

# THE TRADE CREATING EFFECT OF IMMIGRATION IN THE GRAVITY MODEL: IN CASE OF KOREAN TRADE DATASET\*

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## Abstract

This paper analyzes several aspect of the immigration effect on Korean trades with its 203 trading-partners over the period, 1992-2014. Since our trade data do have many zero-trade flows, we adopt Poisson and Gamma PML methods to take into account the inconsistency in log-linearized gravity model. We obtain the results that there has been a trade creating effect of immigrants on Korean imports and exports, and the elasticity of imports is slightly higher than the one of exports. The trade creating effect of immigrants differs by the degree of differentiation and the end-use of traded goods. This paper documents a strong and significant empirical correlation between the stock of immigrants in the receiving country and the amount of trade with their country of origin.

**JEL Classifications:** F10, F14

**Key Words:** Immigration, Gravity model, Pro-trade, Zero trade flows

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