

The Impact of Trade Liberalization on Current Account Deficit: The Turkish Case

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Abstract : Trade liberalization and its effects on the economies of developing countries have been investigated by many different studies, and some of them have focused on its impact on the current account balance. Turkey, as being one of the countries, which has liberalized its foreign trade in the 1980s, also needs to be studied in terms of the impact of liberalization on current account deficits. Therefore, the aim of this study is to find out whether trade liberalization has affected Turkey's trade and current account balances. In order to determine this, yearly data of Turkey from 1980 to 2013 is used. As liberalization dummy, the year 1989, which was set for Turkey, is selected. Structural break test and model estimation results show that trade liberalization has a negative impact on trade balance but do not have a significant impact on the current account balance.

Keywords : budget deficit, liberalization, Turkish economy, current account

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