

[Home](#) > [IMF Economic Review](#) > Article

How Does Trade Evolve in the Aftermath of Financial Crises?

| Published: 12 August 2014

| Volume 62, pages 213–247, (2014) [Cite this article](#)



[IMF Economic Review](#)

[Aims and scope](#) →

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 [partners](#), also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our [privacy policy](#) for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

- > **Store and/or access information on a device**
- > **Personalised advertising and content, advertising and content measurement, audience research and services development**

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

Access this article

Log in via an institution →

Subscribe and save

✓ Springer+

from €37.37 /Month

- Starting from 10 chapters or articles per month
- Access and download chapters and articles from more than 300k books and 2,500 journals
- Cancel anytime

View plans →

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

Accept all cookies

Reject optional cookies

Manage preferences

Explore related subjects

Discover the latest articles, books and news in related subjects, suggested using machine learning.

[Economics](#)

[Economic History](#)

[Financial Crises](#)

[International Economic Law, Trade Law](#)

[International Economics](#)

[International Trade](#)

Notes

1. See, among others, [Baldwin \(2009\)](#) and references therein, [Alessandria, Kaboski, and Midrigan \(2010\)](#), [Bems, Johnson, and Yi \(2010\)](#), [Levchenko, Lewis, and Tesar \(2010\)](#), [Eaton and others \(2011\)](#), and [Chor and Manova](#)

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

5. The results discussed below are robust to using the nominal dollar values of trade and GDP instead.
6. Trade dynamics following currency crises (as defined by [Laeven and Valencia, 2008](#)) are qualitatively similar to trade dynamics following banking crises, but with a much deeper initial fall in imports followed by a faster recovery to gravity-predicted levels. In the analysis below, we also investigate the role of the exchange rate—both changes in its level and its volatility.
7. In the baseline specification, we include only the current value of the dummy for FTA. However, as [Baier and Bergstrand \(2007\)](#) have shown, FTAs can have strong cumulative effects on trade (we thank an anonymous referee for pointing this out). In order to address this issue, we estimate an alternative

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 [partners](#), also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our [privacy policy](#) for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

financial crisis. However, trade with “neutrals” (that is, trading partners who are not directly involved in the conflict), which might be a more suitable comparator, declines by about 12 percent on average at the onset of war, and these effects remain statistically significant up to seven years after the start of the conflict. Thus, the magnitude of the effect of a war on neutrals is similar to a financial crisis.

11. When interpreting the findings of this robustness check, it is important to keep in mind that HMR methodology is more suitable for estimating the cross-sectional, rather than time-varying, determinants of trade, because their exclusion variables are time invariant. Note also that we implement the HMR methodology in the specification with separate exporter and importer fixed effects (and not interaction), because the exclusion variable varies only across country pairs but not over time.

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 [partners](#), also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our [privacy policy](#) for more information on the use of your personal data. Your consent choices apply to [springer.com](#) and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

the median. We found that import losses occur regardless of whether a financial crisis is severe or moderate, but the initial import loss is larger for severe crises.

References

Abiad, Abdul, and others, 2009, “What’s the Damage? Medium-Term Output Dynamics after Banking Crises,” IMF Working Paper 09/245 (Washington: International Monetary Fund).

Abiad, Abdul, Giovanni Dell’Ariccia, and Bin Li, 2011, “Creditless Recoveries,” IMF Working Paper 11/58 (Washington: International Monetary Fund).

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 [partners](#), also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our [privacy policy](#) for more information on the use of your personal data. Your consent choices apply to [springer.com](#) and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

Baier, Scott and Jeffrey Bergstrand, 2007, "Do Free Trade Agreements Actually Increase Members' International Trade?," *Journal of International Economics*, Vol. 71, No. 1, pp. 72-95.

[Article](#) [Google Scholar](#)

Baldwin, Richard, 2009, *The Great Trade Collapse: Causes, Consequences and Prospects*. Available via the Internet: www.voxeu.org/index.php?q=node/4297.

Baldwin, Richard and Daria Taglioni, 2006, "Gravity for Dummies and Dummies for Gravity Equations," NBER Working Paper No. 12516 (Cambridge, MA: National Bureau of Economic Research).

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

Blomberg, S. Brock and Gregory D. Hess, 2006, "How Much Does Violence Tax Trade?," Review of Economics and Statistics, Vol. 88, No. 4, pp. 599-612.

[Article](#) [Google Scholar](#)

Bown, Chad P., 2010, "Global Antidumping Database." Available via the Internet: <http://econ.worldbank.org/ttbd/gad/>.

Braun, Matías and Borja Larrain, 2005, "Finance and the Business Cycle: International, Inter-Industry Evidence," Journal of Finance, Vol. 60, No. 3, pp. 1097-128.

[Article](#) [Google Scholar](#)

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

Eaton, Jonathan, Sam Kortum, Brent Neiman, and John Romalis, 2011, “Trade and the Global Recession,” NBER Working Paper No. 16666 (Cambridge, MA: National Bureau of Economic Research).

Evenett, Simon J., 2009, “What Can Be Learned from Crisis-Era Protectionism? An Initial Assessment,” CEPR Discussion Paper No. 7494 (London: Centre for Economic Policy Research).

Feenstra, Robert, 2002, Advanced International Trade: Theory and Evidence (Princeton: Princeton University Press).

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 **[partners](#)**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **[privacy policy](#)** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

Glick, Reuven and Andrew K. Rose, 2002, "Does a Currency Union Affect Trade? The Time Series Evidence," European Economic Review, Vol. 46, No. 6, pp. 1125–51.

[Article](#) [Google Scholar](#)

Glick, Reuven and Alan M. Taylor, 2010, "Collateral Damage: Trade Disruption and the Economic Impact of War," Review of Economics and Statistics, Vol. 92, No. 1, pp. 102–27.

[Article](#) [Google Scholar](#)

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

Harrigan, James, 2001, "Specialization and the Volume of Trade: Do the Data Obey the Laws?" NBER Working Paper No. 8675 (Cambridge, MA: National Bureau of Economic Research).

Helpman, Elhanan, Marc Melitz, and Yona Rubinstein, 2008, "Estimating Trade Flows: Trading Partners and Trading Volumes," Quarterly Journal of Economics, Vol. 123, No. 2, pp. 441-87.

[Article](#) [Google Scholar](#)

Iacovone, Leonardo and Veronika Zavacka, 2009, "Banking Crises and Exports: Lessons from the Past," Policy Research Working Paper 5016 (Washington, DC: World Bank).

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 [partners](#), also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our [privacy policy](#) for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

Laeven, Luc and Fabian Valencia, 2008, “Systemic Banking Crises: A New Database,” IMF Working Paper 08/224 (Washington: International Monetary Fund).

Laeven, Luc and Fabian Valencia, 2010, “Resolution of Banking Crises: The Good, the Bad, and the Ugly,” IMF Working Paper 10/146 (Washington: International Monetary Fund).

Levchenko, Andrei, Logan Lewis, and Linda Tesar, 2010, “The Collapse of International Trade during the 2008–2009 Crisis: In Search of the Smoking Gun,” IMF Economic Review, Vol. 58, No. 2, pp. 214–53.

[Article](#) [Google Scholar](#)

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

Pedroni, Peter, 2004, "Panel Cointegration; Asymptotic and Finite Sample Properties of Pooled Time Series Tests with an Application to the PPP Hypothesis," *Econometric Theory*, Vol. 20, No. 3, pp. 597-625.

[Article](#) [Google Scholar](#)

Pula, Gabor and Tuomas Peltonen, 2009, "Has Emerging Asia Decoupled? An Analysis of Production and Trade Linkages Using the Asian International Input-Output Table," ECB Working Paper No. 993 (Frankfurt: European Central Bank).

Qureshi, Mahvash Saeed, 2009, "Trade and Thy Neighbor's War," IMF Working Paper 09/283 (Washington: International Monetary Fund).

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 **[partners](#)**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **[privacy policy](#)** for more information on the use of your personal data. Your consent choices apply to [springer.com](#) and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

Lessons from a Decade of Crises, Chapter 1, Table 1 (Cambridge, MA: MIT Press).

Tang, Gary and Christian Upper, 2010, "Debt Reduction After Crises," *BIS Quarterly Review*, September.

Thursby, Marie and Jerry Thursby, 1987, "Bilateral Trade Flows, the Linder Hypothesis, and Exchange Risk," *Review of Economics and Statistics*, Vol. 69, No. 3, pp. 488-95.

[Article](#) [Google Scholar](#)

World Bank, 2002, *Global Development Finance*, appendix on commercial debt restructuring (Washington: World Bank).

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

thank Gavin Asdorian, Stephanie Denis, Lisa Kolovich, Andy Salazar, and Yorbol Yakhshilikov for excellent research assistance.

Appendix

Data Sources

The primary data sources for the chapter are the IMF’s *Direction of Trade Statistics (DOTS)*, *World Economic Outlook (WEO)*, and *International Financial Statistics (IFS)* databases, the NBER-UN *World Trade Flows* database (2005), and [Laeven and Valencia \(2008 and 2010\)](#). Additional data sources are listed in [Table A1](#).

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 [partners](#), also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our [privacy policy](#) for more information on the use of your personal data. Your consent choices apply to [springer.com](#) and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

- Store and/or access information on a device**
- Personalised advertising and content, advertising and content measurement, audience research and services development**

Accept all cookies

Reject optional cookies

Manage preferences

export price deflators, respectively, from the *IFS* database, to get each economy’s real imports and exports. The series on real GDP in U.S. dollars is from the *WEO* database. Import- and export-weighted partner GDP and GDP per capita are constructed using real GDP in U.S. dollars and import and export weights from the *DOTS* database. These weights vary each year based on the actual import and export flows between economies.[6](#)

Table A2 Summary Statistics of Main Variables

Data on imports and exports by product category are constructed from the NBER-UN *World Trade Flows* database (see [Feenstra and others, 2005](#)). The database is first extended using the UN *Comtrade* database. The Standard International Trade

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 [partners](#), also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our [privacy policy](#) for more information on the use of your personal data. Your consent choices apply to [springer.com](#) and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

- Store and/or access information on a device**
- Personalised advertising and content, advertising and content measurement, audience research and services development**

Accept all cookies

Reject optional cookies

Manage preferences

Cite this article

Abiad, A., Mishra, P. & Topalova, P. How Does Trade Evolve in the Aftermath of Financial Crises?. *IMF Econ Rev* **62**, 213–247 (2014). <https://doi.org/10.1057/imfer.2014.15>

Published

12 August 2014

Issue Date

01 June 2014

DOI

<https://doi.org/10.1057/imfer.2014.15>

JEL Classifications

[F10](#)

[G01](#)

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 **[partners](#)**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **[privacy policy](#)** for more information on the use of your personal data. Your consent choices apply to [springer.com](https://www.springer.com) and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 93 [partners](#), also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our [privacy policy](#) for more information on the use of your personal data. Your consent choices apply to [springer.com](#) and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)