Preface and Acknowledgements

In February 2009 I started in a new job as a professor of international economics and macroeconomics. It could not have been a more timely appointment for me because one of the major intellectual challenges for the subject field of international economics was well underway. Not many people were actually worrying about the risky developments of world trade at that moment, although some already speculated on this topic of course. So did I when I was commenting on the launch of the OECD's Development Co-operation Report 2009 on February 18, 2009 at the premises of the Institute of Social Studies in The Hague: ‘We do not have the data yet, but we can try to glean beyond the report at what is happening and what this means. It is to be expected that low income earners will be hit hardest and especially in countries where no social security safety nets exist. Developing countries that opened up to the world economy are now experiencing the down side of strategies that – for good reasons – relied on international trade and foreign direct investment to achieve national development. Presently international trade volumes are collapsing and foreign direct investment decisions are probably being postponed if not cancelled as a consequence of the credit crisis. Also other sources of foreign finance will dry up: remittances from expatriates, bank lending, and portfolio investment will in all likelihood not provide a leeway.’

Early April 2009 I started the research project on the world trade collapse on which this book is based. At that time one could still only hypothesize that trade would become a casualty of the financial crisis because the available data sources – with the exceptions of the CPB World Trade Monitor (that had been launched on March 20, 2009) and the so-called ‘Baltic dry index’ (that tracks worldwide international shipping prices) – did not yet provide indications of the very strong trade collapse that we know now was taking place at that moment. I started the project in order to have something interesting to tell in my inaugural lecture ‘I come to bury globalization, not to praise it’ for which I had set the date at October 29, 2009, eighty years after the Wall Street Crash. With hindsight it was a perfect date: it also appeared to be the first anniversary of the start of the world trade collapse.

This book is a low pretence exercise that only aims to make a scientific but still very preliminary assessment of recent contributions to the literature. It
attempts to distil some of the empirical regularities that are emerging in data that will be updated and revised over the next quarters if not months. Perhaps someone would want to object that it is much more scientific to wait longer and then make a better, more precise and perhaps less uncertain analysis. I also do not develop a formal model but work with descriptive statistics and simple quasi-postulated reduced form equations that in a very common sense approach take account of some of the explanations for the world trade collapse that have been floated in the literature. Also this lack of formal structure may attract criticism from academia. For a preliminary assessment, however, the methodology suffices. Such a preliminary assessment in my opinion is much needed: the problems posed by the world trade collapse are too serious to take the intellectual luxury to wait for the perfect analysis.

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