

# **The effects of Financial & Institutional Systems on International Trade, Specialization and Foreign Direct Investment**

## **Abstract**

This thesis examines the impact of institutions, especially the financial institutions, on international trade and foreign direct investments. The first four chapters study the financial institutions and their impact on trade and international specialization. Specifically, the first chapter examines these financial institutions and the determinants of their level of development. The second chapter examines how finance impacts bilateral trade. The third chapter builds a theoretical model and aims to explain the impact of finance on the sectoral trade as a function of the degree of financial intensity of each sector. The fourth chapter analyzes the heterogeneous impact of finance on the different manufacturing sectors. The last chapter of the thesis uses the term "institution" in a broader sense and studies theoretically and empirically whether the similarities and differences in institutional environments across countries explain the international patterns of foreign direct investment (FDI).

**Keywords:** Financial development; International trade; International specialization; Foreign direct investment; Heterogeneous firms; Gravity model.