

The appreciation of the exchange rate and its effect on the trade balance.

Bolivian case (2006 – 2008)

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ABSTRACT

The Bolivian economy has experienced a remarkable performance in traditional and non-traditional exports as a result of the increase in international prices and external demand.

Instead, the Central Bank of Bolivia adopts a policy of appreciation of exchange rate to meet its goal of bolivianization of national economic, which creates an inconsistency with the competitiveness of export products.

This paper examines, first, the relationship between the real exchange rate (RER) and the fundamentals that determine their long-term equilibrium, and second, we estimate the joint effects of RER and external activity, in the demand of traditional and non-traditional exports for the period 2006-2008 using a model of Vector Error Correction (VEC), which shows the short-term effects and the speed of adjustment towards equilibrium level sude temporary shocks. The results indicate that exporter competitiveness would be associated with the business cycle of our major trading partners, and to institutional aspects of productivity and innovation, trade openness, access to the use of technology and others non-related to the exchange rate movement, but that possibly affect exporter performance in the long term.

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