations have been included for which data was available. Developing countries have further been divided according to regime type like democratic and non-democratic developing nations. Moreover the same case has been discussed for Muslim world for which rest of the world has this perception that such nations are patronizing many of the extremist terrorist Jihadi movements. And such activists also interrupt their internal policies for their own interests. Results of the study also confirm the same results that in Muslim nations the effect on political unrest or terrorism is quite strong in both cases i.e. inbound and outbound tourism. From the results it has been observed that political terrorism is having more strong effect on both inbound and outbound terrorism for all cases. Moreover in overall developing nations panel political terrorism is positively effecting outbound terrorism and negatively effecting inbound terrorism which is a natural phenomenon. On other side, absence of terrorist activities is positively related to inbound tourism and negatively related to outbound tourism. But for democratic nations only, political terrorism is positively related to inbound tourism. The reason is the role of strong democratic institutions in their political regimes which neutralizes the impact of such violent disturbances from political parties. Because they know that they have to be accountable for all such activities in such democratic scenario.

From this analysis, few *recommendations* can be made:

- No doubt Terrorism has harmful effects for economies of the world but the need of hour today is to focus more on the political aspect of terrorism.
- All developing nations should try to make their political systems more democratic because in such regimes, effect of politically motivated violent activities will be less.
- Muslim nations should not try to follow controlled political systems. Instead more transparency should be made possible through awareness programs.
- Non- democratic nations should also open their economies so that when tourists enter into such economies they can feel it easy to have an access to their rights.
- Role of media should be to some extent “state controlled” so that it could not destroy the image of a country to external world through the exposure of such incidents to them.

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