Discussion of:

# Bank Financing of Global Supply Chains

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# How do *firms* react to trade policy shocks?

- Trade policy shocks disrupt global supply chains, but we know little about how *firms* overcome financial and *informational* frictions during adjustment
- Banks are typically studied as shock transmitters or liquidity providers; this paper emphasizes banks as **information intermediaries** (literature on bank specialization)
- **Central idea**: specialized banks help firms reconfigure supply chains by easing both credit constraints and supplier search frictions
- Bridges literatures on bank specialization, trade finance, and supply chain reallocation using new micro data

# Data and empirical setting

- Unique match of U.S. supervisory loan-level data (FR Y-14Q) with shipment-level importer-supplier data (S&P Panjiva)
- The sample includes mostly private bank-dependent U.S. importers (with typically non-diversified suppliers)
- Focus on 2018–2019 U.S.-China tariffs, exploiting heterogeneous firm exposure at the product-supplier level (78% of tariffs hikes into effect in 2018)
- Specialized banks identified by pre-tariff trade finance exposure to Asian markets

# Empirical Strategy

- Difference-in-differences exploiting tariff exposure $\times$ post-2018 timing
- Trade outcomes: supplier exit/entry, no. of suppliers, import shares (PPML + rich FEs)
- Credit outcomes: credit line utilization, loan spreads, maturities, and bank-assessed PDs
- Cox proportional hazards models to study speed of matching to new suppliers
- Identification strengthened by bank $\times$ firm fixed effects, placebo tests, matching estimators, and alternative specialization measures

# Results

- Tariff-hit firms exit Chinese suppliers and reallocate imports to other Asian countries, but adjustment is slow and costly
    - Tariff-hit firm-product pair = 1 if the firm was importing at least one product from China in 2016–2017 and the product was subject to tariffs during 2018–2019
    
    → Direct effect of the shock vs. awareness of the shock/risk mitigation

- Tariff-hit firms draw more on credit lines and borrow at higher rates
    - Banks as shock absorbers

- Firms connected to specialized banks receive cheaper, longer-maturity credit and are assessed as less risky
- Specialized banks accelerate supply chain reallocation: firms are approx 15 p.p. more likely to find new suppliers and do so up to 10 months faster

# The information channel

- Core claim is that banks mitigate trade shocks through a new information channel, distinct from relationship banking, network effects, and bank international presence
- Challenge: identifying a genuinely distinct mechanism.
- Evidence for the information channel is largely indirect
    - This is hard and inherently unobservable
    - Advisory fee test is promising but inevitably a noisy measure
    - Anecdotal evidence?
    
  → Use of LLMs in investor presentations, quarterly reports, earnings calls?
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# Endogenous specialization

- Bank specialization not randomly assigned and bank-firm matches are endogenous
- Faster supplier matching could reflect firm selection into specialized banks, not bank-provided *information*

- Hard to rule out firm-level heterogeneity in adaptability. Reassuring table D4: Tariff-hit importers that borrow from specialized banks are similar to those matched with other banks, just a bit larger and more likely to be public

- Explore plausibly exogenous variation in access to specialized banks
  - e.g., historical branch networks, bank mergers

# Overall

- Excellent paper, outstanding data work linking shipment-level data to the U.S. Y-14Q
- Contributes to the literature at the intersection of banking and global supply chains
- Documents the importance of a subtle friction: information frictions in trade adjustment
  - Main suggestion: push the information channel earlier and more forcefully, and try to strengthen the mechanism tests