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The J-curve: evidence from commodity trade between US and China

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Abstract

In testing the short-run (J-curve effect) and the long-run effects of currency depreciation on the trade balance many researchers have used either trade data between one country and the US or between the US and China. Both groups of data are subject to measurement errors. We consider the disaggregation of the trade balance into 2-digit and 3-digit categories. At least one of the 2-digit categories is sensitive to the J-curve effect. The J-curve effect is not sensitive to the disaggregation of the trade balance into 2-digit and 3-digit categories. The J-curve effect is not sensitive to the disaggregation of the trade balance into 2-digit and 3-digit categories. The J-curve effect is not sensitive to the disaggregation of the trade balance into 2-digit and 3-digit categories.

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Acknowledgements

Notes

¹Other studies that have used aggregate trade data to address different issues related to the trade balance are Briguglio ([1989](#)), Tegene ([1991](#)), Vamvoukas ([1999](#)), Miljkovic et al. ([2000](#)), Bahmani-Oskooee ([2001](#)), Dar and Amirkhalkhali ([2003](#)), Dutta and Ahmed ([2004](#)) and Berument and Dincer ([2005](#)).

²See Rose and Yellen ([1989](#), p. 58).

³Marwah and Klein ([1996](#)), Rahman et al. ([1997](#)), Bahmani-Oskooee and Brooks ([1999](#)) and Kyereme ([2002](#)) are examples of other studies that used bilateral data.

⁴For an analysis of the impact of value-added tax on trade at commodity level see Rousslang and Van Leeuwen ([1990](#)) and for the impact of antidumping policies on the trade balance see Mah ([2000](#)).

⁵Unlike other four studies in the group, Brada et al. ([1993](#)) who used Johansen's cointegration technique showed that there is at most one cointegrating vector among the trade balance, real effective exchange rate, and income variables. However, following Cheung and Lai ([1993](#)), when their trace and λ -max statistics are adjusted, cointegration disappears.

⁶Another body of the literature aims at estimating import and export demand functions separately (e.g., Charos et al. ([1995](#)), Charos et al. ([2005](#)), Agbola and

⁷Normal long-run

⁸For the

⁹Two lag and Russian spans of are as good as 100 quarterly ones.

¹²More precisely, the dummy was positive and significant in industries numbered 05, 057, 51, 515, 516, 54, 551, 656 and 897. It was negative and significant in industries 21, 641, 642, 663, 692, 74, 764, 893 and 894.

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