

EconWorld2020@Porto

The Effect of Foreign Trade on Innovation: The Case of Brics-T Countries

Betül Gür¹¹Istanbul Commerce University, Turkey

ABSTRACT

The power that makes countries superior to each other in global competition is their ability to be innovative. With Industry 4.0, today's industrial policies are being established on an innovation basis. The degree of countries' trade openness in the economy is very important for developing countries in terms of learning and developing information and technology and ultimately contributing to the improvement of their innovation capacities. This study aims to determine the effects of the main foreign trade indicators on innovation with respect to the developing countries group BRICS-T through panel cointegration analysis for the period 2007-2019. In terms of foreign trade, "export", "import", and "foreign direct investment" have been taken into account, and the "global innovation index" has been taken into consideration as the indicator of innovation. As a result of the cointegration analysis, it has been determined that the variables are related in the long run, exports have a positive effect on innovation, whereas imports and foreign direct investments adversely affect innovation. As a result of causality analysis, a two-way causality relationship has been found between export and innovation while a one-way causality has been detected with direct foreign investment and import.

KEYWORDS Innovation; Foreign Trade; Panel Cointegration Analysis

JEL O30, O57