

The Effect of Immigration on International Trade Depending on the Type of Goods

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Immigration is associated with larger trade flows between countries of origin and the country (or province) where they settle. However the causality of such relation and its effect on different categories of goods hasn't been discussed in the context of bilateral trade in Canada. I use the augmented gravity model and treat cumulative immigrants as a device that reduces fixed bilateral trade costs. Using this model, I am confident that immigration has a definite impact on Canada's imports and exports of homogeneous and differentiated goods. I test these predictions by analyzing immigration to Canada between 1980 and 1996 using a panel of the top 56 immigration countries. This allows me to control for a large set of covariates and fixed effects, as well as to qualify the effect of immigration on bilateral trade of different types of goods using the tobit model.