ABSTRACT

This study investigates the net effects of 99 developing countries' choice of exchange rate regimes on their exports during 1995-1999. This includes exports of 99 developing countries to the EU, Japan and the USA during this time period. It also aims to develop a model to explain the export value from exporting country to importing country that are affected by importing country's potential demand, exporting country's potential supply, transaction costs and exchange rate regime.

In explanation of export from exporting to importing country, there are four main variables included in the framework. They are importing country's potential demand, exporting country's potential supply, transaction costs and exchange rate regime.

The study on export performance of exporting countries, the analysis will be conducted from 1995 to 1999. All data is collected from United Nations, World Bank, International Monetary Fund and The MacMillan World Atlas. The regression analysis with pooled data of time series and cross sectional is used in this study.

The results of the study show that the following variables can explain the export performance at 95 per cent level of confidence. They are GNP and Per Capita GNP of developing countries, distance, a peg to US dollar, a peg to currencies other than the US dollar, a peg to a composite of currencies, more flexible regimes, European Union and Japan.

The empirical result indicates that GNP and Per Capita GNP of developing countries are the positive factors in increasing the export value. On the other hand, GNP and Per Capita GNP of developed countries are insignificant in the model. Distance is one factor that reduces the export value from developing countries to developed countries.

There are four exchange rate regimes are significant throughout the study. They are a peg to US dollar, a peg to currencies other than the US dollar, a peg to a composite of currencies, more flexible regimes. Earlier mentioned, the first three exchange rate regimes have the negative affect on export performance except the last one when comparing to the independently floating. But there are limited flexibility and multiple exchange rates, which cannot be concluded in this study. However, it can be concluded that the more flexible exchange rate regime, the more value of export performance.

This study is hoped to benefit policymakers, businesspersons and academic. Policymakers can use this study as a development strategy to increase their exports. Businesspersons can use the result as a considering factor before investing any countries. Students can learn the impact of exchange rate regimes on export performance of developing countries