

## **On the pro-trade effect of immigrants**

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### **Abstract**

There is a great evidence that immigrant networks are associated with larger trade flows from the country where they settle to their countries of origin, owing to superior knowledge of, or preferential access to, market opportunities. We test this proposition using data on trade flows from Italian provinces between 2003 and 2009, and micro data on average firm size, along with data on the stock of immigrants located in those provinces by country of origin. Our findings can be interpreted, in the light of the Chaney (2008) gravity model, as consistent with the idea that immigrants reduce the fixed costs of trade. In an augmented gravity equation, we find that a 10 per cent increase in immigrants is associated with a 3 per cent increase in both province imports and exports to the immigrant's home country.

Keywords: Migration, trade, gravity model, social interactions

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