CHAPTER : 1

1.1 INTRODUCTION

16th December, 1971 has been the emergence of Bangladesh as the eighth largest nation on the earth. Immediately after independence the country has been trying to boost up her exports to cope with rapidly growing imports to meet the requirements of raw materials and capital goods for economic development and to fill up deficit of food. Also the substantial squeeze on foreign aid programmes in international market and narrow base of domestic market has made export sector of the economy strategic for development. Moreover the recent success story of export-led growth in some Asian small countries like Republic of Korea, Taiwan, Hongkong, Malaysia, Indonesia, Singapore and the Philippines has inspired Bangladesh for export development. Further better export performance of the country has also transmitted some hope of success in the line of export-led strategy of development.

Above all Bangladesh is a labour surplus economy. Unemployment and disguised unemployment has become acute economic problem of the country. Agricultural sector of the economy possesses very little scope to absorb the surplus labour force. Because disguised unemployment is already existent there. So the only hope lies in industrial sector. Due to small size of the country and low per capita income (US $ 160 in 1986-87) the country has to depend on international market for industrial development. Besides the country

is characterized by slow economic growth and rapid population growth over the past two decades. GDP increased at an annual rate of 2.4 percent during 1965-1980 while population increased at an annual rate of 2.7 percent. However there was some improvement during 1980 to 1985 when GDP growth rate was 3.6 percent and population growth was 2.6 percent per annum. The industrial sector has been growing at a rate of 4.7 percent per annum during 1980-85 and at a rate of 3.8 percent per annum during 1965-80. Inspite of low growth rate of jute manufacturing industries, some other export-oriented industries have pushed up the industrial sector. This sectoral performance along with the generalisation of the belief that better economic performance is associated with better export performance in LDCs and also needs of her domestic economy have necessitated the country to think on the line of export-led strategy of development.

Now a burning question raised is whether export-led development strategy would work for Bangladesh. This strategic issue holds up the vital importance of our present study.

The main objective of the study is to answer the fundamental question whether export-led strategy of development would be workable in Bangladesh. With a view to work out the answer to the question the study has analysed and examined exports from different angles like export performances, composition, direction, quantity, price and production trend, export and development relation etc.

Accordingly Chapter 1 analyses introductory aspects like importance, data base etc. It also reviews some relevant

literatures in this line.

Chapter 2 highlights the export performance of Bangladesh during pre-independence period. It analyses export and import growth, balance of trade, composition and direction of exports. It also directs attention to the main feature of foreign trade during pre-independence time.

Chapter 3 outlines the export performance of Bangladesh during post-independence period. It compares growth rate and acceleration/retardation in growth rates of exports and imports, the import capacity of exports, contribution of exports to GDP. It also analyses terms of trade, balance of trade and changes therein over the period. It examines the change in Bangladesh share in world aggregate exports and compares her export growth with that of the world, developing countries, least developed countries and selected Asian countries.

Chapter 4 discusses the composition of exports, performance of major export commodities and pin-points the structural changes. It examines the changing pattern of shares of Bangladesh major export commodities in their world aggregate exports. It also analyses commodity concentration of exports and its changes over the period and relation with export performance.

Chapter 5 studies the direction of exports to different regions and major importing countries and changing pattern of her exports to major importing countries. It outlines the growth pattern of her exports in comparison with the growth of

imports of major importing countries. Besides it studies geographic concentration of her exports and finds out its changes over the period.

Chapter 6 concentrates on the movements of export price and quantity indices and segregates their impact on export value index. It analyses the changing pattern of export price and quantity of major export items. It also examines the impact of devaluation on export price and quantity and discusses the changing pattern of production of major export commodities, export elasticity, income elasticity and instability coefficient of exports.

Chapter 7 addresses itself to the export policy, existing export promotion measures, their effectiveness and future prosective lines of export expansion.

Chapter 8 is devoted to find out export and development relation in the context of Bangladesh with a view to examine the workability of export-led strategy of development in the country. It also discusses the theoretical, empirical and historical evidences of export-led growth.

Chapter 9 presents summary and recommendations. Bangladesh is predominantly an agricultural country. Agriculture contributed about 46 percent to GDP in 1986-87. She possesses potential for achieving a high level of growth in agricultural production. The food grain output in Bangladesh has been increasing at a very slow pace in comparison to the growth in population. This situation has made the country too much

dependent on food aid and cereal imports. These food imports absorb a huge amount of foreign exchange earned by export regime which otherwise could meet the investment demand of the economy. So the problems and prospects of the external sector are not isolated at all. The export policy can not and should not be separated from the national economy. Because developments in the foreign trade sector and developments in the economy as a whole are inter-linked. Trade policy and overall economic policy of the economy consist of bidirectional causal relation to each other. For instance the reform and redesign of industrial policy in 1982 has limited the role of public sector to basic and strategic industries and ecouraged foreign investors to invest in export-oriented and technology-intensive industries by providing liberal incentives. This policy has helped rapid growth of the garment industry and attracted foreign private investment.

1.2 DATA BASE OF THE STUDY

The study completely relies on published materials. It has used data published by national and international organisations. At the national level the study relies upon data from published materials of the following organisations:

1. Bangladesh Bureau of Statistics (BBS), Dhaka
2. Export Promotion Bureau (EPB), Bangladesh, Dhaka
3. Bangladesh Bank (BB), Dhaka
4. Export Processing Zone Authority (EPZA), Dhaka

5. Planning Commission, Government of Bangladesh (GOB), Dhaka
6. Ministry of Finance, GOB, Dhaka
7. Ministry of Commerce, GOB, Dhaka

At the international level it used the data from published materials of the following organisations mainly:

1. UNO
2. IMF
3. The World Bank
4. UNCTAD

Publications like Bangladesh Statistical Yearbook, Foreign trade statistics, Bangladesh Bank Annual Report, Export Receipts, Import Payments, Economic Trends, EPB Annual Report, Export Statistics, Trade and Industrial Policy (TIP) Reform Programme Report, Economic Survey of Bangladesh, EPZA Report, Export Policy, Import Policy, Tea Policy etc. were found suitable for the study from the national level organisations.

Publications like UN Statistical Yearbook, Foreign Trade Statistics, Handbook of International Trade and Development Statistics, World Development Report, International Financial Statistics, Commodity Trade and Price Trends, Statistical Yearbook for Asia, Yearbook of International Trade Statistics etc. were found useful for the study published by international level organisations.

1.3 BANGLADESH : AN INTRODUCTION

Bangladesh was a part of the British India provinces of Bengal and Assam. With the termination of the British rule in August, 1947 the sub-continent was partitioned into India and Pakistan. Bangladesh was then a part of Pakistan and was known as East Pakistan. It remained so for about 24 years from August 14, 1947 to March 25, 1971. It appeared on the World map as an independent and sovereign state on December 16, 1971 following the victory at the war of liberation from 25 March to 16 December 1971.

Except the hilly regions in the north-east and south-east, some areas of high land in the north and north western part, the country consists of low, flat and fertile land. The network of rivers : the Padma, the Jumuna, the Testa, the Brahmputra, the Surma, the Meghna and the Kharnaphuli flow through the country. Besides these hundreds of small rivers flow through Bangladesh.

The population of the country stood at 10.41 crores in 1986-87. The percentage of urban population was 15.2% in 1981. The rate of population growth was 2.6 percent per annum during 1980-1985. The density of population was 1673 per square mile in 1986-87. The literacy rate of the country was 23.8 percent for the population of 5 years and above as per 1981 census.

The economy of the country was predominantly agricultural. Agriculture contributed 58 percent in 1972-73 and

46 percent in 1986-87 to GDP at market prices. Per capita income rose from US $ 81 in 1972-73 to US $ 160 in 1986-87.

1.4 FOREIGN TRADE STATISTICS IN BANGLADESH

Foreign Trade Statistics of Bangladesh are compiled by different organisations like Bangladesh Bureau of Statistics, Bangladesh Bank, National Board of Revenue and Export Promotion Bureau (export only).

Bangladesh Bureau of Statistics, compiles foreign trade statistics from custom returns. The primary sources of sea-borne trade data are the "Bills of Entry" for imports and shipping Bills and "B" form for exports. The land-borne export/ import data are compiled from the monthly returns received form custom stations which deal with border trade with the neighbouring countries. Air borne trade data are compiled from the air-borne trade returns received from the air freight unit of land custom stations. They have their own collection unit in Chittagong.

They classify foreign trade statistics on the basis of the commodity trade classification of Bangladesh named as Bangladesh Standard Trade Classification Revised (BSTC-R) which is based on the Standard International Trade Classification Revised ($SITC-R_2$). Both of these classifications are arranged into 10 sections, 63 divisions and 233 groups. There are 784 sub-groups of BSTC which include all commodities of international Trade. Of these 435 are further divided into 1573 subsidiary headings to provide additional details. There are 1924 basic

items in the BSTC. The quantity value and duty are recorded as they are shown on the trade bills and checked by the customs officials. The weight recorded is the net weight exclusive of the weight of packing or container. They follow Metric system for compiling and publishing quantity of export and import. The missing quantity data are estimated, wherever possible, on the basis of unit value calculated from the reported part of the quantity and value of the same article.

Brussel's definition of value (BDV) is usually followed in Bangladesh for the purpose of valuation of exported or imported goods.

Bangladesh Bureau of statistics record the value of import on Cost Insurance and Freight (CIF) basis and that of export on Free on Board (FOB) basis.

Foreign trade statistics include all goods and commodities which pass through the boundary of customs territory excluding goods such as military goods, gold etc.

The imports and exports include the following:

Imports

1. Imports directly entering the country for consumption or use,
2. Imports into customs bonded processing establishment,
3. Withdrawals from custom bonded warehouses or free areas for home consumption or use.

Exports

1. Exports of national produce.
2. Exports from custom bonded processing establishments (Provision).
3. Exports of imported goods which have been nationalised by virtue of their having been cleared through customs (Re-exports).

The Bangladesh Bank follows the concept of cash flow as recorded in the trade returns and receipts of foreign exchange for exports and remittance of the same through banking channel for imports.

There is obviously a time lag between the two approaches of Bangladesh Bureau of Statistics and the Bangladesh Bank because the latter traps the information when the goods and commodities physically pass through or enter into the custom territory of the country. But Bangladesh Bank records information from exchange control record when banking formalities are settled. So there are obvious differences in concepts coverage and timing of the two sources followed by Bangladesh Bureau of Statistics and Bangladesh Bank.

The National Board of Revenue have basically the same source for compilation of export and import statistics as Bangladesh Bureau of Statistics. Bangladesh Bureau of Statistics computerise the information directly from customs returns but the N.B.R. prepare daily list from the customs returns. There is some difference between the figures of these two organisations which may be due to computational errors and time lags of

schedule receipts.

Export promotion Bureau (EBP) compiles export statistics from the daily list of customs returns except for certain goods. Value of export of these goods are directly collected from o official record of some corporation as shown below:

CORPORATION	COMMODITIES
i) Bangladesh Petroleum Corporation	1. Naptha
	2. Furnace oil
	3. Bitomin
ii) Bangladesh Jute Export Corporation	1. Raw Jute
iii) Bangladesh Chemical Industries Corporation	1. Urea
	2. Newsprint
	3. Paper
iv) Bangladesh Tea Board	1. Tea

The value of local sales of industries and corporation under foreign currency is treated as export by Export Promotion Bureau although goods and commodities do not cross the custom boundary. So this may lead to some variations.

Among the above organisation Bangladesh Bureau of Statistics strictly follows the UN recommendations on foreign trade statistics.

1.5 REVIEW OF LITERATURE

The purpose of this section is to review literature on export and development relation. Different authors have

emphasised the positive role of foreign trade in economic development.

"Trade is the foundation of modern economic activities for producing a large volume and variety of goods to increase production and productivity and thus develop a society built upon the division of labour foreign trade is an indispensable tool" (Salmy 1979, p.2), Professor Haberler (1959) pointed out the following major advantages of trade: (1) It provides material means viz, capital goods, machinery and semifinished materials which are indespensable for economic development; (2) it is an important source of technological knowledge, managerial talents and entrepreneurship, it is supposed to be transmitter of capital and (3) it brings an atmosphere of healthy competition by checking monopolies and restrictive trade practices.

Numerous works of economists support the positive relation between trade and development. Dr. Shu-chin (1964, p.31) stated that "for most primary exporting countries exports are major dynamic factors in determining the level of general economic activity.....". The historical engine of growth and current trade pessimism theory was most systematically developed by Ragnar Nurkse (1961), basing on the experiences of Argentina, Australia, Canada, Newzealand, South Africa, the United States and Uruguay. "Trade in the nineteenth century was above all an engine of growth" (Nurkse 1961, p.284).

B. Kravis (1970, p.869) analysed the role of trade in nineteenth and twentieth centuries and stated, "it is to say that trade is one among many factors affecting growth and that

it is unlikely to be the dominant variable in many instances". Many statistical investigations have proved that export has led development in many developed countries and still has been leading development in many developing countries.

Professor Joseph E. Haring and Joseph F. Humphery appear to have made a statistical study on the subject in 1964. They used data of GNP at current prices and exports for the years 1950-60. The models consist of least squares linear regression fitted to these and other annual data. The conclusion of the study was that simple statistical models reveal that export can and do act as a leading sector in some developing countries.

R.F. Emery (1967, pp. 470-486) tested the hypothesis, 'there is a causal relationship between exports and economic growth and that this relationship is one of inter-dependence rather than of unilateral causation'. He used available annual data for 50 countries on real GNP, exports and current account earnings.

Using the per capita real GNP data and the deflated export and current account earnings data he calculated multiple correlation and fitted simple least-squares regression equations.

His conclusion was that higher rates of economic growth tend to be associated with higher rates of export growth and vice versa. Michael Michaely (1977, pp.49-53) tested the hypothesis that a rapid growth of exports accelerates the economy's growth. This hypothesis about the relationship between growth and exports was examined by correlation between the variables which represent these two magnitudes of economic performance. He followed

a similar course as was taken by Emery (1976), Maizels (1968) and Kravis (1970) with some difference. "They all however, share a common fault: they correlate growth measured by change in the national product (whether total or per capita) with the change in exports. Since exports are themselves part of the national product, an autocorrelation is present; and a positive correlation of the two variables is almost inevitable whatever their true relationship to each other" (Michaely 1977, p.50). To overcome this common fault Michaely used the variable which must refer not to the absolute level of exports but to the proportion of exports in the product. In his case the rate of expansion of exports was represented by the rate of change of the proportion of exports in the national product; whereas the growth rate was represented by the rate of change of per capita product. His sample was confined to less developed countries and used data at constant prices. He used data for 41 countries for the years from 1950 to 1973. He calculated average size of the annual changes in the ratio of exports to GNP (X/GNP) and average annual change in per capita GNP which represents the rate of growth. His findings proved a positive association of growth with export expansion. His study also cinfirmed that the positive association of the economy's growth with the growth of export share appears to be particularly strong among the more developed countries and does not exist at all among the least developed ones.

Heller and Porter (1978) criticised the models used by Michaely on the ground that Michaely's criticism also applied to his own test. They showed the error of his test and provided a correct empirical test of the hypothesis. They stated: "The GNP(Y) of any country is identically equal to the sum of

its domestically produced internal final demand (F) and its exports (X) : $Y = F + X$ ..... (1)

With derivatives and some manipulation this identity can be converted into an identity relating growth rates:

$$y - p = \left[1 - (X/Y)\right](f - p) + (X/Y)(x - p) \quad \ldots\ldots(2)$$

Where each lower case letter represents the per annum growth rate of the corresponding capital letter symbol and P is the population growth rate. Michaely's criticism seen in eq. (2) is that any change in the rate of growth of per capita exports $(x - p)$ will change the output growth rate $(y - p)$ in the same direction even if it causes no change at all in the growth rate of the other components of output $(f - p)$. He suggests that the appropriate test is to correlate the growth rate of per capita output $(y - p)$ with the growth rate of the share of exports in the national product $(x - y)$. But eq. (2) can easily be rewritten as a slightly different identity, embodying $(x - y)$ as a linear component:

$$y - p = (f - p) + \frac{X/Y}{1-(x - y)}(x - y).$$

Unfortunately, Michaely's criticism also applied to his own test" (Heller and Porter 1978, pp.191 - 192).

They suggested that how the growth of exports is related to the growth of the nonexport components of output should be examined by correlation between $(x - p)$ and $(f - p)$. By using Michaely's sample and data on average per annum growth rates between 1950-1973 they found coefficient of the Spearman rank correlation between $(x - p)$ and $(f - p)$ to be 0.452 which is not only significant at the 1% level but quite a bit higher than Michaely's spurious correlation (of 0.380).

This suggests that export and non-export out-put growth rates are most highly correlated.

Bela Balassa (1978) examined the effects of export on economic growth in countries which have established an industrial base. She tested the hypothesis that export-oriented policies lead to better growth performance than policies favouring import substitution. This result is said to obtain because export oriented policies which provide similar incentives to sales in domestic and in foreign markets, lead to resource allocation according to the comparative advantage, allow for greater capacity utilization, permit the exploitation of economies of scale, generate technological improvements in response to competition abroad and in labour surplus economy contribute to increased employment. She examined the relationship between export growth and the growth of GNP net of exports. This relationship is assumed to reflect the indirect effects of exports operating through changes in incomes and costs. She assumed that the correlation between export growth and GNP growth will provide an indication of the total effects of exports on economic growth. The estimates concern the relationship between total exports and GNP as well as that between manufactured exports and manufacturing output. The study calculated the Spearman rank correlation coefficient. It found a relatively high correlation between export shares and the growth of GNP (0.703 for 1960-1973). In explaining GNP growth in terms of export growth the study applied the method utilized by Michalopoulos and Jay to pooled data of ten out of the eleven countries.

Michalopoulos and Jay (1973) to explain GNP growth in

terms of export growth used domestic and foreign investment and labour as explanatory variables together with exports in an inter-country regression designed to explain inter-country differences in GNP growth rates. Using data for 39 countries during 1960-66. they found that inter-country differences in domestic and foreign investment and in labour growth explained 53% of the inter-country variation in GNP growth rates while adding an export variable raised the coefficient of determination to 0.71.

Balassa included exports in a production function-type relationship which was warranted on the grounds that exports tend to raise total productivity. Here her study used data of ten countries for the period 1960-1966 and 1966-1973.

The results indicate that adding the export variable in the regression equation raises the coefficient of determination from 0.58 to 0.77. At the same time all regression coefficients are significant at the 5% leval.

Findings of the study point to the fact that trade orientation has been an important factor contributing to inter-country differences in the growth of incomes. It is apparent that income increments have been achieved at a substantially lower cost in terms of investment in countries that have followed a consistent policy of export orientation. Moreover the contributions of domestic and foreign capital and labour provide evidence of the benefits of export orientation as compared to policies oriented towards import substitution.

William G. Tyler (1981) analysed the empirical relationship between economic growth and export expansion in developing countries through an inter-country cross-section. Employing data from 55 middle income developing countries for the period 1960-1977 the study explained through bivariate tests, the significant positive association between growth and other economic variables including the growth of manufacturing output, investment, total exports and manufacturing exports. He specified a production function model. He assumed a cobb-Douglas production function incorporating three productive factors viz. capital stock, labour and exports.

The third factor exports has been included on the grounds that there are scale effects and externalities associated with export production and sales.

For instance, because of export market competition non-exported products may come to be produced more efficiently as well. Also allocational gains may be realized through greater export activity. With increased international specialisation along comparative advantage lines developing countries can obtain a wider use of abundant labour resources and a fuller use of existing capacity. Moreover, following the dictates of international comparative advantage should presumably enable, ceteris paribus, a country's exports to grow faster than otherwise would be the case. The study added time dimension to the basic production function by expressing all variables as a function of time.

This exercise can be seen as one in which the inter-

country variance in GDP growth rates for the 1960-1977 period is explained in terms of the proportional growth of capital formation, the labour force and exports for the same period. His results in extending the earlier Balassa work present additional empirical evidence demonstrating a strong cross-country association between export performance and GNP growth. This suggests that countries which neglect their export sectors through discriminatary economic policies are likely to have to settle for lower rates of economic growth as a result.

Gershon Feder (1982) analyses the sources of growth in the period from 1964 to 1973 for a group of semi-industrialised less developed countries. He developed an analytical framework incorporating the possibility that marginal factor productivities are not equal in the export and non-export sectors of the economy. This study adopts a supply side description of changes in aggregate output. In so doing it follows a practice widely used in the empirical study of sources of growth (Everett and Hawrylyshyn 1969). Within such a frame work, where aggregate growth is related to changes in capital and labour through an underlying production function he included an indicator of export performance among the variables explaining growth. Further more, starting from the sectoral production functions a proper specification of export variables is indicated and a non-conventional interpretation of parameters is implied.

Since his analysis focuses on the potential non-optimality of resource allocation between export and non-export sectors the economy is viewed as if it consists of two distinct sectors. One producing export goods and the other producing for the domestic market. Instead of an aggregate national

production function each of the two sectors output is a function of the factors allocated to the sector. In addition, the output of the non-export sector is dependent on the volume of exports produced. This formulation represents the beneficial effects of exports on the other sector which are incorporated in form of externalities in the production function.

Using a sample of semi-industrialised less developed countries the study showed that there are on average, substantial differences in marginal factor productivities between export and non-export sectors. The results are such that social marginal productivities are higher in the export sector and economies which shift resources into exports will gain more than inward-oriented economies.

R.M. Kavoussi (1984) examined the relationship between export expansion and economic growth in a sample of seventy-three countries using data for the period 1960-1978. He seeks to examine the association between the growth of exports and economic performance, using a large sample of developing countries. His study investigates whether this relationship is significantly affected by the level of economic development already achieved and the commodity composition of exports. His sample includes both low and middle-income market economies. He examines bivariate association between export expansion and economic performance and impact of exports on total factor productivity by using a simple production function.

To investigate the bivariate relationship between exports and growth, the average annual real growth rate of

merchandise exports (RX) is used as an index of export expansion and the average annual real growth rate of GNP (RY) is utilised to measure economic performance. Coefficient of Spearman rank corelation between the two variables are calculated for the entire sample of seventy-three countries as well as its various subsamples. In the total samples the coefficient of rank correlation between RX and RY is positive and highly significant.

To determine whether the relationship between export growth and economic performance is affected by the degree of economic development the sample is divided into two groups based on per capita GNP in 1960. Those countries with a per capita income of $360 (in 1978 dollars) or less are assigned to the low income category and those with per capita income of more than $360 are classified as middle-income countries. The first group was made up of thirty-seven countries and the other consists of thirty-six nations. Similarly the impact of the commodity composition of exports on the relationship between exports and growth was examined by omitting from both groups, those countries where manufactured goods accounted for at least forty-four per cent of the 1978 merchandise exports. Consequently, the remaining countries were predominantly exporters of primary products.

To examine the effect of export growth on total factor productivity the study used the following simple production function assuming disembodied technical progress:

$$Y(t) = f[K(t), L(t), (t)] \quad \ldots\ldots\ldots\ldots \quad (1)$$

where Y = GNP, K =capital stock, L =labour force, t = time.

Further more, assuming that elasticities of output with respect to capital and labour are constant and technical change is Hicks-neutral and its rate remains unchanged eq. (1) can be used to express the growth rate of GNP as follows:

$$Ry = a + bRK + cRL \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \quad (2)$$

where Ry = growth of GNP, RK = growth rate of capital stock,

RL = growth rate of labour force.

The hopothesis that export expansion enhances the growth of total factor productivity is incorporated in this simple model by changing the assumption about the rate of technical change. Instead of assuming that it is constant, he hypothesizes that this rate is a linear function of the growth rate of exports (RX).

The findings of the study confirm that even in a large and heterogeneous sample of developing countries, higher rates of economic growth are associated with higher rates of export growth. It also provides evidence that the positive correlation between exports and growth is not limited to middle-income countries but exists in low income countries too. Further the results have shown that primary exports can play an important role in the growth process of both low and middle income countries. A noteworthy conclusion of this study is that in both the low and middle income countries an important cause of the positive correlation between the growth rates of exports and GNP is the rise in productivity which is likely to occur as a consequence of export expansion. However, while primary exports seem to raise total factor productivity at low income levels, their effectiveness on the productivity front tends to diminish

as countries become more advanced.

Peter C.Y. Chow (1987) investigates causality between the growth of exports of manufactured goods and development of manufacturing industries in selected developing countries during the 1960's and 1970's. His objective is to empirically validate the priori assumption regarding the existence of causal relationship between expansion of exports of manufactured goods (X) and growth of manufacturing outputs (MFG) in the newly industrialised countries. He argues that establishment of the causal relation pattern between export growth and industrial development in the NICs has important implications for strategies. If there is a definite unidirectional causality from export expansion to development of manufacturing industries (X→MFG), then it will lend credence to the export-led growth strategy; exports will not only promote the growth of national income but also lead to structural transformation in the developing economies. If the causality process is of the opposite direction (MFG→X), then it would imply that the development of manufacturing industries may be a prerequite for developing countries to expand their exports. If the causality process is bidirectional (X⇄MFG), then export growth and the development of manufacturing industries have a reciprocal causal relationship.

He conducted the causality test by using the Sims technique. The annual data on exports and manufacturing production from eight NICs were utilised for the decades of 1960's and 1970's.

Christopher A. Sims (1972) has developed a practical technique of testing causality in a bivariate model. As per Sims

it is possible to regress Y on past and future values of X and if causality runs from X to Y only future values of X in the regression should have coefficients insignificantly different from zero as a group.

To test the causality between export growth and industrialisation chow used successful export oriented NICs: Argentina, Brazil, HongKong, Israel, Korea, Mexico, Singapore and Taiwan. His findings indicate that the growth of exports and development of manufacturing industries has bidirectional causalities in Brazil, HongKong, Israel, Korea, Singapore and Taiwan. In Maxico the causality runs from exports to the development of manufacturing industries implying that expansion of exports causes the development of manufacturing industries. The causal process is far less significant in either direction in Argentina implying that the country can promote industrialisation without relying on export growth.

The export performance of a country is influenced by trade strategy. World Development Report 1987 has classified forty-one developing countries by trade orientation during 1963-73 and 1973-85 into four groups : (i) strongly outward oriented, (ii) moderately outward oriented, (iii) moderately inward oriented and (iv) strongly inward oriented.

In strongly outward oriented countries trade controls are either nonexistent or very low in the sense that any disincentives to export resulting from import barriers are more or less counterbalanced by export incentives. There is little or no use of direct controls and licensing arrangements and the

exchange rate is maintained so that the effective exchange rates for importables and exportables are roughly equal.

In moderately outward oriented countries the overall incentives structure is biased toward production for domestic rather than export markets. But the average rate of effective protection for the home markets is relatively low and the range of effective protection rates relatively narrow. The use of direct controls and licensing arrangements is limited and although some direct incentives to export may be provided, these do not offset protection against imports. The effective exchange rate is higher for imports than for exports but only slightly.

In moderately inward oriented countries the overall incentives structure distinctly favours production for the domestic market. The average rate of effective protection for home market is relatively high and the range of effective protection rates relatively wide. The use of direct import controls and licensing is extensive and although some direct incentives to export may be provided, there is a distinct bias against exports and the exchange rate is clearly overvalued.

In strongly inward oriented countries the overall incentive structure which strongly favours production for the domestic markets is high and the range of effective protection rates relatively wide. Direct controls and licensing disincentives to the traditional exports sector are pervasive, positive incentives to nontraditional exportables are few or nonexistent and exchange rate is overvalued.

The Report made attempts to classify the orientation of a country's trade strategy by combining the quantitative and qualitative indicators like (i) effective rate of protection, (ii) use of direct controls, (iii) use of export incentives, (iv) degree of exchange rate overvaluation.

The World Bank study then made an investigation on economic performance in forty one developing countries having different trade strategy. They choose different variables like GDP growth rate, industrial growth rate, manufacturing GDP, savings, investment, employment, factor productivity, Technological change etc.

The findings of the study confirm that the growth rates of manufacturing exports were higher in outward oriented countries. Economic performance of the outward orignted economies was broadly superior to that of inward oriented economies in almost all the respects.

M.E. Bond (1987) studies primary commodity exports from non-oil exporting developing countries grouped by geographical region. The first part analyses the changes in the structure of developing country primary commodity exports that have taken place during 1965 to 1980. The second part presents empirical evidence on the response of primary commodity exports to demand and supply. The study shows that trade in primary commodity exports especially in agricultural commodities is declining in relative importance for developing countries. During 1965-1980 primary commodity export earnings (in US dollars) for industrial countries grew by 15.0 per cent compared with 11.7 per cent for developing countries. This difference might be explained.

by the fact that over the same period manufactured exports from developing countries grew faster (18.6% a year) than did such exports from industrial countries (16.9% a year). But this increase in manufacturing exports was not large enough to offset the decline that took place in their primary commodity exports.

Bond's findings suggest that if developing countries wish to solve their debt problems and to improve their long-run growth prospects, they need to recapture their export shares in world primary commodity markets. This means that protectionism in world commodity markets must be reduced and that developing countries have to maintain a domestic relative price structure that will ensure a sound commodity base as well as to encourage domestic production in other ways. This study provides evidence of and support for, the usefulness of pricing policy. Export supply in developing countries does indeed respond to improved price incentives. This evidence lends support to a developing country's use of the exchange rate as a policy tool to improve the trade balance through both an increase in the demand for and an increase in the supply of commodity exports.

Sadral Raza (1981) conducted a study on Bangladesh exports titled 'The export trade of Bangladesh 1950-1978 : patterns and prospects'. Two main objectives of his study were: (i) an examination of the past export performance of Bangladesh and (ii) the determination of the income and employment implications of an export-oriented as compared to an import substituting strategy of growth for the country.

On the basis of his findings he gave policy recommendation, "that for a given use of the scarce productive factors the industrial exports of Bangladesh can be expected to create more income and generate more employment as compared to industrial import substitutes. Clearly, therefore, industrial export promotion needs to be followed as a broad strategem of growth in manufacturing sector of Bangladesh" (Reza 1981 p.340). His findings also support that manufactured exports of the country are intensive in the use of domestic raw materials. On this basis he recommended that concentration on the growth of these exports is necessary so that Bangladesh's natural advantages can be well explaited.

Md. Balayet Hossain (1983) conducted a mini study on Bangladesh's Export Trade. His paper attempted to see whether Bangladesh's export has experienced any structural change. The study tried to highlight the role of agricultural commodities in Bangladesh's export trade. The period covered by him, was from 1972-73 to 1981-82.

He commented that the role of processed and manufactured commodities has been increasing in Bangladesh's exports during post liberation period. He also observed that food products increased their share consistently throughout the period under study in total exports of the country. This rise in share of food products is mainly due to price rise.

Lutfor Rahman (1983) conducted another study on Bangladesh's export. His paper was also devoted to the study of structural characteristics and the pattern of change in the export

trade of Bangladesh between the years from 1972-73 to 1980-81. Examining different aspects he observed that Bangladesh export is dominated by jute items though in recent years the share of some non-traditional exports have increased.

D.B. Gupte (1973) conducted a comprehensive study on exports of India during the period from 1951-52 to 1970-71. His study analyses different aspects like aid-development relationships, impact of foreign exchange constraint on Indian economic growth, methods of relieving constraints, export performance of India, export and economic development relation etc. His study emphasises that enhancing the export earnings is the most efficient solution to the persistent problem of foreign exchange resources of India. India's exports are more supply determined than demand conditioned. During 1951 to 1970 India's share in world aggregate exports was declining. Domestic inflationary suitation coupled with relatively low level of economic activity seems to be the major cause of depressing Indian exports in the world trade. His study observes sluggish growth of Indian exports during 1951-52 to 1970-71. The study shows by regression and multiplier analysis that "Indian exports had positive impact on Indian economic development. They have played the role of quasi-capital goods sector through enabling India to import much needed developmental goods" (Gupte 1973, p.259).

B.S. Kanthawala (1981) conducted a study in the same line under the title : Imports in a Developing Economy : A case study of India. Her study attempts to analyse different aspects of Indian imports like changes in prices and volume of imports,

change of magnitude and structure of imports, share of imports to NNP, share of Indian imports in world total imports, instability coefficient of imports, commodity concentration of imports; relation between the changing share of different commodities in total imports and level of development during 1950-51 to 1976-77; etc. Her findings indicate that the proportions of imports to NNP has declined both in money terms and real term; India's share in the total world imports has declined, primary commodities are more unstable as compared to manufactured commodities; with the process of development of the economy the instability index of Indian's imports has declined, diversification of Indian's imports has taken place over the period of time.