

ERSA Research Brief


August 2016

The effects of terrorism, crime and corruption on tourist arrivals

By Maria Santa-Gallego, Jaume Rosello-Nadal and Johan Fourie

There are many reasons why visitors travel to different countries, but what is less well understood is why they do not travel. In this study, we investigate the performance of the tourism industry in terms of tourist arrivals in the presence of three factors that are likely to discourage tourism activity: terrorism, crime and corruption. We do this for 171 countries for the period 1995–2013. We use two types of analysis: two-dimensional and three-dimensional. The two-dimensional analysis uses total tourist arrivals per destination. This analysis suggests that terrorism and crime have a negative effect on tourist arrivals but corruption has no significant effect. We also consider whether the effect of instability on tourist arrivals might differ according to the purpose of the trip. Our results suggest that the effects of terrorism and crime are larger for tourism for personal reasons than for business trips, but corruption only affects business tourism. This is the expected result since tourist destinations are easier to substitute when the purpose of the trip is for leisure or other personal reasons than for business. After a terrorist attack or an increase in crime, tourists might choose a safer destination with characteristics similar to their first choice or they might just stop travelling if the purpose of the trip is for personal reasons. However, when the main purpose of the trip is business between countries with a strong economic relationship, the destination cannot be easily substituted.

We also explore the effects of terrorism, crime and corruption on tourism according to the attractiveness of a country to tourists and its level of development. Our results suggest a larger effect of terrorism and crime on tourism for personal reasons in less tourist attractive countries. Similarly, the effect of corruption is larger in less attractive countries, but this is only true for tourism for business reasons. Our results therefore suggest that attractiveness to tourists moderates the effect of instability on inbound tourism. Tourism in countries with a large number of world heritage sites that attract large numbers of tourists every year is less affected by events of terrorism, crime or corruption since these destinations cannot be easily substituted. For the effects of development level we obtain mixed results. We find that terrorism has a larger effect on tourism in developing than developed countries. In contrast, we find that crime has a significantly negative effect on total tourism and on tourism for personal reasons in developed countries but no significant effect in developing countries. Since crime rates are high in developing countries, when tourists choose a less developed country as a holiday destination, they may assume that they have to tolerate a certain level of crime. Finally, we find that an increase in the perceived level of corruption only reduces tourist arrivals for business reasons to developing countries. Interestingly, we find a positive effect of corruption on total tourist arrivals to less developed countries.



The three-dimensional analysis (origin, destination and year) is an important contribution of our research since the few papers in the literature that have studied the effect of political and institutional variables on tourism mainly apply the two-dimensional analysis (destination and year) where data on total arrivals only to the destination country are considered. This approach allow us to explore the effect of instability not only in the destination country but also in the origin one. We consider the effect of similarities in the instability measures between the destination and the origin country. As in the two-dimensional analysis, we find that terrorism, crime and corruption in the destination country have a negative effect on inbound tourism, while instability in the origin country has no clear effect on tourist departures. What is more interesting, our results suggest that tourists from stable countries prefer travelling to countries with the same conditions, while tourists from unstable countries are more tolerant of terrorism, crime and corruption in the destination country.

In conclusion, our analysis shows that political and institutional instability, measured in terms of terrorism, crime and corruption, discourages international tourism movement. We suggest that tourism demand models should incorporate proxies for political risk and the quality of institutions at the destination country to obtain a more accurate forecast of tourist arrivals.