



## Course Description

### Bachelor Seminar: "Firm Relationships in International Trade"

Summer Term 2018

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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; 60% of the final grade).
- **Presenting** your work in the seminar (30 minutes presentation; 30% 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.



- Active participation in the **discussions** of the seminar (15 minutes per topic; 10% of the final grade)

### **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, 12 April 2018, 12.30h – 14.00h. In this lecture, topics will be assigned to students. The main part of the seminar is blocked (scheduled for 25 and 26 May 2018, 8.00h – 18.00h on both days). 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 10 April 2018** using the following link: [click here](#)  
**Three topics** from the list below must be indicated in the application form. Since papers can differ substantially in the employed methods it is strongly recommended to screen them before application in order to avoid misguided expectations.
- Students who can participate in the seminar will be notified by no later than 11 April 2018. 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, 12 April 2018, if there is free capacity.
- The seminar is limited to 15 students (first come, first serve)
- **Deadline for handing in the presentation slides:** Wednesday, 23 May 2018 (23.59h)
- **Deadline for handing in the term paper:** Friday, 15 June 2018 (23.59h)

### **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) Firm Heterogeneity in International Trade***

Bernard, A. B., Jensen, J. B., Redding, S. J., & Schott, P. K. (2012). The empirics of firm heterogeneity and international trade. *Annual Review of Economics*, 4(1), 283-313.

#### ***(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.

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

Dunning, J. H. (2000). The eclectic paradigm as an envelope for economic and business theories of MNE activity. *International Business Review*, 9(2), 163-190.

### **Foreign Direct Investment**

#### ***(4) Trade Costs and Foreign Direct Investment***

Neary, J. P. (2009). Trade costs and foreign direct investment. *International Review of Economics & Finance*, 18(2), 207-218.

#### ***(5) International Outsourcing and Incomplete Contracts***

Spencer, B. J. (2005). International outsourcing and incomplete contracts. *Canadian Journal of Economics*, 38(4), 1107-1135.

### **Buyer-Seller Relationships in International Trade**

#### ***(6) 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.

#### ***(7) 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.

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

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

### **Financial Aspects of International Trade**

#### ***(9) Credit Constraints and International Trade***

Manova, K. (2012). Credit constraints, heterogeneous firms, and international trade. *Review of Economic Studies*, 80(2), 711-744.



***(10) 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).

***(11) 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.

**Social and Environmental Aspects of International Trade**

***(12) 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.

***(13) 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.

***(14) Trade Liberalization and Poverty***

Winters, L. A., McCulloch, N., & McKay, A. (2004). Trade liberalization and poverty: the evidence so far. *Journal of Economic Literature*, 42(1), 72-115.

***(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.