

Study: The Impact of Immigrant Business Ownership on International Trade

Released at 8:30 a.m. Eastern time in *The Daily*, Monday, May 13, 2019

Understanding the impact of immigrants on international trade is particularly important for Canada as it is an open economy with a relatively large immigrant population. While there are many studies that identify a link between immigrants and international trade, few assess the role of immigrant business owners and the channels through which immigrants can have an impact.

The study released today, "[The Impact of Immigrant Business Ownership on International Trade](#)," uses an innovative matched employer–employee database, the Canadian Employer–Employee Dynamics Database, to explore two channels through which immigrants can facilitate trade. First, knowledge of the markets and products that immigrant business owners bring with them from their home countries can lower trade costs and reduce trade barriers. Second, a larger immigrant population in the area in which a business operates can stimulate the demand for imports from immigrants' countries of origin and also act as a source of knowledge about foreign markets from which business owners can draw upon.

The study finds evidence of both channels. Controlling for other business and business owners characteristics, the study finds that immigrant-owned businesses in the manufacturing sector are more likely to import from (by 6.7 percentage points) or export to (by 2.1 percentage points) the immigrant owner's region of origin, compared with businesses owned by native-born Canadians. Not only are immigrant business owners more likely to trade with their region of origin, but the number of products they trade and the average value per product traded are also greater, compared with their Canadian-born counterparts. There is little evidence that businesses owned by immigrants trade more with countries outside the regions of origin of immigrant business owners, as compared to businesses owned by their Canadian-born counterparts.

The study also examines the impact of immigrant business ownership on trade in the wholesale trade sector. The impact of immigrant business ownership on bilateral trade with immigrant owners' regions of origin is larger in the wholesale trade sector than in the manufacturing sector. For instance, the impact of immigrant business ownership in the wholesale trade sector on exports to an immigrant owner's region of origin is more than double that in the manufacturing sector. This highlights the important role of immigrants as trade intermediaries.

The study also finds that businesses located in census divisions with a larger share of immigrants in the population are more likely to import, implying a market demand effect. A larger share of immigrants in the local area also has a positive effect on exports by local businesses in the wholesale trade sector. This suggests that there are information spillovers within the local community.

The estimated impacts of immigrant business ownership found in this study cover the period from 2002 to 2012 and control for changes in the general economic conditions over this period. The findings in this study suggest that the overall impacts may change slowly over time as the composition of immigrants change. For example, the study finds that immigrant owners admitted through the business (entrepreneurs, investors, self-employed, and other business class), skilled labour or provincial nominee classes, and immigrant owners with a higher level of education upon arrival, are more likely to have positive effects on trade than other immigrant owners.

The results in this study will be updated once new information becomes available.

The research paper "[The Impact of Immigrant Business Ownership on International Trade](#)," part of the *Analytical Studies Branch Research Paper Series* (**11F0019M**), is now available.

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