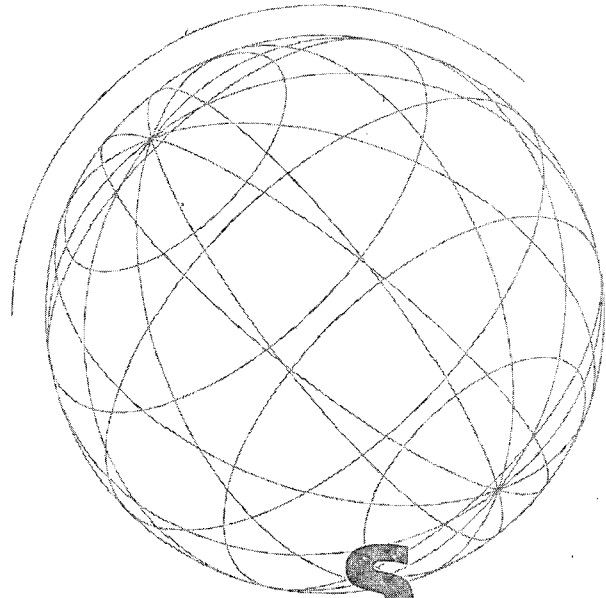




WORLD TRADE
ORGANIZATION



**S
P
E
C
I
A
L
S
T
U
D
I
E
S
3**

**TRADE, FINANCE
AND FINANCIAL
CRISES**

K. Michael Finger and
Ludger Schuknecht

We are grateful to Neven Stipanovic for very valuable research assistance, and to Willy Alfaro, Clem Boonekamp, Richard Eglin, Masamichi Kono, Jessy Kreier, Patrick Low, Hamid Mamdouh, Karen McCusker, and Paul Shanahan for their many comments and suggestions. Any remaining errors are the authors' responsibility, and the opinions expressed here are solely the authors' and not those of the WTO.

Table of Contents

I.	Introduction and Summary	1
II.	The Links Between Trade and Finance	3
A.	The importance of finance for trade and growth	3
B.	Trade-related financial instruments	5
C.	Export credit agencies and the role of government in trade financing	9
	Appendix to Section II: Trade and exchange policy	13
III.	Financial Crises and Trade	17
A.	Why worry about financial crises?	17
B.	The causes of financial crisis.	19
C.	The economic, social and trade implications of financial crisis	22
D.	The role of trade in crisis prevention and resolution	26
	Appendix to Chapter III: Strategies for financial crisis prevention and resolution outside trade policy	29
IV.	An Historical Perspective on Financial Crises and their Economic and Trade Implications	31
A.	The Great Depression	31
B.	Financial crisis from the late-1970s to mid-1990s	33
C.	The Asian Crisis	43
V.	Trade, Finance and the Role of the WTO	51
A.	Trade distortions through the trade and finance nexus, and WTO disciplines	51
B.	The multilateral trading system and financial stability	53
VI.	Conclusion	57
	Bibliography	59