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**THE EFFECT OF INTERNATIONAL TRADE ON MANUFACTURING
INDUSTRY WAGES: THE CASE OF TURKEY****Abstract:**

As a result of international trade liberalization policies, what is the effect of increasing volume of trade between developed and developing countries on wages of the countries have been the subject of many studies. The goods composition of international trade between developed and developing countries, also called north-south trade, consists of technology and capital-intensive exports goods of developed countries where skilled labor used and labour intensive, light industry and agricultural exports goods of developing countries where unskilled labor is intensively used. Stolper Samuelson Theorem, based on the Heckscher-Ohlin Model, stated that factor incomes between two open economies would convergence through the increasing volume of trade. In this context, many empirical studies in the literature revealed that trade lead to increase and decrease income inequality. In this study, the relationship between Turkey's top five manufacturing exports sectors to EU-15 which are manufacture of motor vehicles, wearing apparel, textiles, electrical equipments and food products and total manufacturing and wages are analyzed by employing a time series unit root, the Johansen cointegration and Granger causality tests for the period of 2005:Q1-2014:Q1. Data for the individual exports (Million U.S. Dollars) are provided from TurkStat (Turkish Statistical Institute) according to the ISIC Rev.4 classification and the gross wages-salaries index which is used as a proxy for real wages, were also taken from TurkStat according to the NACE Rev.2 classification. According to the findings, test results revealed a uni-directional long-run and short-run relationship between exports of labour intensive products of Turkey such as manufacture of wearing apparel, textiles and food products. While the increase of exports leads to increase the real wages of manufacture of wearing apparel, textiles, food products and total manufacturing in the long-run, exports also affected real wages in the manufacture of wearing apparel and food in the short-run.

Keywords:

Exports, Manufacturing Sectors, Granger Causality test, Turkey

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