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# **An Event Study of Chinese Tourists to Taiwan**

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## **Abstract**

The number of Chinese tourists visiting Taiwan has been closely related to the political relationship across the Taiwan Strait. The occurrence of political events and disasters or accidents have had, and will continue to have, a huge impact on the Taiwan tourism market. To date, there has been relatively little empirical research conducted on this issue. In this paper, tourists are characterized as being involved in one of three types of tourism: group tourism (group-type), individual tourism (individual-type), and medical cosmetology (medical-type). We use McAleer's (2015) fundamental equation in tourism finance to examine the correlation that exists between the rate of change in the number of tourists and the rate of return on tourism. Second, we use the event study method to observe whether the numbers of tourists have changed abnormally before and after the occurrence of major events on both sides of the Strait. Three different types of conditional variance models, namely, GARCH (1,1), GJR (1,1) and EGARCH (1,1), are used to estimate the abnormal rate of change in the number of tourists. The empirical results concerning the major events affecting the changes in the numbers of tourists from China to Taiwan are economically significant, and confirm which types of tourists are most likely to be affected by such major events.

**Keywords** Event study, Abnormal rate of change, Chinese tourists, OLS, GARCH, GJR, EGARCH, Tourism finance.

**JEL Classification** G14, C22, C52, C58.

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