



Seminar on Trade and Finance

The 2007-08 financial crisis is often considered as the worst economic crisis since the Great Depression of the 1930s. While the main focus of the public debate has been on implementing rules to strengthen the financial systems and to supervise banks tighter, the view on world trade data has also received big attention. In the aftermath of the financial crisis, world trade volume fell by 12 % in 2009, compared to a drop of world GDP by “only” 4.6 %. This so-called “great trade collapse” was even stronger than the decline of world trade experienced during the Great Depression. However, while the slump in world trade during the 1930s is mainly due to the implementation of trade barriers, protectionism cannot explain the recent downturn of 2009.

According to the WTO, one main explanation for the great trade collapse relates to the key role of the recent financial crisis and its linkage on international trade. Indeed, since the global financial crisis, this linkage has been under great scrutiny from both public and private sectors. Policy makers have become increasingly aware that trade credit and trade finance are key tools for internationally active firms and that distress in the financial sector and rising costs of providing trade finance for banks can have negative effects on trade. Despite the large and continuously growing interest in the topic from policymakers, internationally active companies and financial market participants, knowledge of the business of trade credit and trade finance is still very limited and research quite young.

This seminar will give you the opportunity to explore state-of-the-art research combined with practical insights and shall make you aware of the importance and current policy-relevant discussion on this topic.

Compulsory Reading:

Vaubourg, A.-G. (2016), Finance and international trade: a review of the literature, *Revue d'Economie Politique*, 126, 57-87.

Recommended Reading:

Auboin, M. (2009), The challenges of trade financing, VoxEU 28 January 2009.

Baldwin, R. (2009), The great trade collapse: What caused it and what does it mean?, VoxEU 27 November 2009.

Requirements and Target Group

- The seminar is offered to **Master students** in Economics, IWG, and P&E. **Advanced Bachelor** students may apply **in case of free capacities** (corresponding requests should be sent no earlier than 30 October 2017).
- Students can acquire credit points for the following programs:
 - Economics (Master): “Individueller Schwerpunkt/Spezialisierung”
 - IWG (Master): “Individueller Schwerpunkt/Spezialisierung”
 - P&E (Master): “Electives”
 - Additionally, the seminar still serves as a replacement this term for the lecture “International Labor Markets”, usually offered by Prof. Dr. Egger (LV-Nr.: 34237).
 - All Bachelor students: “Individueller Schwerpunkt/Spezialisierung”
- Prerequisites: Ideally, students should have had at least introductory courses of International Trade and Econometrics at the Bachelor level. Additional courses at the Master level might prove useful for some topics but are no strong prerequisite.
- The seminar consists of **three mandatory parts**:
 - Written work of 10 pages (main text), 50 % of total grade
 - Seminar presentation of 30 minutes, 35 % of total grade
 - Moderating discussion of another topic of 15 minutes, 15 % of total grade

Organization

The seminar will kick off with an **introductory lecture** on **Friday, 4th of November 2016** from **2-4 pm** (you will be informed about the room at short notice before this meeting). After having been guided through the various topics of the seminar more in detail, at the end of the first meeting, **topics will be assigned to students**. It is therefore highly recommended to join this meeting.

The second and **main part of the seminar** is blocked and scheduled for **Friday, 27th and Saturday, 28th of January 2017 (9am to 6pm, each days)**. It is **mandatory** to show up full-time on both days. [Nota bene: The dates for the main part of the seminar are not definitely fixed yet.]

Noteworthy: The language of the seminar will be **English** (mails can be sent in German though).

Please send all course-related questions to: daniel.etzel@gmail.com

Application and deadlines

- Applicants must enrol until 28th of October 2016 using the following link: [application](#). Three of the listed papers have to be indicated in the application form!
- Students who can participate in the seminar will be notified no later than 30th of October 2016. Please make sure that the e-mail address in 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. E-mails with such requests will be deleted without response!)
- Late applications can be considered until the introductory lecture on Friday, 4th of November 2016, provided that there is free capacity.
- The seminar is limited to 15 students (first come, first serve!).
- **Deadline for handing in the written work**: 22nd of January 2017. (Slides must be handed in two days prior to the presentation.)

Seminar topics

- 1) Does international trade depend on external finance?

Bardhan, P. and K. Kletzer (1987), Credit markets and patterns of international trade, *Journal of Development*, 27, 57-70.

Manova, K. (2013), Credit constraints, heterogeneous firms, and international trade, *Review of Economic Studies*, 80, 711-744.

Greenaway, D., A. Guariglia and R. Kneller (2007), Financial factors and exporting decisions, *Journal of International Economics*, 73, 377-395.

Chor, D. and K. Manova (2012), Off the cliff and back? Credit conditions and international trade during the global financial crisis, *Journal of International Economics*, 87(1), 117-133.
- 2) Through which channel does finance affect international trade?

Amiti, M. and D. Weinstein (2011), Exports and financial shocks, *Quarterly Journal of Economics*, 126, 1841-1877.

Schmidt-Eisenlohr, T. (2013), Towards a theory of trade finance, *Journal of International Economics*, 91(1), 96-112.

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

Auboin, M. and I. Blengini (2014), The impact of Basel III on trade finance: The potential unintended consequences of the leverage ratio, *CESifo Working Paper Series No. 4593*.
- 3) Beyond the causal effect of finance on international trade: extensions and developments

Manova, K. (2008), Credit constraints, equity market liberalization and international trade, *Journal of International Economics*, 76, 33-47.

Morrissey, O. (1993), The mixing of aid and trade policies, *World Economy*, 16(1), 69-84.