

DOES FOREIGN TRADE LIBERALIZATION REDUCE POVERTY IN TURKEY?

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ABSTRACT

Economic liberalization was one of the main components of stabilization policies implemented in the 1970s in many developing countries. In order to overcome the shortcomings of the import substitution industrialization strategy, Turkey started to implement export-led growth strategy in the early 1980s and had become an integral part of the world economy. It is argued that trade liberalization by eliminating the obstacles in front of trade will spur the economic activities in the tradable goods and export sectors and create new employment opportunities. It is expected that trade liberalization leads economic growth and this, in turn, increase per capita income and reduces the poverty. Therefore, the aim of the study is to investigate the effect of trade liberalization on poverty reduction in Turkey by using modern econometric techniques. The empirical findings show that trade liberalization has reduced poverty in Turkey.

Keywords: Trade liberalization, Poverty Reduction, cointegration, Turkey.