THE NEXUS BETWEEN REAL EFFECTIVE EXCHANGE RATE AND BALANCE OF FOREIGN TRADE: BOOTSTRAP PANEL GRANGER CAUSALITY

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This study seeks to understand the impact of the realex change rate devaluations on the trade balance in the developed countries and developing countries in different time frames by applying the bootstrap panel causality test. In this context, a total of 50 countries between 1995 and 2012 will be analyzed. Based on the finding so btained from the econometric an alysis, this study will attempt to clarify the relationship between export/import price indices and real exchange rate in terms of direction and importance. With this study (a), differences and similarities between developed countries and developing countries to be analyzed (b) breakings and sudden shocks for different time zone to be determined (c) for different countries, the causal direction and significance for the selected countries, to be determined, Bootstrap Panel Causality Test offers the newe stand the most convenient methodo logical frame work in achieving the objectives presented above. In this study, it is aimed to make theoretical and methodo logical contributions to the existing literature.