International Trade Finance and Learning Dynamics

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  - ▶ corporate default (Jacobson and Von Schedvin, 2015; Barrot, 2016; Amberg et al., 2021)
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  This paper $\rightarrow$ Can financial choices facilitate learning on risks in firm-level export decisions?

How the paper fits in the literature?

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- Long term interactions, learning and risks
    - ▶ Exporters form beliefs on type (probability of pay) of the particular importer
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  - ▶ **This paper → Trade finance allows learning on risk over time**

This paper

What is the role of trade finance on international trade?

1. Evidence from balance sheets, production data, and transaction level customs in Chile (2015-2019)

   - Cash in advance use decreases and open account increases in relationship length (in a market)

   - Stronger effect for smaller firms, inexperienced, and exporting to risky destinations

2. Open economy model

   - Exporters in home country monopolistically differentiated

   - Dynamic choice trade finance arrangements

   - Include learning on foreign demand and counterparty risk

3. Quantitative Part
   - Estimate aggregate level effects

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- New model of dynamic choice of financing and learning of different risks

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4. How to deal with firms that have no financing?
   - Show regressions for CIA, OA and no financing as a % of sales in that market

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- Data on material costs, inputs, etc reported in F29 Chilean firms might help.

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- If more data available, can also do buyer risk

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- Choice of trade credit differs by competition
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- Include HHI on the buyer side if access to firm-to-firm transaction data.

Other small comments

- Do multinationals have more knowledge of their home country?
- How would the model results change if productivity is heterogeneous in time-market?
- Is learning heterogeneous on firm size? (Dickstein and Morales, 2018)
- Can the maturity of the trade credit be used to support the mechanism?
- Look at the first open account transaction, what are its characteristics? how is the size of transaction and maturity?

Great Paper!

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