

International Trade and the Synchronization of Business Cycles

Heather M. Anderson

Noh-Sun Kwark

Farshid Vahid

This paper studies the relationship between international trade and output fluctuations. We find evidence that the business cycles of countries that are more open to international trade are more likely to be synchronized with the business cycles of their major trading partners. A detailed study of the South Korean case shows that while business cycles are related to openness, the diversification of export destinations seems to weaken these links. We find no relationship between openness and output volatility.

Key Words: Coherence, Common Cycles, Openness, Synchronization, Volatility.

JEL Classification: C32, E32, F49.

Correspondence:

Heather Anderson

Department of Econometrics and Business Statistics

Monash University

Clayton Vic, 3168

Australia

email: Heather.Anderson@BusEco.Monash.edu.au