

International Trade and Foreign Direct Investment (Trade&FDI)

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Current development of International Trade theory is defined by the heterogeneous firms' framework. The seminal work of Melitz (Melitz, 2003) has put a theoretical foundation of this approach while empirical works of Bernard, Jensen, Schott, Pavcnik (Bernard and Jensen, 1999, Bernard, Jensen and Schott, 2003, Pavcnik, 2002) and others demonstrated its empirical relevance. Heterogeneity of firms in their productivity levels along with positive fixed costs of exporting are the two main assumptions that define the results.

One of the important implications of this approach is that redistribution properties of international trade policy have one more dimension – intra-industry one. Namely, trade liberalization in an industry leads to reallocation of factors toward more productive firms in the industry. That is, the market share of less productive domestic firms declines in favor of the market share of more productive domestic firms. A direct result of this reallocation is the increase in the productivity of the whole industry. This inference could not be obtained in the representative firm approach. Empirical estimations indicate that intra-industry effects of international trade could be more significant than inter-industry ones.

Trade/FDI and Costs of Accessing Foreign Markets:

So far the issue of fixed costs of exporting is not very well explored. We know little about the composition of these costs, their values and which policy instruments can affect them. Survey of exporting firms in Russia¹ indicates that information costs are among the most severe ones. Then the important question is what type of information is especially important for export transactions to take place. Among other candidates the literature suggests financial, regulatory, labor and other costs. One of the goals of this project is the empirical and theoretical study of the relevance of various costs for exporters. Export of Russian firms over 2000-2010 and firm-level data from other countries will be used in empirical studies.

International trade from perspective of buyer-seller relations

While very often the countries per se are regarded as an origin and destination of trade flows the heterogeneous firms framework emphasizes the essential role of firms in establishing trade relations. This perspective brings many important issues to consider in international

¹ Check the questionnaires of Russian exporters (<https://dl.dropboxusercontent.com/u/55024954/Quest%20exporters.pdf>) and potential exporters (<https://dl.dropboxusercontent.com/u/55024954/Quest%20potential%20exporters.pdf>) to get a flavor of available data.

trade theory and empirics. It includes but not limited to analyses of contract relations between firms, interconnection between import and export decisions of firms, the role of managerial attitudes toward internalization in defining trade flows, various frictions on a way to establish and secure long-term ties between firms.

Some potential topics for master theses are:

1. (Empirical) The analysis of intra-industry production and export structure of Russian economy and its evolution over time. The goal of this project is the formulation of stylized facts about intra-industry development of Russian economy and determination of the major forces behind it.
2. (Empirical) Russian firms in Global Value Chains. Stylized facts and factors favoring GVC participation.
3. (Empirical) The analysis of Russian intra-industry export structure and its evolution over time. The effect of Ruble appreciation of 2002-2007 and Ruble depreciation of 2014 and subsequent ruble appreciation on the intra-industrial export diversification.
4. (Empirical and/or theoretical) Costs of exporting analysis: informational aspects.
5. (Empirical and/or theoretical) Costs of exporting analysis: contractual aspects.
6. (Theoretical) The analysis of inter-industry diversification in the economy with heterogeneous firms.
7. (Empirical and/or theoretical) Role of intermediaries in international trade: information vs. technical cost reduction
8. (Empirical) The analysis of innovation among Russian exporters.
9. (Empirical and/or theoretical) Import substitution in heterogeneous firms framework.
10. (Empirical and/or theoretical) Contracts and firms in international trade
11. (Empirical and/or theoretical) The analysis of import-export linkages at firm level.

Some Related Literature

Theory:

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