



Research on the Impact of Exchange Rate Fluctuation on International Trade

Zisheng Ou

Shenzhen Technology University, Shenzhen 518118, China

202300701057@stumail.sztu.edu.cn

Abstract. This research paper conducts a systematic analysis of exchange rate fluctuations on international trade by exploring the influence on price competitiveness along with trade volume performance and trade structure adjustments and cross-border investment flows. Exchange rates directly affect companies' short-term commercial performance and drive long-term economic progress according to the research. Exchange rate depreciation enhances export competitiveness through lower prices but currency appreciation increases import costs to domestic industries which obtain their inputs from abroad. The paper explains the relationship between exchange rates and trade volumes through the concepts of the Marshall-Lerner condition and trade balance elasticity theory. Differing exchange rates operate as a crucial necessary element that shapes both resource allocation and industrial shaping processes for developing nations. This paper ends with suggestions for financial hedging systems and supply chain expansion as resilience measures against currency exchange rate variation impacts. The proposed research outlines multiple strategies to measure exchange rate policies across different industries and countries during their search for optimal policy outcomes.

Keywords: Exchange Rate Fluctuations, Price Competitiveness, Trade Volume, Trade Structure, Transnational Investment.

1 Introduction

1.1 Research Background

Previous research indicates that exchange rate fluctuations form a major component for establishing both international trade systems and economic policies. National economies linked through global economic relationships require exchange rates to determine trading patterns and financial flows along with economic performance improvements. The exchange rate system measures the value of currencies in relation to each other thus defining how competitive an advantage foreign market consumers receive from local goods and services. Exchange rate volatility has risen across the last few decades because financial liberalization interacted with geopolitical events and changes in monetary policies. Thousand fluctuations in exchange rates generate

significant impacts on international trade through their effects on export and import price levels and the quantity of traded goods as well as the organization of international commerce.

Business sectors have a dominant role in developing nations thus exchange rate movements create significant economic effects. A decline in the national currency value raises export competitiveness because international market costs decrease whereas an appreciation of the currency drives up import expenditures which burdens domestic businesses that depend on foreign components. Multinational corporations encounter increased difficulty making investment choices because currency volatility forces them to address risks while expanding their operations across borders. The digital media service provider Twitter needs to track exchange rates because market uncertainty surrounding the financial crisis and COVID-19 scenario requires navigational ability.

1.2 Research Purpose and Significance

The primary goal of this investigation examines the complete process through which exchange rate changes affect international trade by analyzing price competitiveness as well as trade volume and structure along with transnational investment decisions. This research evaluates the effects of exchange rate volatility on short-term market success and long-term national development by studying all relevant factors. This investigation generates multiple essential consequences that push its research forward.

At the beginning this information helps policymakers create optimal exchange rate strategies to boost trade positions and economic steadiness. Governments gain insight into the exchange rate-commerce relationship by which they can develop solutions to minimize currency volatility impacts through methods including hedging and expanding business partnerships. The study brings useful implementation guidelines which assist businesses operating internationally. Organizations gain better control of pricing and cost management by learning about how currency variations influence export-import prices so they can better perform in wilderness market conditions.

The research contributes to academic knowledge by merging experimental results with Marshall-Lerner condition and trade balance elasticity theory as foundational concepts. This study addresses missing information present in the literature since it investigates how exchange rate movements affect different industrial sectors and countries particularly among emerging economies. This study seeks to bolster the resilience of economies and enterprises against exchange rate volatility, promoting sustainable growth in a more integrated global economy.

2 The Influence Mechanism of Exchange Rate Fluctuation on International Trade

2.1 Definition of Exchange Rate Fluctuation

The exchange rate has consistently been a fundamental aspect of governments' macroeconomic management and policy regulation. It is a pivotal element affecting a nation's economic advancement and acts as a dependable basis for maintaining equilibrium in international trade. Exchange rates, representing the relative prices of two different national currencies, have become recognized as a vital component in facilitating international economic contact. Alagidede and Ibrahim contended that the characterizing exchange rate volatility has been a significant problem for experts in international finance [1]. Lahmiri posits that global economic integration, the interconnectedness of national economies, and enhanced collaboration in monetary policy have increased the complexity of exchange rate volatility [2]. The current appreciation or depreciation of the RMB, along with its magnitude, has garnered global attention. This effectively demonstrates the vital significance of the exchange rate in both the national and global economies. The data indicating that local currencies are affected by the price dynamics of other currencies imply that local currencies cannot be exclusively governed by local monetary policy, presenting a considerable challenge to monetary authorities. Amidst the intensification of global financial liberalization and integration, trade and cross-border capital flows between nations have increased in frequency, progressively establishing a network of exchange rate risk correlations characterized by a domino effect. Several correlation mechanisms allow dangerous national events to transfer exchange rate volatility between different countries. A hazardous event causing exchange rate fluctuations in one country will quickly propagate forward to other nations through different correlation mechanisms which intensifies exchange rate risk and boosts global economic turbulence [3].

2.2 The Impact of Exchange Rate Fluctuation on Price Competitiveness

Exchange rate movements determine how competitive a nation's products as well as services appear in international markets. As exchange rates change the trading environment shifts since exports and imports automatically modify their price ratios because of these rate fluctuations. The section reviews research findings about exchange rate changes affecting export and import commodity prices.

Changes in Export Commodity Prices. Currency depreciation leads to lower prices of export commodities in foreign exchange, thus enabling foreign buyers to acquire them more competitively. Lowered export commodity prices lead to market appeal improvements which drives demand for export products toward higher volume and final profits for enterprises. Chinese exports to U.S. importers become more attractive when the Chinese yuan (CNY) weakens against the U.S. dollar (USD) because it de-

creases the USD-dollarified prices of Chinese products. The impact of this relationship depends on exchange rate pass-through (ERPT) which describes how exporters adjust their prices in foreign currency due to exchange rate movements. Studies demonstrate that exchange rate pass-through (ERPT) often fails to be complete because of market competitiveness alongside pricing-to-market strategies and hedging operations [4]. Chinese exporters use margin reduction to combat exchange rate fluctuations in order to protect their market positions against price reductions.

The wide range of industries plays a decisive role. Strong price elasticity of demand exists in consumer electronics products but not in specialized machinery which demonstrates them being more influenced by exchange rate changes. A 2021 IMF assessment showed that China gained 4–6 percent in price advantage but high-tech sectors faced no major impacts because they used advanced pricing methods during 2019–2020 Chinese Yuan depreciation.

Among the various elements that affect price competitiveness exchange rate fluctuations stand as only one influential factor but other elements also influence export competitiveness significantly.

Price competitiveness undergoes noticeable changes due to exchange rate fluctuations yet several additional elements such as product quality together with trade policies and market demand control export competitiveness levels.

Changes in Import Commodity Prices. Currency depreciation elevates domestic prices of imported items, hence augmenting expenses for enterprises dependent on foreign inputs. A depreciated CNY renders USD-denominated imports (such as crude oil and semiconductors) costlier, resulting in increased manufacturing expenses for Chinese enterprises. This process, known as import cost inflation, can diminish consumer purchasing power and decrease demand for imported items.

Empirical research from developing economies demonstrates that exchange rate volatility exacerbates uncertainties in input costs. A study of ASEAN countries (2018–2022) revealed that a 10% depreciation of currencies was associated with a 3–5% increase in import prices for energy and raw materials, hence constricting profit margins in manufacturing sectors [5]. A rising currency value leads to reduced costs of imports which benefits makers of products who depend on international intermediate materials. USD appreciation during 2021–2022 decreased Mexican component costs that U.S. auto manufacturers used to improve their market delivery prices.

Exchange rate changes fail to have a uniform impact on the prices of imports. The price elasticity of imports with specialized characteristics like machinery or pharmaceuticals remains low because importers find it difficult to switch suppliers when costs increase. The alteration of exchange rates in these situations leads to major modifications in the selection of imported goods. The EUR/JPY appreciation between 2020–2021 led European companies to buy high-precision pieces from South Korea instead of Japan because this switch minimized their expense problems [6].

2.3 The Impact of Exchange Rate Fluctuations on Trade Volume

The extent of international trade heavily depends on exchange rate variations. The relationship between exchange rates and trade volume shows complex behaviors because it receives influence from various economic theories and factual data sets. To understand exchange rate impact on trade volume both the Marshall-Lerner condition and trade balance elasticity theory are used with supporting information from recent research.

Marshall Lerner Condition. According to Marshall-Lerner condition international economics establishes vital relationships between trade balance and exchange rate movements. A trade deficit situation with

$$V_x < V_m \text{ or } V_x/V_m < 1 \quad (1)$$

results in currency devaluation within such a country. Currency devaluation leads to improved trade balance for a country when the total price demand elasticity of exports and imports reaches above 1. The price-quantity relationship of import and export demand serves as a basis for determining demand elasticity. A currency depreciation leads to higher export volumes and reduced import quantities when the elasticities of foreign demand for exports and imports are high thus improving the trade balance.

Research studies have proven empirically that the Marshall-Lerner condition holds true. Based on studies of Geldner exchange rate depreciation brings positive outcomes to trade balance statistics in the long term particularly for emerging countries [7]. The trade volume adjustments from exchange rate movements could become limited by contractual agreements together with market price rigidity.

Trade Balance Elasticity Theory. Exchange rate volatility effects on trade quantity can be analyzed in more detail through trade balance elasticity beyond the basic Marshall-Lerner condition. The theory explains how trade volume adjustments from currency fluctuations depend on the combination between foreign and domestic product substitution elasticity as well as price sensitivity of trade movements.

Research today proves that trade balance elasticity provides the essential key to understanding how exchange rate changes affect trade volumes. The analysis conducted by Choudhri and Hakura showed trade price currency transmission is incomplete due to which exchange rate movements do not produce complete changes in trade activity [8]. Market segmentation combined with pricing-to-market behavior and non-tariff restrictions cause the incomplete pass-through effect.

Different sectors together with nations exhibit varying elasticities in their trade balance levels. The trade balance elasticity measured from exchange rate movements exceeds the elasticity of manufactured goods over primary commodities in the euro area according to Bussière et al. [9]. This research indicates that exchange rate changes have a more significant effect on trade volume in industries characterized by higher value-added and more competition.

2.4 The Impact of Exchange Rate Fluctuations on Trade Structure

Exchange rate fluctuations substantially impact the framework of international trade, chiefly through effects on resource allocation and industrial enhancement. These effects modify the comparative advantages of industries, transform trade patterns, and eventually influence the long-term evolution of economies.

Resource Allocation Effect. Exchange rate fluctuations drive the flow of resources from low profit industries to high profit industries by changing the profit margins of different industries. For example, currency depreciation will improve the profit margin of export-oriented industries and attract more capital and labor to enter the industry, while the profit margin of import dependent industries may decline, leading to resource outflow. Currency appreciation has the opposite effect. The problem becomes most significant for developing nations because their weak economic diversification structures make them more susceptible to exchange rate fluctuations.

Antrás and Chor discovered that emerging nations regularly shift their resources toward sectors with stronger export prospects when their exchange rates exhibit volatility particularly in the sectors of manufacturing and agriculture [10]. The reallocation decision improves world market competitiveness for selected sectors while it creates potential investment gaps in other vital business fields like services and technology. Fluctuating exchange rates according to these researchers generate problems for the economy that become more problematic when the movements are prolonged or severe.

Resource allocation affects sectors differently because its impact on them has an inconsistent pattern. The price elasticity of demand for consumer goods which shows higher sensitivity outpaces the change in exchange rates when compared to heavy machinery industries that require substantial capital. Economic development appears uneven throughout the economy when exchange rate changes affect different sectors differently.

Industrial Upgrading Effect. Industrial upgrading in developing nations depends heavily on the movements of exchange rates. National industries obtain market advantages when their currency depreciates because it diminishes their product costs for global export. Enterprise investment in technology and production enhancements combined with improved product quality emerges as a result of competitive advantages that leads to higher export opportunities.

The economic development of China and South Korea was strongly supported through currency depreciation according to Rodrik's work [11]. The weakening of the Chinese yuan in the early 2010s prompted Chinese firms to ascend the value chain by investing in research and development (R&D) and p goods with higher added value. This change enhanced the competitiveness of Chinese exports and facilitated the country's evolution from a low-cost manufacturing center to a global leader in high-tech sectors.

Nonetheless, the influence of industrial development is not devoid of obstacles. Fluctuations in exchange rates can generate uncertainty for companies, complicating long-term investment decisions. Moreover, sectors that depend significantly on imported materials may see elevated production expenses resulting from currency depreciation, which could negate the advantages of enhanced export competitiveness. Gopinath et al. highlight that companies in emerging nations frequently encounter a trade-off between capitalizing on advantageous exchange rates and mitigating the risks linked to currency volatility [12].

The effect of exchange rate fluctuations on industry upgrading is affected by the overall economic context, encompassing government policies, infrastructure development, and financial accessibility. Countries with strong industrial policies and supportive infrastructure are more adept at utilizing exchange rate fluctuations for economic enhancement. Conversely, economies characterized by fragile institutions and restricted financial access may find it challenging to use these opportunities.

3 Analysis of the Specific Impact of Exchange Rate Fluctuations on International Trade

To validate the theoretical mechanisms discussed above, the following section examines empirical evidence from specific industries and national contexts.

3.1 On the Export Side

Exchange rate fluctuations significantly affect the export industry, impacting the profitability of export businesses, the composition of export markets, and the competitiveness of export goods. This section examines these factors, offering a thorough study of the impact of exchange rate volatility on exporters.

Profit Fluctuation of Export Enterprises. Exchange rate fluctuations immediately impact the profitability of export businesses by modifying the value of revenues and expenses in foreign currencies. When the home currency appreciates, the value of foreign revenues diminishes upon conversion to the local currency, thereby decreasing profit margins. A devaluation of the native currency can augment profitability by elevating the local currency worth of foreign revenues.

Recent studies have emphasized the vulnerability of export profits to fluctuations in currency rates. A study by Li et al. showed that the appreciation of the Chinese Yuan resulted in a notable decrease in the profit margins of Chinese export enterprises, especially within labor-intensive sectors [13]. Research by Gopinath et al. indicated that U.S. exporters faced diminished profitability during phases of dollar appreciation, particularly in sectors with significant international market exposure [14].

Furthermore, exchange rate fluctuations engender uncertainty, complicating exporters' ability to forecast future revenues and strategies investments. This ambiguity may result in diminished investment in export-oriented endeavors, thereby affecting

long-term profitability. Research conducted by Berman et al. indicated that companies facing increased exchange rate volatility are inclined to reduce investments in R&D and market expansion, thereby constraining their growth potential [15].

Structural Change of Export Market. Exchange rate fluctuations can induce structural changes in export markets by modifying the relative competitiveness of various nations. A depreciation of the home currency can enhance the competitiveness of a country's exports in international markets, resulting in a rise in market share. Conversely, an appreciation may diminish competitiveness, leading to a decline in market share.

The weakening of the British Pound after the Brexit referendum in 2016 resulted in a significant increase in UK exports, especially within the industrial sector. Dhingra et al. discovered that the devaluation of the Pound markedly enhanced UK exports to the European Union, particularly in the automotive and pharmaceutical sectors [16].

The influence of exchange rate fluctuations on the export market structure varies across different sectors. Industries exhibiting elevated price elasticity of demand are generally more responsive to fluctuations in exchange rates. Klein and Linnemann revealed that the U.S. technology industry, noted for its strong price elasticity, saw a substantial rise in exports after the U.S. dollar depreciated in 2017 [17].

Exchange rate fluctuations lead to modifications in trade partnerships between businesses. According to Freund and Pierola research currency devaluation in nations drives them to expand their export markets thus reducing dependency on traditional trading partners [18]. Business resistance against external events enhances when companies utilize diverse trading partners but they must adjust their trading procedures significantly.

Competitiveness of Export Products. International market success of export products evolves directly from exchange rate movements. Currency devaluation improves the price attractiveness of export products making them more desirable to overseas buyers. The pricing competitiveness of exports faces reduction because of currency appreciation so export quantities decrease as well.

Studies in recent times have demonstrated that exchange rate pass-through mechanisms play a vital role in determining export goods competitiveness. The extent to which exchange rate shifts impact exported goods' pricing represents exchange rate pass-through. According to Amiti et al. different industries demonstrate varying levels of currency rate pass-through effects which are greater in competitive sectors with weak pricing capabilities [19].

The competition levels of exported items depend heavily on businesses adopting effective pricing adjustments to currency rate movements. Pricing flexibility allows companies to reduce adverse effects of exchange rate movements and maintain their position in international markets. The research conducted by Bussière et al. showed that enterprises with higher pricing flexibility suffered smaller export volume decreases after currency appreciation events [20].

Exchange rate movements impact both price and non-price competitive aspects of exported products by affecting the quality levels and brand recognition of the products. The analysis by Manova and Zhang indicates that companies in devaluating currency nations handle increased product quality investments as well as branding enhancements to boost their global market competitiveness [21].

3.2 On the Import Side

Exchange rate fluctuations substantially impact the import sector by altering import expenses, the composition of imported products, and the feasibility of import replacement. This section examines these factors in depth, offering a thorough study of the effects of currency rate fluctuations on importers.

Changes in Import costs. The value of imported products becomes immediately impacted by exchange rate movements. Changes in the value of a domestic currency led to higher importing costs because local currency needs expand to obtain equivalent foreign currency needed for product acquisition. The buying power of a nation's currency affects import costs in the opposite manner because native currency appreciation makes international goods cheaper to buy.

Studies in recent times highlight how import expenses remain highly vulnerable to currency rate changes. Tests conducted by Burstein and Gopinath revealed that a 10% depreciation in the home currency substantially increased the purchasing costs of imported products mainly affecting industries using foreign intermediate inputs [22]. The research conducted by Auer et al. demonstrated that U.S. importers faced higher costs when the dollar value decreased particularly in the electronics and automobile industries [23].

Import expenditures become harder to predict because of currency fluctuation effects which diminish efficiency in importer budgeting and planning processes. The unclear exchange rate environment drives importers to maintain higher costs of inventory storage and invest less money into import supply chains.

Optimization of the structure of Imported Goods. Changes in exchange rates cause importers to adjust their selected products. Foreign currency depreciation raises import prices to the point where importers start looking for less expensive alternatives within the domestic market. Foreign products become cheaper after currency appreciation which expands import diversity together with increased import quantity.

The value decline of the Indian Rupee in 2018 caused luxury item imports to plummet because consumers found them increasingly expensive. The decline of the Rupee currency resulted in higher imports of essential materials as well as vital products while luxury products became less desirable for import.

The impact of currency exchange rates alters the types of imported products between different industries. The more elastic the demand for an industry becomes when exchange rates change the more sensitive that sector becomes to currency fluctuations. The U.S. consumer electronics sector with its elastic demands saw meaningful

import growth of less expensive goods when the U.S. dollar depreciated in 2017 according to Fajgelbaum et al. [24].

Exchange rate shifts modify the core supply system choices of companies who import goods. Research conducted by Antràs and Chor demonstrates that businesses subjected to currency devaluation choose supply chain diversification to reduce dependence on one import provider [25]. Import chain distribution offers external shock resistance yet requires major adjustments to procurement processes.

Import Substitution Effect. The dollar value changes of foreign currencies influence the possibility for domestic producers to replace imported goods with their own local products. Market share growth becomes achievable when foreign currency loses value because the expense of imported items rises allowing local manufacturers to expand their production and take more market control. A currency appreciation reduces the cost of foreign items and ultimately weakens domestic producer competitiveness.

Research conducted in recent times demonstrates how exchange rate variations accelerate import substitution. The Brazilian Real's currency devaluation during 2015 led to substantially increased domestic manufacturing of imported goods especially in the manufacturing sector according to Halpern et al. [26]. Research conducted by Bems and Johnson demonstrated that South African consumer product domestic manufacturing increased after the devaluation of Rand currency [27].

The ability to replace imports with domestic production depends strongly on how receptive local industries are to currency exchange rate movements. A company with improved production flexibility and domestic resource capabilities achieves the best results when implementing import substitution strategies. Businesses located in devaluing currency nations demonstrate increased tendencies to increase their domestic manufacturing capabilities which raises their domestic market fit against imported competition according to Asaleye et al. [28].

Exchange rates influence both price competitiveness and non-price competitiveness of domestic products by affecting their quality levels and brand image. Products from countries facing currency depreciation receive increased investments from businesses for better quality alongside branding activities to gain market dominance over imported products.

3.3 Transnational Investment and Exchange Rate Fluctuations

The Impact of Exchange Rate Fluctuations on Transnational Investment. Exchange rate fluctuations significantly influence the decisions and results of international investments. Exchange rate volatility can affect investment strategy, profitability, and risk management for multinational corporations (MNCs). Exchange rate fluctuations can influence the cost of capital, the valuation of foreign assets, and the competitiveness of multinational corporations in global marketplaces. An appreciation of the native currency reduces the expense of obtaining foreign assets, hence enhancing the appeal of cross-border mergers and acquisitions (M&As). A falling native curren-

cy can elevate the expense of overseas investments, thereby deterring outward FDI (overseas Direct Investment).

Empirical research indicates that exchange rate volatility can generate uncertainty in cash flows and profitability for multinational corporations (MNCs). A study by Si et al. revealed that companies in sectors highly susceptible to exchange rate fluctuations typically diminish their transnational investments during times of significant volatility [29]. The uncertainty of exchange rates might result in elevated hedging expenses and diminished investment returns. Furthermore, variations in currency rates can influence the competitive position of multinational corporations in international marketplaces. A depreciated home currency can enhance the competitiveness of exports, although it may also elevate the expenses of imported inputs, thus impacting the total profitability of multinational operations.

Strategies for Transnational Enterprises to Deal with Exchange Rate Fluctuations. Due to the considerable influence of exchange rate volatility on international investment, multinational corporations have devised multiple techniques to alleviate the related risks. Companies mitigate exchange rate risks by using financial derivatives such as options and swaps and future contracts although these approaches introduce new operational risks for their business. Financial derivatives function through intricate features which create assessment and operational problems that occur when executing them. The selection of incorrect derivatives combined with wrong terms produces insufficient risk management which will lead to more exposure in currency transactions. Market sentiment and derivatives market policy fluctuations and substantial price changes force enterprises into unpredictable market risks when performing hedging procedures. Derivative trading operations obtain substantial profits from leverage while simultaneously creating situations that result in severe financial losses. The shift of market direction against organizational expectations leads to major financial problems for organizations.

Financial derivatives reduce cash flow instability and protect businesses from negative currency exchange rate alterations. Hedging outcomes depend on both how accurately companies predict exchange rates and how expensive it is to purchase hedge instruments.

Offshoots of multinational corporations implement market and operational expansion to reduce their dependency on single markets. A business that distributes financial assets throughout numerous countries with diverse currencies will diminish its exchange rate risk exposure in specific markets. This management approach provides maximum benefit to organizations with international business operations because it helps maintain income balance across different geographical areas. The study conducted by Feng et al. revealed that multinational corporations with diverse business operations remained stable while facing currency rate volatility in the global financial crisis [30].

Apart from financial hedging and diversification multinational corporations can use operational methods to reduce currency rate risk. The management strategy includes changing pricing strategies together with buying from local suppliers while shifting production bases to countries with stable exchange rates. Companies facing

weakening currencies can decide between international market price increases to maintain profitability or moving production bases to countries with stronger currencies for cost reductions. Businesses need operational flexibility for managing exchange rate risk since it allows them to implement quick currency value adaptation strategies.

Strategic partnerships and joint ventures created by multinational corporations serve to minimize their exposure to currency rate risk. Business partnerships with local companies enable multinational corporations to decrease exchange rate risk costs while gaining access to local markets and resources. The strategy works best for emerging markets because their exchange rates tend to become volatile. Through the research Keho found that multinational corporations (MNCs) successfully resolved exchange rate volatility issues and kept their international markets sustainable when forming alliances with local enterprises [31].

Exchange rate changes create important effects on transnational investment since they determine the operational decisions and performance outcomes of multinational corporations. Companies can reduce the dangers related to exchange rate changes through financial hedging as well as operational flexibility together with strategic collaboration with local businesses and portfolio diversification. Strategic measures help multinational corporations develop exchange rate stability that enables their achievement of continued global market expansion.

4 Conclusion

This research provides a comprehensive analysis of how exchange rate fluctuations impact international trade, including price competitiveness, trade volume, trade structure, and transnational investment. The findings show that exchange rate volatility affects both short-term trade performance and long-term economic development. Currency depreciation can boost exports by lowering prices, while appreciation raises import costs for industries relying on foreign inputs. The study also highlights that exchange rates influence resource allocation and industrial upgrading, especially in developing economies. However, exchange rate fluctuations introduce uncertainties for multinational corporations, affecting their investment strategies and operational decisions.

Despite these insights, the research has some limitations. The analysis covers a wide range of industries and countries, but specific impacts may vary significantly across different economic contexts. Additionally, the study relies heavily on existing empirical data, which may not fully capture the dynamic nature of exchange rate movements.

Future research could focus on exploring how different exchange rate policies affect trade outcomes in various economic settings. It would also be useful to examine the role of government policies in mitigating the negative impacts of exchange rate volatility and promoting sustainable growth. By addressing these areas, future studies can enhance our understanding of the complex relationship between exchange rate fluctuations and international trade.

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