

EconWorld2017@Rome

Exchange Rate Variability and Trade: An Analysis on Turkish-European Sectoral Trade / Döviz Kuru Değişkenliği ve Dış Ticaret: Türkiye-Avrupa Sektörel Ticaretini Üzerine Bir Analiz

Şebnem Arık¹, M. Şükrü Erdem¹¹Akdeniz University, Turkey

ABSTRACT

In recent years, researchs on international trade regarding export performance concentrated on the effects of sector or firm related variables such as firm behaviour, R&D and innovation, firm ownership, exchange rate risk-aversion, payment and shipping methods. Researchs show that firms' exchange rate risks and risk-aversion tendencies have an important effect on firms' export performance. On the other hand, exchange rate - trade or current account deficit relationships have been the matter of debate in Turkey due to existing macro dynamics. The fact that Turkish export has not increased since 2012 despite the fall in CBRT real effective exchange rate index revive the debate about the effects of exchange rate variability on trade. In this context, our study investigates the effect of exchange rate volatility on Turkish sectoral trade with selected European countries by a model including also the effects of growth and financial crises. In addition, it is targeted to reveal the effect of 2008-2009 global financial crises on Turkish trade by using a dataset from 2003 to 2016. In this paper, bounds testing approach to co-integration is applied to identify the short and long run relationships between the variables.

KEYWORDS Exchange Rate Variability; Trade; ARDL bounds testing approach

JEL F10, F14, F31