

Trade Integration and Method of Payments in Cross Border Transactions

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Abstract: We analyze the effects of economic integration agreements on the payment choice in international transactions. Using annual two-digit industry level export data, we find evidence that: 1) trade integration have a positive impact on the value and the share of exports executed under open account terms, 2) the positive impact of trade agreements increase with the duration of agreements and the degree of integration. To our knowledge, this study represents the first attempt to investigate the effect of trade agreements on trade finance.