



Ethnic reunion and cultural affinity

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HIGHLIGHTS

- ▶ Hypothesis: Tourists travel more to regions that share cultural similarities.
- ▶ We test this using an historical migration dataset in a tourism gravity equation.
- ▶ We find strong evidence of historical migration causing tourism today.
- ▶ This is true even if we control for trade flows, and other historical linkages.
- ▶ Our methodology shows that cultural affinity and ethnic reunion are globally valid.

ARTICLE INFO

Article history:

Received 1 May 2012

Accepted 3 October 2012

Keywords:

Migration
Trade
Tourism
History
Cultural affinity
Ethnic reunion
Ethnicity

ABSTRACT

Ethnic reunion is the propensity of tourists to travel to regions where their ancestors originate from, while cultural affinity is the propensity of tourists to travel to regions with a shared cultural identity. This paper uses a “world migration matrix”, which records the year 1500 origins of the current populations of 159 countries, in a standard tourism gravity equation to provide the first empirical evidence of the existence of both these tourism traits at the global level. Our results remain robust even when controlling for other historical links, such as colonial legacy and regional trade agreements. By controlling for trade flows, we also show that this impact is unique to tourism. Ethnic reunion and cultural affinity are thus important and neglected constituents of tourism patterns (and of research), with important policy implications.

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1. Introduction

History explains a significant part of international trade and tourism flows. While the neoclassical framework offers no theoretical link between current trade and historical events, new trade theory has recognised the importance of path dependence in explaining the evolution of international trade patterns. For empirical evidence of such persistent impacts, the trade literature has turned to (relatively recent) shocks or periods of rapid change in international relations, notably 20th century wars and depressions. And while the impact of historical events is implicit in a number of tourism studies, few test explicitly for the long run impact of historical events.

This paper defines and tests for two tourism traits associated with historical events, ethnic reunion and cultural affinity. Ethnic reunion is defined as the propensity of tourists to travel to regions

where their ancestors originate from, while cultural affinity is the propensity of tourists to travel to regions with a shared cultural identity. To test for both of these effects, we use a “world migration matrix” which records the year 1500 origins of the current populations of nearly all countries. We find that these links explain a statistically significant proportion of international tourism patterns today. The results remain robust even when controlling for other historical links, such as colonial legacy and regional trade agreements. We also show that historical migration explains a larger component of tourism compared to trade, affecting both the size of outward and inward movements. This provides plausible proof of the relevance of ethnic reunion and cultural affinity in international tourism flows.

This paper proceeds as follows: [Part 2](#) examines the literature of how history may impact current trade, tourism and development, and investigates cultural affinity and ethnic reunion as mechanisms through which historical migration may influence tourism flows; [Part 3](#) describes the data and method of analysis; [Part 4](#) reports and discusses the results and finally, [Part 5](#) draws some conclusions.

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2. Trade, tourism and migration

The reasons that firms trade across international borders are well known. Technology differs resulting in Ricardian comparative advantage, factor endowments differ which form the basis of the Heckscher–Ohlin–Samuelson model, while the new trade theory has highlighted pro competitive gains from trade, economies of scale and love of variety. In tourism, demand side factors are most often cited as causes; per capita income (tourism is a luxury product), price differentials and the costs of transport are all contemporaneous correlates. Yet these early theoretical explanations mostly ignore the historical context within which these exchanges occur.

Trade, however, is remarkably persistent. Using a 131 year trade database created by Jacks, Meissner, and Novy (2011), Campbell (2010) show that trade patterns in the 1870s predict 21% of international trade in 2000. Trade and tourism gravity equations, known for their ability to fit real world data well, often show that countries that share a common language or colonial ties trade more, *ceteris paribus*. This suggests that, ultimately, countries (firms, people) trade more with those that share some historical affiliation. History matters because it carries strong explanatory power in current global trade and tourism patterns.

While neoclassical trade theories were static in their design and detached from inter temporal changes, the early proponents of the new trade theory realised that historical events may permanently shape international trade patterns. Baldwin (1988), for example, shows that exchange rate shocks can have lasting real effects. As Baldwin and Krugman (1989) remark: A “long time series may show a stable relationship between (the) exchange rate and trade – yet that relationship may change abruptly when a large shock does hit”. Moreover, geographical economics – emerging in the 1990s – show that, in the context of increasing returns to scale, initial conditions (or starting conditions) may play a significant role in a region’s later development. In his famous contribution to the field, Krugman (1991) notes that the structure of a region’s trade might depend on “possibly small accidents of early history”.

One such historical event which may influence a region’s trade patterns is migration. Drawing on a vast literature, Egger, Von Ehrlich, and Nelson (2011) suggest a number of mechanisms through which migration may influence trade between the migrant origin and destination countries. The most natural link is for immigrants to have a preference for goods produced in their country of origin, which results in greater imports from the origin country. Where there are spill over effects to the native population in the destination country, the effect on imports may be significantly larger. A second mechanism may exist through the creation of migrant networks. The gravity literature has identified trade costs as a serious constraint to facilitating trade, and social networks as a tool to reduce such costs (Anderson & Van Wincoop, 2004; Rauch, 2001). In particular, migrant networks may reduce two types of trade costs: uncertainty or incomplete information, and asymmetric information. In the absence of a domestic market for highly specialised products, migrants, possessing the economic, cultural and institutional knowledge of both their origin and destination countries, may reduce the search costs that impede the development of a domestic market and facilitate trade. The contribution of the migrant networks can be especially important in countries that have very different social or political structures (Rauch & Casella, 2003). Asymmetric information provides an even greater role for migrant networks. Transaction cost economics emphasise the role of non market – or market replacing – institutions to enable exchange (Williamson, 1985). Such non market institutions, like imperfect contract enforcement, are often created through ties of trust and social capital, with migrant networks perhaps the most familiar of these (Egger et al., 2011).

Due to its closeness of fit with real world data, the gravity model is widely preferred to test the theoretical links between immigration and trade. Since the seminal contribution by Gould (1994), a plethora of studies have investigated the impact of immigration on trade for the US and Canada (Bandyopadhyay, Coughlin, & Wall, 2008; Co, Euzent, & Martin, 2004; White, 2007), Europe (Blanes Cristobal, 2008; Ghatak, Silaghi, & Daly, 2009; Kandogan, 2009; Murat & Pistorresi, 2009) and, increasingly, at the sub national level (Herander & Saavedra, 2005; White, 2009). These studies consistently find a strong positive effect of immigration on imports, with a smaller impact on exports, supporting the existence of both preference and network effects.

Most of this literature, however, investigates the links between contemporaneous migration and trade. One exception is Herander and Saavedra (2005), who test for whether the size of historical immigration reduces the effect of current immigrant on trade flows. While they find evidence to support this claim, they argue that this points to the important market creating contribution of new immigrants. The opposite may of course also be true: a large previous stock of immigrants may explain a considerable part of existing trade flows, leaving little for new immigrants to add. It is this long term effect the current paper investigates.

Although a wide body of theoretical and empirical work recognises the impact of migration on trade, tourism research tends to focus more on the links between tourism and recent migration, including labour migration, return migration, entrepreneurial migration and retirement migration (Williams & Hall, 2000). For example, Dwyer, Forsyth, King, and Seetaram (2010: 1–2) catalogue seven mechanisms through which migration may affect tourism to Australia: 1) through greater visitations of friends and relatives in Australia, 2) friends and relatives may ‘promote’ Australia as a tourist destination, 3) migrants may increase the stock of accommodation (home settings) that make Australia accessible to friends and relatives, 4) permanent migrants enrich Australia’s cultural life and add to the supply of tourist infrastructure (restaurants, ‘China town’) in Australian cities, 5) in the case of international tourists who do not have friends or relatives in Australia, “awareness that compatriots have settled in Australia and make up part of the population may be a contributing factor to visitation”, 6) permanent migrants may retain or forge business links with their country of origin, 7) an increase in permanent immigrants may boost the demand for foreign exchange and travel related services, creating competition on the travel services industry and reducing prices. Six of these mechanisms suggest a close contemporaneous link between migration and tourism; in fact, although Dwyer et al. (2010) find “a strong link” between migration and tourism, they show empirically that the impact of past immigrants (from Italy and Greece) on tourism are declining and being replaced by later migrants, primarily Chinese and Indian. This speaks to the large literature within tourism research which investigates the links between migrant communities and visiting friends and relatives (hereafter VFR) tourism (Backer, 2012; Uriely, 2010; Young, Corsun, & Baloglu, 2007).

It is, however, not only the contemporaneous relations between migration and tourism – where a direct linkage between the migrants to their country of origin remains in the form of family or friends in the home country – that we are interested in. Dwyer et al. (2010) refer to an “awareness that compatriots have settled in Australia and make up part of the population” as a factor which could explain tourism. This “awareness” or affinity for visiting places that have cultural or ethnic similarities is, we argue, an important component of current tourism patterns. Historical migration patterns provide a tool to extract these cultural similarities from current trade and tourism data.

To be sure, the broader impact of historical migration patterns on economic performance has not been lost on economists outside the field of international trade. In fact, since 2000, a wealth of

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