



**Faculty of Economics and Business**

**The Role of Language in Influencing International Tourism Demand in  
ASEAN+3 Countries**

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**Doctor of Philosophy  
2022**

The Role of Language in Influencing International Tourism Demand in  
ASEAN+3 Countries

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A thesis submitted

In fulfillment of the requirements for the degree of Doctor of Philosophy

(Tourism Development)

Faculty of Economics and Business  
UNIVERSITI MALAYSIA SARAWAK

2022

## DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Malaysia Sarawak. Except where due acknowledgements have been made, the work is that of the author alone. The thesis has not been accepted for any degree and is not concurrently submitted in candidature of any other degree.

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## **ACKNOWLEDGEMENT**

I would like to take this opportunity to thank those who have contributed directly or indirectly to the completion of this thesis.

First of all, I would like to thank my family and friends who has supported me all the way in my journey of studying degree of Doctor of Philosophy. Their continuous support has provided me the courage needed to complete my study.

Moreover, I am also grateful to my supervisory committee, Professor Dr. Puah Chin Hong and Professor Dr. Venus Liew Khim Sen for their precious time and efforts devoted to supervise me. This thesis would not have been completed if it is not for their advices, guidance and supervisions.

Also, my sincere gratitude to the Centre for Graduate Studies, for the advice and support given during my period of study in Universiti Malaysia Sarawak.

Finally, I would like to thank the management of the Universiti Malaysia Sarawak for making it possible for me to complete my study here in Sarawak. Thank you all.

## ABSTRACT

This thesis empirically examined the tourism demand for the ASEAN+3 countries, namely Brunei, Cambodia, China, Indonesia, Japan, Korea, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam from macroeconomic perspective. The static linear panel model analysis was applied to examine the influence of tourists' income, destination countries income, distance, free trade agreement, adjacent country, tourism price and language towards tourism demand in these countries. Tourism sector is vulnerable to external shocks, therefore, ASEAN+3 governments need to identify determinants of tourism demand to fully utilise their resources and efforts in sustaining the development of tourism sector in these countries. The results obtained in this study showed that tourist income, distance, adjacent country, tourism price and language are more influential determinants while the effect of destination income and free trade agreement are relatively less significant. Identification of these determinants allow governments of ASEAN+3 countries to design individual policy and also establish collaboration among each other to strengthen tourism sector performance.

**Keywords:** Tourism demand, determinant, panel data analysis, ASEAN+3, language

***Peranan Bahasa Dalam Mempengaruhi Permintaan Pelancongan Antarabangsa di  
Negara ASEAN+3***

**ABSTRAK**

*Tesis ini mengkaji secara empirikal permintaan pelancongan untuk negara-negara ASEAN+3, iaitu Brunei, Cambodia, China, Indonesia, Japan, Korea, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand dan Vietnam dari perspektif makroekonomi. Analisis model panel linear static telah digunakan untuk mengkaji pengaruh pendapatan pelancong, pendapatan negara destinasi, jarak, perjanjian perdagangan bebas, negara bersebelahan, harga pelancongan dan bahasa terhadap permintaan pelancongan di negara-negara tersebut. Sektor pelancongan adalah terdedah kepada kejutan luaran, oleh itu, kerajaan ASEAN+3 perlu mengenal pasti penentu permintaan pelancongan bagi menggunakan sepenuhnya sumber dan usaha mereka dalam mengekalkan pembangunan sektor pelancongan di negara-negara tersebut. Hasil yang diperoleh dalam kajian ini menunjukkan bahawa pendapatan pelancong, jarak, negara bersebelahan, harga dan bahasa pelancongan adalah penentu yang lebih berpengaruh manakala pengaruh pendapatan negara destinasi dan perjanjian perdagangan bebas adalah kurang signifikan secara bandingan. Pengenalpastian penentu-penentu ini boleh membantu kerajaan negara-negara ASEAN+3 dalam perancangn dasar individu dan juga merangsangi kerjasama antara satu sama lain untuk memperkukuh prestasi sektor pelancongan.*

**Kata kunci:** *Permintaan pelancongan, penentu, analisa data panel, ASEAN+3, bahasa*

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## LIST OF ABBREVIATIONS

ARDL	Autoregressive Distributed Lag
ASEAN	Association of Southeast Asian Nations
ASEAN+3	ASEAN Plus Three
ATMS	ASEAN Tourism Marketing Strategy
ATSP	ASEAN Tourism Strategy Plan
BPLM	Breusch-Pagan Lagrange Multiplier
CEPII	Centre d'Etudes Prospectives et d'Informations Internationales
CLMV	Cambodia, Laos, Myanmar and Vietnam
CPI	Consumer Price Index
EPI	English Proficiency Index
FEM	Fixed Effects Model
FMOLS	Fully Modified Ordinary Least Square
GDP	Gross Domestic Products
GMM	Generalised Method of Moments
OECD	Organisation for Economic Co-operation and Development
PCSE	Panel -Corrected Standard Errors
POLS	Pooled Ordinary Least Squares
PPML	Poisson Pseudo-Maximum Likelihood
REM	Random Effects Model
SDGs	Sustainable Development Goals
SH	Sargan-Hansen
UNESCO	United Nations Educational, Scientific and Cultural Organization

UNWTO	United Nations World Tourism Organization
USA	United States of America
VECM	Vector Error Correction Model
VIF	Variance inflation factor
WTTC	World Travel and Tourism Council



# **CHAPTER 1**

## **INTRODUCTION**

### **1.1 Introduction**

This chapter introduces the tourism industry and has been organized in the following manner. Section 1.2 provides a background on the world tourism, Section 1.3 focuses on the regional tourism and Section 1.4 discusses on country specific tourism. Section 1.5 elaborates this thesis's problem statement while Section 1.6 provides the objectives of study. The significance of the study is discussed in Section 1.7 and lastly, Section 1.8 details the structure of this thesis.

### **1.2 World Tourism Background**

The role of tourism after World War II has gone through tremendous evolution. In modern days, tourism is identified as the tool to generate foreign exchange earnings; create job opportunity; enhance the socio-economic status; improve trade performance; and encourage infrastructure development through its multiplier effect. Within the focus of 2030 Agenda for Sustainable Development, whereby a global framework for peace and prosperity for humanity and earth has been set up, there are 17 Sustainable Development Goals (SDGs) with tourism playing a part in it.

In the United Nations World Tourism Organization (UNWTO) Annual Report 2017 (2018), it is documented that tourism sector has been explicitly included in SDGs,

particularly Goals 8, 12 and 14<sup>1</sup>. The report emphasised that tourism has a cross-cutting nature and impact that paves the way towards achieving all the 17 SDGs, as well as an overall economy growth for a nation. In acknowledging tourism's contribution towards the agenda, 2017 was declared as the “International Year of Sustainable Tourism for Development” by the United Nations General Assembly.

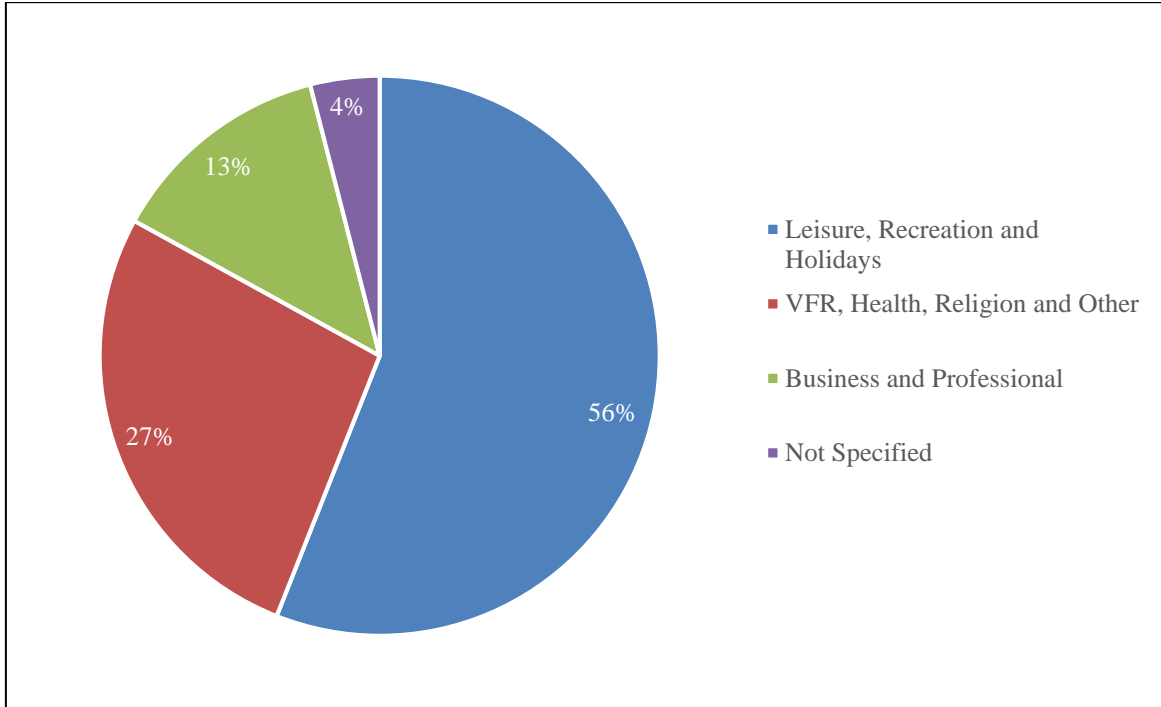
In the past few decades, the growth of tourism has benefited from a few factors such as rapid transportation development (especially air travel), affordable travel cost, increase in disposable income, visa facilitation and an increasing number of tourist destinations worldwide. Apart from that, technology enhancement has allowed borderless information sharing on destinations and even easy purchasing of air tickets and accommodation without going through a travel agency; such connectivity is unimaginable prior to the dot.com boom. The stages of revolution in the past few decades have transformed tourism from a luxury activity into a leisure activity that is affordable to many.

This is evident from the statistics reported in the UNWTO Tourism Highlights (2019), which stated that 56 percent of international tourist arrival in 2018 were for leisure, recreation and holidays. About 27 percent of international tourist travelled to visit friends and relatives, health treatment, religious reasons. Business travels contributed to 13 percent international arrival. The remaining 4 percent traveller did not specify their travelling purpose (refer to Figure 1.1). In the report of World Travel and Tourism Council's (WTTC) World Economic Impact (2019a), leisure spending contributed 78.5 percent towards world

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<sup>1</sup> Goal 8 of SDGs promotes “decent work and economic growth”; Goal 12 focus on “responsible consumption and production” and Goal 14 mandates to “life below water”.

Gross Domestic Products (GDP) in 2018. These are strong supports to the claim that tourism is more of a leisure activity nowadays.



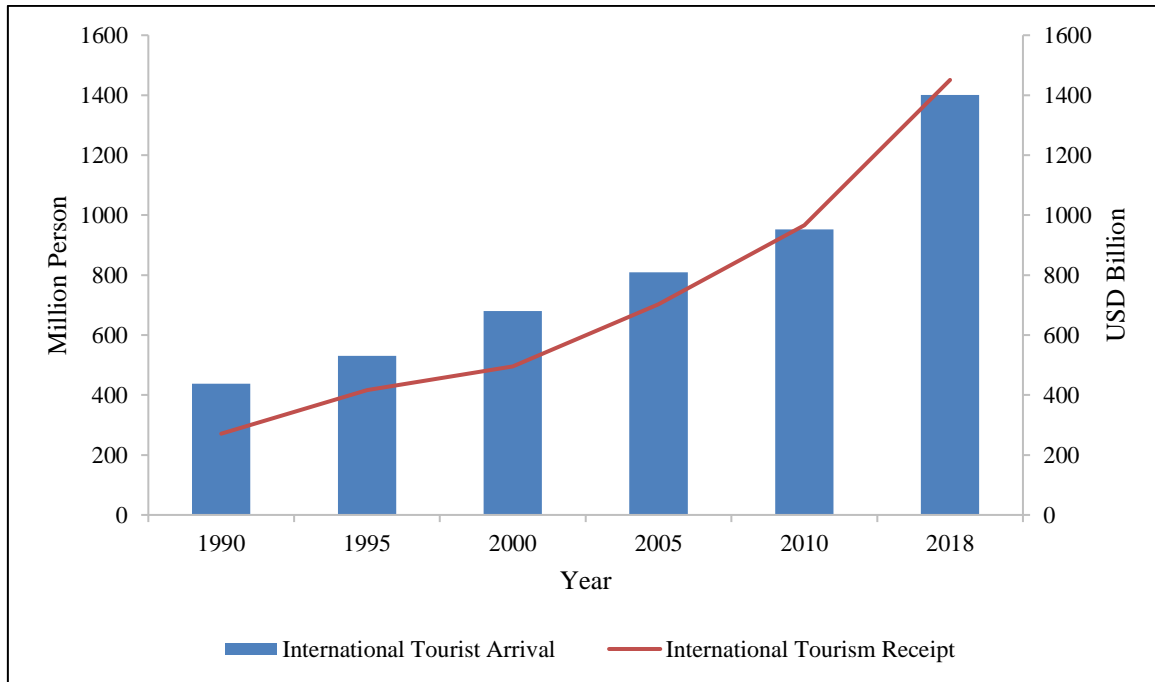
**Figure 1.1:** International Tourists' Purpose of Visit, 2018  
(Source: UNWTO, 2019)

The transformation of tourism into a leisure activity has created opportunities for many destinations around the globe to develop and maintain the facilities to welcome international tourist. The rewards for local governments are, for most of the time, favourable for positive growth in foreign exchange earnings and employment rate. According to the WTTC (2019a), tourism has generated a total of USD 8,811.0 billion (or 10.4 percent of world GDP) in 2018 and this figure was forecasted to increase to USD 9,123.7 billion (or 10.4 percent of world GDP) in 2019. The long-term forecast has projected that the total contribution will reach USD 13,085.7 billion (or 11.5 percent of world GDP) in 2029 with an annual increment of 3.7 percent.

In terms of employment opportunities, the WTTC (2019a) reported that the tourism industry had created 318.8 million jobs worldwide in 2018 (or 10.0 percent of total employment). By the end of 2019, this number was projected to reach 328.2 million jobs (or 10.1 percent of total employment). This is anticipated to increase to 420.6 million jobs (or 11.7 percent of total employment) by 2029 with an average annual growth of 2.5 percent. These positive forecasts imply that tourism is a potential and worthwhile sector to be developed, especially for countries with abundant natural resources and cultural richness.

Despite the occasional shocks, the tourism industry has seen steady growth in international tourist arrival from 1990 to 2018 (See Figure 1.2). From 438 million travellers recorded in 1990, the number of travellers increased to 680 million in 2000, 890 million in 2005, 952 million in 2010, and 1,401 million in 2018. Notably, in 2012, the tourism sector surpassed its benchmark of 1 billion international tourist arrivals after 60 years of continuous expansion and diversification, making the sector as one of the largest and fastest growing sectors around the globe (UNWTO, 2013).

The continuous expansion of tourism sector had been trending upwards in international tourism receipt from 1990 to 2018 as shown in Figure 1.2. The international tourism receipt in 1990 was USD 271 billion, which increased to USD 416 billion in 1995, USD 495 billion in 2000, USD 703 billion in 2005, USD 966 billion in 2010 and USD 1,451 billion in 2018. International tourism receipt reached the USD 1,000 billion landmark in 2011 with a total of USD 1,081 billion received.



**Figure 1.2:** International Tourist Arrivals and International Tourism Receipts for World Tourism, 1990 to 2018  
(Source: UNWTO, 2015; 2019)

From macro-economic point of view, the exports of a tourist destination country include the expenditure by international visitor, which is also an import for the tourist origin country. Tourism as a key category of international trade in service sector is able to generate income through international passenger transport services rendered to non-residents. In 2018, a total of USD 256 billion were received from passenger transport earning. The earnings had pushed the total value of tourism exports to USD 1.7 trillion (on average, USD 5 billion per day). Besides that, the share of international tourism in the world's exports in goods and services was 7 percent in 2018. Tourism was performing so well that it was ranked the third top performing world's export behind chemicals and fuel, and in front of food and automotive products (UNWTO, 2019).

### **1.3 Regional Tourism**

The increase in the numbers of tourist destinations around the globe that have invested and expanded their tourism sector is apparent. Efforts have been continuously invested with the purpose of transforming the local tourism sector into a main engine for socio-economic progress through an anticipated increase in jobs, businesses, export revenues, and infrastructure. Apart from the historical expansion and diversification in the past 60 years, many new destinations have emerged away from those traditional favourites of Europe and North America, most notably in the Asia-Pacific region.

Table 1.1 shows the international tourist arrivals for all five regions, namely Europe, Asia and the Pacific, Americas, Africa and Middle East have generally increased from 1990 until 2018. Among these regions, Asia and the Pacific region has recorded a strong performance for the nine consecutive years since 2010 with an average growth of 6.16 percent - the highest among all regions. The recorded average growth for Europe was 4.8 percent), Americas was 4.6 percent, Africa was 3.6 percent, and Middle East was 0.9 percent for the same period as shown in Table 1.2.

In addition to an upward trend, it is noticeable that the growth of international tourist arrivals in the Asia-Pacific is more stable as compared with other regions. For the past two years, Asia-Pacific recorded a growth rate of 5.7 percent and 7.3 percent in 2017 and 2018, respectively. Meanwhile, reported respectively for 2017 and 2018, Europe had recorded 8.5 percent and 5.5 percent; the Americas recorded 4.7 percent and 2.3 percent; Africa recorded 8.5 percent and 7.0 percent; and lastly, the Middle East recorded 4.1 percent and 4.7 percent (refer Table 1.2). With all regions considered, only Asia-Pacific and Middle East had recorded improved growth from previous year.

**Table 1.1:** International Tourist Arrivals by Region, 1990-2018

Region	International Tourist Arrivals (million)						
	1990	1995	2000	2005	2010	2015	2018
<b>Europe</b>	216.5	304.5	386.6	453.2	489.4	607.7	710.0
Northern Europe	28.7	36.4	44.8	59.9	62.8	75.9	78.9
Western Europe	108.6	112.2	139.7	141.7	154.4	180	200.4
Central/ Eastern Europe	33.9	57.9	69.6	95.3	98.9	126.6	141.4
Southern/Mediterranean Europe	90.3	98	132.6	156.4	173.3	225.2	289.4
-of which EU-28	230.1	268	330.5	367.9	384.3	478.4	562.9
<b>Asia and the Pacific</b>	55.9	82.1	110.4	154	205.5	279.2	347.7
North-East Asia	26.4	41.3	58.3	85.9	111.5	142.1	169.2
South-East Asia	21.2	28.5	36.3	49	70.5	104.6	128.7
Oceania	5.2	8.1	9.6	10.9	11.4	14.2	17.0
South Asia	3.2	4.2	6.1	8.2	12.1	18.3	32.8
<b>Americas</b>	92.8	108.9	128.2	133.3	150.2	192.6	215.7
North America	71.8	80.5	91.5	89.9	99.5	127.6	142.2
Caribbean	11.4	14	17.1	18.8	19.5	23.9	25.7
Central America	1.9	2.6	4.3	6.3	7.9	10.3	10.8
South America	7.7	11.7	15.3	18.3	23.2	30.8	37.0
<b>Africa</b>	14.8	18.7	26.2	34.8	50.4	53.5	67.1
North Africa	8.4	7.3	10.2	13.9	19.7	18	23.9
Subsaharan Africa	6.4	11.5	16	20.9	30.7	35.4	43.3
<b>Middle East</b>	9.6	12.7	22.4	33.7	54.7	53.3	60.5

(Source: UNWTO Tourism Highlights, 2015; 2019)

**Table 1.2:** Market Share, Yearly Growth, Yearly Average Growth of International Tourist Arrivals by Region

Region	Market	Growth		Yearly
	Share (%)	(%)		Average (%)
	2018	2017/2016	2018/2017	2010-2018
Europe	50.7	8.6	5.5	4.8
Northern Europe	5.6	6.0	0.5	4.1
Western Europe	14.3	6.1	4.0	3.3
Central/Eastern Europe	10.1	5.6	5.0	4.7
Southern/Mediterranean Europe	20.7	12.9	8.2	6.3
-of which EU-28	40.2	7.7	4.4	5.0
Asia and the Pacific	24.8	5.7	7.3	6.6
North-East Asia	12.1	3.4	6.1	5.3
South-East Asia	9.2	8.8	6.8	7.8
Oceania	1.2	6.1	2.8	5.1
South Asia	2.3	6.2	19.4	10.5
Americas	15.4	4.7	2.3	4.6
North America	10.1	4.3	3.7	4.6
Caribbean	1.8	3.0	-1.4	3.5
Central America	0.8	4.6	-2.4	4.2
South America	2.6	7.7	1.2	5.8
Africa	4.8	8.5	7.0	3.6
North Africa	1.7	14.7	10.1	2.4
Subsaharan Africa	3.1	5.5	5.4	4.4
Middle East	4.3	4.1	4.7	0.9

(Source: UNWTO Tourism Highlights, 2019)

The corresponding international tourism receipts depicted a slightly different scenario. In 2018, Asia and the Pacific had received a total of USD 435.5 billion tourism receipts, this was behind the Europe at USD 570.5 billion, but far exceeded those of the Americas (USD 333.6 billion), Africa (USD 38.4 billion) and Middle East (USD 73.0 billion). The market share for Asia and the Pacific (30.0 percent) is also catching up with