



**Title:** Trade, Variety, and Immigration

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**Research Question:**

What are the gains from international trade? And how do immigrants to Canada influence this process?

**Importance:**

While economists have considered these questions before, particularly in the context of aggregate trade flows, there has been no work assessing the relation between immigration and international trade in varieties—that is, the trade of particular goods from particular geographic areas. We consider the case of Canada, document its impressive experience with import variety growth in the period from 1988 to 2007, and relate this variety growth to the process of immigration.

**Research Findings:**

Our results indicate that Canadian import varieties grew 76% from 1988 to 2007, that this growth is associated with a welfare gain as large as 28%, and that enhanced immigration flows may be responsible for 25% of this variety growth and its attendant welfare gains. Taken at face value, our results would imply that the average Canadian consumer was roughly 7% better off in 2007 than in 1988 simply due to the enhanced varieties of import goods associated with immigration.

**Implications:**

These results are an important contribution to an emerging literature on the effects of immigration on host countries which moves beyond standard considerations of competition (or complementarity) in local labor markets. Thus, future debates on further immigration must consider the costs and benefits to host countries not solely in terms of immigrations' impact on wages and incomes, but also in terms of immigration's impact on consumer welfare via the type of variety effects documented here as well as the effects of immigration on the prices of other traded and non-traded goods.