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## Bachelor Seminar: “Firm Relationships in International Trade”

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### Introduction:

“In discussing the origins and implications of international trade, economists usually emphasize comparative advantage, increasing returns to scale, and consumer love of variety, but pay relatively little attention to the firms that actually drive trade flows. Yet engaging in international trade is an exceedingly rare activity: of the 5.5 million firms operating in the United States in 2000, just 4 percent were exporters. Among these exporting firms, the top 10 percent accounted for 96 percent of total U.S. exports.”<sup>1</sup>

In this seminar, we will review articles that give an introduction to firm-based theories of international trade and discuss related empirical evidence. Among other things, this will provide us with profound explanations to the above stylized facts. We will study the rationales for why firms engage in multinational activities and how they organize them. Furthermore, we will take a dynamic perspective on firms engaged in international trade and analyse the drivers of the long-term success of their export and sourcing relationships. In an additional part of the seminar, we study some of the financial challenges that firms face when expanding their activities across borders and how they can manage them. The final part of the seminar addresses social and environmental aspects of multinational firm activities.

### Requirements:

Successful participation in the seminar requires:

- Writing a **term paper** about one of the seminar topics below (Main text: 10 pages; 50% of the final grade).
- **Presenting** your work in the seminar (30 minutes presentation; 30% of the final grade)
- **Moderating** the discussion of one of the other topics (15 minutes discussion per topic; you will have to prepare and briefly present 2-3 questions to be discussed by the group; the discussed term paper will be made available to you before the seminar; 20% of the final grade)

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<sup>1</sup> Bernard, A. B., Jensen, J. B., Redding, S. J., & Schott, P. K. (2007). Firms in international trade. *The Journal of Economic Perspectives*, 21(3), p. 105.

### **Credit Points:**

- Economics, IWE and P&E students can acquire 5 ECTS in their **Bachelor** program.
- P&E students (alte PO) can acquire 6 ECTS by choosing the E/Ö6 modul.

### **Organization:**

There will be an introductory lecture on Thursday, 11<sup>th</sup> of May 2017 from 10 a.m. – 12 p.m (S 52, RWII). In this lecture, topics will be assigned to students. The main part of the seminar is blocked (scheduled for 21<sup>st</sup> and 22<sup>nd</sup> of July 2017, 8 a.m. – 6 p.m. on both days, S 65, RWI). For obtaining credit points, **attendance at all dates is mandatory.**

Please note: The language of the seminar is English.

### **Application and Deadlines:**

- Applicants must enrol **until 8<sup>th</sup> of May 2017** using the following link: [click here](#)  
**Three topics** from the list below have to be indicated in the application form!
- Students who can participate in the seminar will be notified no later than 9<sup>th</sup> of May 2017. Please make sure that the e-mail address in your application is correct and up to date, as we will use this contact information for correspondence. (Note that we do not give any information upon acceptance before that date.)
- Late applications can be considered until the introductory lecture on Thursday, 11<sup>th</sup> of May 2017, provided that there is free capacity.
- The seminar is limited to 15 students (first come, first serve)
- **Deadline for handing in the term paper:** Friday, 7<sup>th</sup> of July 2017.
- **Deadline for handing in the presentation slides:** Tuesday, 18<sup>th</sup> of July 2017

### **Compulsory Reading:**

Krugman, P. R., Obstfeld, M., & Melitz, M. (2011). International Economics: Theory and Policy (Prentice Hall): Chapter 8.

### **Seminar topics:**



## **Firms in International Trade: Introduction**

### ***(1) The Value of Firm-Based Theories of International Trade***

Bernard, A. B., Jensen, J. B., Redding, S. J., & Schott, P. K. (2007). Firms in international trade. *The Journal of Economic Perspectives*, 21(3), 105-130. ([link](#))

### ***(2) Integration of Trade and Disintegration of Production in the Global Economy***

Feenstra, R. (1998). Integration of Trade and Disintegration of Production in the Global Economy. *The Journal of Economic Perspectives*, 12(4), 31-50. ([link](#))

## **Foreign Direct Investment**

### ***(3) Horizontal FDI: The Proximity-Concentration Hypothesis***

Antràs, P., & Yeaple, S. R. (2014). Multinational Firms and the Structure of International Trade. *Handbook of International Economics*, 4: Chapters 4.1-4.2. ([link](#))

### ***(4) The OLI-Framework***

Markusen, J. R. (1995). The boundaries of multinational enterprises and the theory of international trade. *The Journal of Economic Perspectives*, 9(2), 169-189. ([link](#))

### ***(5) Vertical Production Networks in Multinational Firms***

Hanson, G. H., Mataloni Jr, R. J., & Slaughter, M. J. (2005). Vertical production networks in multinational firms. *Review of Economics and Statistics*, 87(4), 664-678. ([link](#))

## **Dynamic Aspects of Multinational Activity**

### ***(6) Buyer-Seller Relationships in Export Development***

Egan, M. L., & Mody, A. (1992). Buyer-seller links in export development. *World Development*, 20(3), 321-334. ([link](#))

### ***(7) A Model of Costly Supplier Search and Unknown Match Quality***

Rauch, J. E., & Watson, J. (2003). Starting small in an unfamiliar environment. *International Journal of Industrial Organization*, 21(7), 1021-1042. ([link](#))

### ***(8) An Empirical Evaluation of Trade Relationships***

Besedeš, T. (2008). A search cost perspective on formation and duration of trade. *Review of International Economics*, 16(5), 835-849. ([link](#))

### ***(9) Export Experience and Survival of Developing Country Exporters***

Carrère, C., & Strauss-Kahn, V. (2012). Exports Dynamics: Raising Developing Countries Exports Survival through Experience. Working Paper. ([link](#))

### ***(10) A Model of Sequential Exporting***

Albornoz, F., Pardo, H. F. C., Corcos, G., & Ornelas, E. (2012). Sequential exporting. *Journal of International Economics*, 88(1), 17-31. ([link](#))



### **International Trade Finance**

#### ***(11) A Case Study of International Trade Finance Practices***

Antràs, P., & Foley, C. F. (2015). Poultry in Motion: A Study of International Trade Finance Practices. *Journal of Political Economy*, 123(4). ([link](#))

#### ***(12) The Role of Export Credit Guarantees in Germany***

Felbermayr, G. J., & Yalcin, E. (2013). Export credit guarantees and export performance: An empirical analysis for Germany. *The World Economy*, 36(8), 967-999. ([link](#))

### **Social and Environmental Aspects of International Trade**

#### ***(13) The Role of Business and Social Networks in International Trade***

Rauch, J. E. (2001). Business and Social Networks in International Trade. *Journal of Economic Literature*, 39, 1177-1203. ([link](#))

#### ***(14) The Economics of Fair Trade***

Dragusanu, R., Giovannucci, D., & Nunn, N. (2014). The Economics of Fair Trade. *The Journal of Economic Perspectives*, 28(3), 217-236. ([link](#))

#### ***(15) An Empirical Assessment of the Pollution Haven Hypothesis***

Eskeland, G. S., & Harrison, A. E. (2003). Moving to greener pastures? Multinationals and the pollution haven hypothesis. *Journal of Development Economics*, 70(1), 1-23. ([link](#))