Dissertation Abstract

The unifying theme of my dissertation is access to foreign markets, be it through social networks (immigration), or independent NGO-driven initiatives (Fair Trade).

In the first paper, "Immigrant Networks, Trade Creation, and Trade Diversion", I derive a simple gravity model with matching and use data on the foreign-born population located in 19 OECD-member countries to estimate the impact of immigrant links on trade. The relative impact on trade of immigrant networks declines with the GDP of source country and is generally smaller than estimates from preceding studies. The theoretical framework explicitly models forgone bilateral trade and shifts in trade flows due to immigrant links. There is some empirical evidence that immigrant networks change trade flows between countries. The net effect on total trade of a 10-percent increase in the overall immigrant stock varies between -0.12 and 1.18 percent for host countries and -6.99 and 2.58 percent for source countries in the sample.

The second essay entitled "Expatriates and Trade" evaluates the contribution to bilateral trade flows of expatriates from the OECD economies living in less developed countries. Similarly to the results of the existing research that focused on immigrants moving in the opposite direction, I find that the expatriates promote trade between the country of origin and country of residence. The expatriates' facilitation of trade is nonetheless relatively weaker and works likely through different channels. Using a unique dataset on bilateral migration stocks, a 10 percent increase in the size of expatriate community leads to a 0.6 percent average increase in its OECD trade partner's imports against a 2.5 percent impact of immigrants in OECD countries. The imports facilitating role of expatriates.networks is centered in host countries with low institutional quality. In economies lying within the lowest third of the institutional quality distribution, a 10 percent increase in expatriate stock would lead to a 1.7 increase in imports into their country of origin.

The third paper of the dissertation, "Fair Trade – Is it Really Fair?" (co-authored with Jan Myslivеček), focuses on the ever more popular Fair Trade scheme, which provides a direct access to developed markets and a guaranteed minimum price to the participating farmers. One of the arguments against the Fair Trade scheme is that the guaranteed minimum price tends to depress world prices and thus the incomes of non-participating farmers (e. g. *The Economist*, 2006). We develop a model that distinguishes between the impact of the introduction of a Fair Trade market per se and the effect of minimum price policies given that a Fair Trade market actually exists. The model suggests that the claims against Fair Trade might not be correct. The introduction of a Fair Trade market reduces information asymmetries between the trading parties and dampens the market power of middlemen. Improved matching and lower margins of the middlemen have the capacity to increase the incomes of both participating and non-participating farmers. The minimum contracting price as part of Fair Trade standards, however, precludes the full realization of the program's potential benefits by reducing farmers. payoffs relative to the free-contracting alternative. The minimum price also paradoxically increases the profits of the middlemen, whose local monopsony power the Fair Trade scheme originally aimed to retrench.