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INTERNATIONAL IMMIGRATION AND TOURISM FLOWS TO ENP COUNTRIES: SOME EVIDENCE FROM ISRAEL

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OBJECTIVE

Tourism is a large, if not volatile, sector in the economies of many of the ENP countries central. It is also an example of a key human mobility flow from the EU to the ENPs. It is hypothesized that these flows are an important source of potential economic and social development for the ENPs. The particular research issue underlying this study is whether immigrants in an ENP country act as a driver for tourism development. Existing research using data for Australia on this issue supports this hypothesis. This paper attempts to examine this issue in the context of the EU-ENP tourism flows based on a longer time series than hitherto used.

Reverse causality is also examined, namely the claim for tourism-driven immigration. These issues are examined in a case study of tourism flows to Israel. While not an archetypical ENP country, the Israeli case is instructive. Due to sharp discontinuities in both immigration and tourism flows due to geo-political and domestic shocks, Israel provides a unique natural experiment for examining this relationship with clear before and after (with/without treatment) effects.

MAIN RESULTS AND POLICY IMPLICATIONS

This paper uses time series and panel estimation methods to examine the immigration-led tourism hypothesis. According to this hypothesis tourism varies directly with the number of immigrants, the real exchange rate, and global tourism. Since these variables have time trends the statistical relationship between them might be spurious. We use cointegration tests for time series data and panel cointegration tests for panel data to test the immigration-led tourism hypothesis. Both in the time series data and the panel data we conclude that there is no causal effect of immigration on tourism, and that for Israel the high correlation between tourism and immigrants is a spurious regression phenomenon.

Nor do we find a causal effect of tourism on immigration. Indeed, tourism and immigration, which happen to be correlated, are entirely unrelated.

To what extent are these results for Israel pertinent to other ENPs? It could be that the unique circumstances of immigration to Israel might account for the lack of relationship between tourism and the foreign-born. Whereas in most countries the rationale implied by ITH (i.e. immigrants as a conduit for tourism) may be plausible, in Israel matters might be different. Immigration is uniquely bound up with Jewish national identity and this might account for the lack any tourism-immigration relationship. In countries with rich international immigration histories such as Australia and the USA, foreign-born residents may be a determinant of tourism. For most ENP countries however, ITH might not be relevant since unlike Australia, Canada and even Brazil there are insignificant numbers of foreign-born residents.