

Abstract

Exports are general known as the export-led growth (ELG) hypothesis, is by enhancing economy and efficiency. This mechanism has recently been applied to tourism services exports (the *tourism*-led growth, TLG, hypothesis). The second channel is the financing of imports of foreign capital goods, thus raising the level of capital formation. Although this channel turns out to be empirically important, no theoretical rigorous foundation has yet been provided. Moreover, it has never been investigated for tourism exports. This paper fills two gaps. On the theoretical side, it provides a clear justification of the role of capital good imports in the link between exports and overall economic growth. A model has been built to examine this so-called EKIG hypothesis (exports → capital good imports → growth) in which sustained economic growth is achieved by imports of foreign capital entirely financed through inbound tourism. This model highlights a mechanism of international transmission of economic growth from the tourist-generating country (the tourism services importer) to the tourist-receiving economy (the tourism services exporter) through trade and terms-of-trade movement without any technological progress, research and development (R&D) activity or accumulation of human capital in the host economy. On the empirical side, this study constitutes the first attempt to examine the role of tourism exports on economic growth through capital good imports. The authors use Johansen's cointegration approach and the multivariate Granger causality test to analyse the TKIG (tourism → capital good imports → growth) hypothesis in the Spanish economy.



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