FDI and Tourism as a means to Growth: reality or wishful thinking?

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Abstract (Times New Roman, 12, single space, Less than 200 words)

It is believed that Foreign Direct Investment (FDI) leads a country's overall development, including tourism development in many countries. This study examines the effect of FDI and international tourism receipts on economic growth in seven European countries with the highest share of FDI and tourism receipts in their economies. The high level of FDI and tourism receipts share in these economies indicates that policy makers believe that economic growth is directly affected by FDI and tourism receipts. FDI may also have an indirect impact on economic growth, through Tourism channel. By employing impulse responses function as a complement of Block Exogeneity Wald test, this study proves that it might be wishful thinking. FDI stimulates tourism industry in none of these countries, and surprisingly has a negative effect on the economy of five of these countries. Furthermore, international tourism receipts have a positive effect on economic growth only in Bulgaria, Estonia and Spain. Tourism and economic policy implications are discussed.

Keywords: International Tourism; Tourism receipts; Foreign Direct Investment; impulse responses; European countries.

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