

Referee's report on "Essays on Migration and Trade,"  
by Tomas Konecny

This dissertation consists of three essays. Essay 1, "Immigrant Networks, Trade Creation, and Trade Diversion," is an interesting attempt to model the impact of immigrants on international trade more formally than the existing literature, which is almost purely empirical. The model predicts that immigration will not only create trade between the source country and the host country, but also reduce trade between the source country and other countries ("trade diversion"). The empirical work in this essay provides evidence that supports this prediction of trade diversion. This is an important new contribution.

Essay 2, "Expatriates and Trade," examines the impact on trade of OECD residents living abroad. The approach of this paper is closer to the existing literature than Essay 1. The contribution of this essay is not clear.

Essay 3 is titled, "Fair Trade – Is it Really Fair?" This essay makes a significant contribution by introducing middlemen into a formal model of "fair trade" marketing of agricultural produce. It is shown that the efforts of the Fair Trade Organization (FTO) to connect certified farmers to international markets reduce the market power of middlemen and can therefore benefit even the non-certified farmers. However, the use of a price floor by the FTO can create a situation of excess supply that restores the market power of the middlemen and thus defeats the goals of the FTO.

In my opinion, then, two of the three essays in this dissertation make valuable contributions. By the standards of my home institution, this is sufficient to merit a dissertation defense. I therefore recommend that Mr. Konecny be allowed to defend his dissertation and be

awarded a doctorate.

I have a few specific comments that could be forwarded to the candidate to use in the future if he wants to revise his essays for publication.

p. 8, eq. (1.4): Instead of equaling  $a$ , the match quality between immigrants should be higher, or at least could differ in general.

p. 28: It is disappointing that the instruments used by Javorcik et al are not successful. Perhaps they would work for a subset of countries.

In both Essay 1 and Essay 2, since the data on migrants are available disaggregated by skill (education) level, it would be interesting to see if the impacts of immigrants/expatriates on trade vary by education level of the migrants.

In Essay 2, it would be interesting to explore the correlation between numbers of OECD expatriates and OECD Foreign Direct Investment in less developed countries.