Abstract

This paper analyzes the responsiveness of Thai outbound tourism to East Asian destinations, namely China, Hong Kong, Japan, Taiwan and Korea, to changes in effective relative price of tourism, total real total tourism expenditure, and one-off events. The nonlinear and linear Almost Ideal Demand (AID) models are estimated with monthly data to identify the price competitiveness and interdependencies of tourism demand for competing destinations in both long run (static) and short run error correction (dynamic) specifications. The homogeneity and symmetry restricted long run and short run AID models are estimated to calculate elasticities. The income elasticities, and the compensated and uncompensated own-price and cross-price elasticities, provide useful information for public and private tourism agents at the various destinations to maintain and improve price competitiveness. The empirical results show that price competitiveness is important for tourism demand for Japan, Korea and Hong Kong in the long run, and for Hong Kong and Taiwan in the short run. With regard to long run cross-price elasticities, the substitution effect can be found in the following pairs of destinations: China-Korea, Japan-Hong Kong, Taiwan-Hong Kong, Japan-Korea, and Taiwan-Korea. In addition to the substitution effect, the complementary effect can be found in the following pairs of destinations: China-Hong Kong, China-Japan, China-Taiwan, Japan-Taiwan, and Korea-Hong Kong. Contrary to the findings obtained from the long run AID specification, Japan-Korea and Taiwan-Korea are complements in the short run. Furthermore, the real total tourism expenditure elasticities indicate that China's share of real total tourism expenditure is inelastic in response to a change in real total tourism expenditure, while Korea's share of real total tourism expenditure is most sensitive to changes in expenditure in the long run. The greatest impact on the share of real total tourism expenditure in the short run is tourism demand for Taiwan.