## International Migration and Economic Integration: Understanding the Immigrant-Trade Link

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Roger White and Bedassa Tadesse have completed an excellent piece of research on an important research problem as we move through the 21st century. The book proceeds from one overarching hypothesis, which is the following: If the amount of immigration between host and home countries increases, then the amount of international trade between those two countries will increase, all else the same. In other words, the flow of people between countries increases the amount of trade in goods and services between those countries in both directions. The authors present an impressive amount of empirical evidence to support their hypothesis; of course, in testing this wide-ranging hypothesis with real-world data, "all else the same" is difficult to achieve, in the sense that the reader can always think of some factor that has not been controlled—but to repeat, their evidence is impressive. As they mention, this positive link between immigration and international trade is an important topic in the enhancement of globalization and the integration of the world's separate economies. With Canada's relatively small and aging population, a linkage between immigration and international trade may be a key component of its future economic growth and development. Canada needs to attract immigrants in order to increase the size of its population, to provide a demand for its goods and services, and to provide some labour supply; with a relatively small internal market, Canada needs international trade—as another market for its goods and as a source of imports. Canada may need both immigration and international trade in order to prosper (some would say that it always has needed that linkage); so much the better if the immigration and international trade are linked.

In dealing with the hypothesis that was noted above, the authors use a structure that is organized and systematic. They first present their research problem: *Is there a positive relationship between the level of immigration between a host and a home country and the level of international trade between those two countries?* They then review the literature that relates to this research problem; as with most empirical research, the topic has been studied previously. They next develop the theoretical framework that they will employ to study the linkage between immigration and international trade. They use the gravity model from international trade theory, and modify it to suit their purpose with respect to the linkage between immigration and international trade. The gravity model is then used to formally develop the main hypothesis—or, in other words, to set out the causal linkages between immigration and international trade. Then the empirical testing starts, and takes up the bulk of the book.

The empirical testing ranges widely, in that the host and home countries change depending on the need at hand. Australia, Italy, the United States, and various OECD countries all provide data for various tests of the hypothesis. As well as examining total trade between host and home countries, they disaggregate that trade into various categories of goods and into the trade in tourism services for the United States as host country. They find strong support for the linkage between immigration and international trade, taking account of some other variables that may affect international trade, the dependent variable.

Having established this general linkage between immigration and international trade, the authors accept that this linkage may show different quantitative relationships under differing circumstances, and set out to test for this. They first examine immigration to Australia, as the host country, from home countries that were given special treatment under the White Australia Policy versus from home countries that were not so treated, and find different immigration-international trade linkages; the linkage is positive, but varies quantitatively. In a similar scenario, they examine immigration to Italy, as the host country, from home countries that were former Soviet republics or post-communist countries versus other home countries, and again find different immigration-international trade linkages; the linkage is positive, but varies quantitatively.

Thinking about international trade generally, one variable that may work to inhibit trade between two countries is the amount of cultural difference between them. If that is the situation, the presence of immigration between those two countries may work to reduce those cultural differences. The authors test this "cultural difference reduction" effect from immigration by using data for countries in the OECD as host countries, and then for the United States as the host country. Their empirical testing indicates that cultural differences do reduce international trade, and that immigration reduces the negative effect of cultural differences on international trade after controlling for other factors that may influence trade.

One important aspect of many countries' immigration policy is the fact that immigrants are admitted in a class of immigrant—in particular, refugees and non-refugees. Using data for the United States as the host country, the authors find that while all immigrants exert a positive effect on international trade between home and host countries, that effect is stronger for non-refugee immigration, other factors held constant.

The authors conclude their empirical testing by examining how general the linkage is between immigration and international trade. What are some findings? First, the linkage varies across commodities when the data on trade are disaggregated. Second, the linkage is strongest for immigrant flows from developing countries to other developing countries, and the linkage is weakest for immigrant flows from developed countries to other developed countries. Third, the linkage weakens as the total volume of trade between the home and host countries increases. In all situations, the positive direction of the linkage between immigration and international trade is verified, but the quantitative effect varies.

This important book illustrates once again the significant place that immigration has in the global economy in general, and with respect to international trade in particular. As both immigration and international trade grow over the 21st century, this relationship will become even more important. This book makes a valuable contribution to the study of that relationship.