

Applied Economics Letters >

Volume 25, 2018 - [Issue 1](#)

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Original Articles

The role of United States Visa Waiver Program on cross-border travel

Barry Reilly  & Tsegay Gebrekidan Tekleselassie  

Pages 61-65 | Published online: 21 Feb 2017

 Cite this article  <https://doi.org/10.1080/13504851.2017.1293782>

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ABSTRACT

This study investigates the role of the United States Visa Waiver Program on inbound travel. We employ Difference-in-Difference estimation using panel data on US inbound travel. We conclude, *ceteris paribus*, that admitting a country to the programme increases inbound travel from the origin country to the US by between 29% and 44% depending on the specification.

KEYWORDS:

Visa Waiver Program cross-border travel Difference-in-Difference United States

JEL CLASSIFICATION:

F19 F20 F02 C21 C23

Disclosure statement

No potential conflict of interest was reported by the authors.

Notes

¹ As of January 2014, there are 38 countries (30 in Europe) eligible for the VWP. See the United States Travel Authorization Application website (www.esta.us) for the current list of eligible countries.

² Jena and Reilly ([2013](#)) and Shih ([2016](#)) study the determinants of demand for UK student visas and the role of H1-B visa on inbound student mobility to the US, respectively.

³ The regression for checking the parallel trends assumption is specified as

where the parameters and variables are defined as in [Equation 1](#). The null hypothesis of similar trend is .

⁴ The results are available upon request. We acknowledge the potential threat to external validity associated with the statistical difference between the treatment and control groups with respect to GDP and population. However, in the context of Difference-in-Difference estimation, the essential element that needs to be addressed is the existence of a parallel trend in travel levels to the US. This has been ascertained in our case.

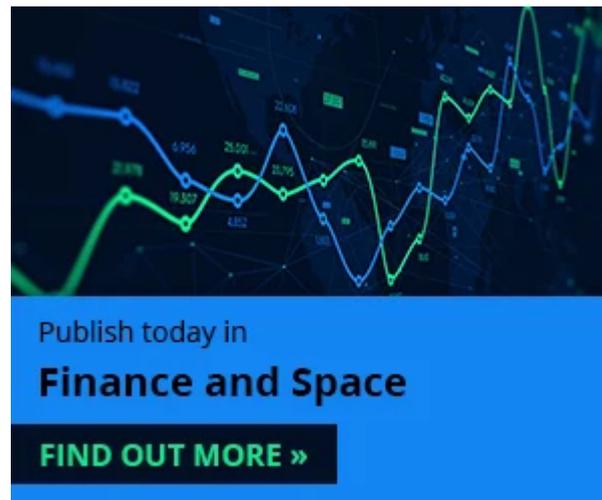
⁵ The test results for parallel trends between the treatment and comparison groups suggest that we cannot reject the null of similar trends between the comparison and the treated groups for 2004–2008 (preprogramme period). The estimates are available upon request.

⁶ The elasticity of origin income is estimated in the range 0.6–0.8 (columns 2 and 3) and is in comport with estimates provided in both Culiuc ([2014](#)) and Neumayer ([2010](#)). The real exchange rate is negatively related to travel in line with the findings from

related research on the role of costs on travel (see, for example Vilasuso and Menz (1998) and Ekanayake, Halkides, and Ledgerwood (2012)).

⁷ The results reveal a persistent effect of the programme over time (not reported, available upon request).

⁸ However, in contrast to the US case, the UK data are characterized by a large number of missing datapoints.



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