# Immigrants and Exports: Firm-level Evidence from Canada *

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## Abstract

Firms face considerable informational barriers to engaging in international trade. Immigrants can play a key role in overcoming these barriers by acting as intermediaries between firms in their home and host countries, thus facilitating trade. Previous studies have shown that this *trade-creation effect* of immigrants is significant at the aggregate level: e.g. Portuguese immigrants to Canada raises Canada's exports to Portugal. In this paper, we examine the trade-creation effect of immigrants at the firm level: how much Portuguese immigrants employed by Canadian firms increase those firms' exports to Portugal. We use a unique administrative matched employer-employee dataset containing Canadian manufacturing firms' export transactions and employees' immigration data to estimate how much immigrant employees reduces a firm's costs of exporting to their home countries. To guide the empirical analysis, we use a model of firms' exporting and sales decisions in which firms face idiosyncratic productivity and destination-specific demand, along with destination-specific fixed and variable costs of exporting. The costs of exporting to each country depend on firms' employment of immigrants from that country. Firms hire workers and choose whether to export to each country and how much to sell. We find the more immigrants a firm employs from a particular country, the more likely it is to export to that country; and conditional on exporting, the higher are export sales. The trade-creation effect of immigrants is stronger for exports in differentiated goods than for homogeneous goods. We also deal with the endogeneity issue that arises from firms' knowledge that hiring an immigrant lowers the costs to export to that immigrant's home country.

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