



A Peer Reviewed International Journal of Asian
Academic Research Associates

AARJSH
ASIAN ACADEMIC RESEARCH
JOURNAL OF SOCIAL
SCIENCE & HUMANITIES



**POSSIBLE EFFECTS OF THE RISKS IN THE BALANCE SHEETS OF DIFFERENT
ECONOMIC UNITS IN TURKEY: THE RELATIONSHIP OF TRADE DEFICITS,
NON-FINANCIAL REAL SECTOR EXTERNAL DEBT STOCK AND EXCHANGE
RATES**

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Abstract

In terms of a country's economy, exporting is an important factor in earning foreign exchange and reducing current account deficit. Export is also an important activity for companies with external obligations as much as for the country's economy as a whole. Companies' which are unable to earn sufficient foreign exchange income from foreign trade activities external obligations (external debts) that are taken to overcome the resource shortage could be growing in a spiral and becoming unpaid. Besides that, exchange volatilities can be main problem for these external obligations because they might increase the real value of the obligations. The negativities that arise in companies' balance sheet affect not only companies but other economic units. At first the state is affected. Because foreign debt of any economic units is becoming a state debt in the long run. So, in this study, it is investigated the relationships between trade deficits, non-financial real sector external debt stock and exchange rates. Foreign debt stock was the most influential variable in the findings of the investigation. the adverse effects of free trade agreements and the restriction of export opportunities further increase the negative effect.

Keywords: Balance sheet effect, trade deficit, external debts, exchange rates, free trade agreements

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