

Migration, Merchandise Trade and Tourism: A Tale of Fiji and Australia

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1. Introduction

- Growth in the foreign born population in developed countries in recent decades has stimulated research on the economic impacts of immigration.
- One strand suggests that immigration has a statistically significant positive impact on merchandise trade [Gould, 1994].
- Theoretically plausible due to both macro and micro channels:
 - Population growth increases the demand for imports (preferences)
 - Immigrants expected to have ongoing links with the home country that can help businesses in the host country to develop networks that facilitate imports from (exports to) the migrant home country.

1. Introduction

- Empirical evidence shows that trade and migration are complements and not substitutes.
- Analyze empirically the link between migration and trade between Fiji and Australia.
 - Impact of migration on merchandise exports from Fiji to Australia.
 - Impact of migration on VFR tourism to Fiji.
- the impact of migration on outbound tourism can extend beyond the VFR channel by becoming a pushing factor for general class

2. Migration and Trade

- Fiji born migrants maintain strong links to family and friends in their former home country (Lal, 2003): maintaining interpersonal ties linking kin, friends, and community members in their places of origin and destination are an important part of social ties of the Fijian migrants.
- Last Australian Census in 2011 showed an increase of 18.4 per cent of Fiji born compared to the 2006 Census.

2. Migration and Trade

- Around 50 % of Fiji born had some form of tertiary qualification.
- Labour force participation for Fiji born: 72.9 per cent. [Total Australian population: 65 per cent].
- Median individual weekly income for the Fiji born: \$699 [\$538 for all overseas born and \$597 for all Australia born].

2. Migration and Trade

- Australians make up 50 percent of the total tourism to Fiji.
- Fiji received 58.4 % of all Australian visitors to the region (SPTO, 2015).
- Visiting Friends and Relatives (VFR) tourism is on the rise.
- In 2014, Australia was Fiji's:
 - Second largest export destination making up 12% of total exports.
 - Second largest import partner with 14% of all imports.

2. Empirical Results

Estimation 1: Migration and Merchandise Exports to Australia

- Imports from Fiji (exports to Australia):
 - Total Fijian migrant population
 - Ratio of Fijian migrant population to total Australian population
 - Real household income (Australia)
 - Ratio of Fiji's imports to developing country imports
 - GDP deflator (Australia)

2. Empirical Results

Estimation 2: Migration and Outbound Tourism to Fiji

- VFR tourism to Fiji:
 - Total Fijian migrant population
 - Ratio of Fijian migrant population to total Australian population
 - Lagged Visitor arrivals
 - Real Household income (Australia)
 - Real bilateral exchange rate
 - Political Instability

2. Empirical Results

- Migration (Fiji born population) seems to positively impact Fiji's exports to Australia.
- Link between migration and trade: transnational links created by migrants enhance bilateral trade.
- Migrants provide informal knowledge regarding business opportunities, the bureaucratic structure, operation of markets and local cultural and communication barriers to trade.

2. Empirical Results

- Capture the impact of variables through which migration can have an impact on trade: migrants can offset the trade-inhibiting effect of institutional weaknesses: the higher the level of corruption in the country of origin, the stronger the positive association between immigrants and bilateral exports (Dunlevy, 2006).
- Pro-trade effect of migrants is more salient when they come from a country endowed with weak institutions.

2. Empirical Results

- Fiji born migrant population has a statistically significant impact on VFR from Australia to Fiji (no surprise).
- What about migration as a driver of holiday tourism? Weak but statistically positive, suggests that migrants formed networks within Australia are stimulating travel for purposes other than VFR. Migrant population provides useful information in terms of transportation, awareness about local politics, culture or other aspects of local society.

5. Concluding Remarks and Policy Implications

- Negative impact of migration might be offset by:
 - Remittances (significant)
- What this study shows about contribution of diaspora?
 - Services trade (including tourism)
 - Merchandise trade (through links and preference for goods)
- Contribution of the diaspora goes beyond remittances: promotes trade (and possibly knowledge and technology transfers).

5. Concluding Remarks and Policy Implications

- Australian government can help by developing initiatives to help Fijian diaspora to promote the development of their country of origin.
- Geopolitics: can migration and trade dominate determine where economic links remain strong. Will 'Looking North' economic policies be sustainable?
- Australia therefore remains significant trade partner- relationship needs to be strengthened further- lesson for Fijian government perhaps!