

CHAPTER : 4

COMPOSITION OF BANGLADESH EXPORTS

(POST-INDEPENDENCE PERIOD)

4.1 INTRODUCTION

The growth of export trade of a country is the sine-qua-non of her economic development. The growth of exports leads to economic development of a country through multiplier expansion of national income. But the extent of development that export is able to accelerate depends in a big way on its composition. Because different export commodities will provide different stimuli, according to the technological characteristics of their production. The nature of the export good's production function has an influence on the extent of other secondary changes elsewhere in the economy, beyond the primary increase in export output (Meier, 1984, p.505).

Almost in all the export-leading developed and developing countries the export expansion took place from labour intensive primary commodities to capital intensive products via labour intensive manufactures production.

Moreover the scope of expansion of export through primary products is to some extent limited because the income elasticity is less than one for primary goods. Besides usually the linkage effects of primary goods on the other sectors of the economy are weaker than that of manufacturing goods. So the

expansion of manufacturing exports is more desirable with development of the economy. With the above view in mind the present chapter proposes to study the composition of Bangladesh exports and its changing pattern over a period of time.

4.2 CHANGING PATTERN OF EXPORTS BY TYPES

Bangladesh exports are categorised by types of commodities. These types are: (1) Consumer goods, (2) Material for consumer goods, (3) Capital goods and (4) Material for capital goods. The changing pattern of exports of these types would show how the exports of the country changed in desired direction of economy. It is desired that with the process of economic development of Bangladesh the exports of material for capital goods and capital goods would have increased.

Table 4.1 presents the changing pattern of the share of different types of commodities in country's aggregate exports during 1978-79 to 1984-85. The consumer goods contributed major share in the aggregate exports of the country. During 1978-79 to 1984-85 its share varied from 59.6% to 72.2%. Its share increased from 59.6% in 1978-79 to 69.9% in 1984-85. This was a 17.28% increase in 1984-85 over 1978-79.

The average annual rate of increase of export receipts of consumer goods was 18.05% and that of its share in total exports of the country was 2.3% per annum.

Material for consumer goods was the second largest type in the aggregate exports of the country. Its average share in total exports was 31.2%. Its share decreased from 39.5% in 1978-79 to 28.9% in 1984-85. This was 26.83% decrease in 1984-85

Table : 4.1

Share of different types of commodities in exports of Bangladesh during 1978-79 to 1983-84.

Year	Percentage share in aggregate exports				Total
	Consumer	Material for consumer goods	Capital goods	Material for capital goods	
1978-79	59.6	39.5	0.8	0.1	100
1979-80	67.3	32.0	0.3	0.4	100
1980-81	72.2	25.6	1.6	0.6	100
1981-82	69.3	29.4	0.8	0.5	100
1982-83	64.5	31.2	1.1	3.2	100
1983-84	66.6	32.0	0.4	1.0	100
1984-85	69.9	28.9	1.0	0.2	100
Average	67.0	31.2	0.9	0.9	100

Source : Appendix Table : 7

over 1978-79. The average annual rate of decrease of its share in aggregate exports was 4.36%. However, its total exports increased at an average rate of 10.36% per annum. That is though the export receipts of material for consumer goods was increasing its share in aggregate exports of the country was reducing. This was so because the growth rate of aggregate exports was higher than that of material for consumer goods.

The share of capital goods in aggregate exports increased from 0.8% in 1978-79 to 1% in 1984-85. This was 25% increase in

1984-85 over 1978-79. Its share increased by 3.24% per annum against 18.76% increase of its export receipts on an average.

The share of material for capital goods increased from 0.1% in 1978-79 to 0.2% in 1984-85. Its total exports increased by 21.41% and its share in aggregate exports rose by 10.41% per annum on an average.

The share of material for capital goods was increasing faster than any other types of goods (Table 4.2). The average growth rate of its export receipts was the highest also. This situation is desirable because it expedites export growth and industrial development and production of this type of goods have more linkage effects on other sectors of the economy. But still the insignificant share of this type in total exports of the country can carry very little hope.

Table : 4.2

The growth of different types of export commodities in Bangladesh during 1978-79 to 1984-85.

	<u>Export Receipts</u>		<u>Share in total Exports</u>	
	Average growth %	Change in 1985-86 over 1978-79 %	Average Growth %	Change in 1984-85 over 1978-79 %
Consumer goods	18.05	219.41	2.30	17.28
Material for consumer goods	10.36	99.43	-4.36	-26.83
Capital goods	18.76	223.29	3.24	25.00
Material for capital goods	21.41	288.89	10.41	800.00
Aggregate exports	15.38	172.28		

Source : Appendix Table : 7

The type capital goods occupied the second position with respect to its annual average growth rate of export receipts and share in aggregate exports. But still its insignificant share in total exports discourages us to hope more. However, we can not expect much through these lines of production at this stage. Because Bangladesh economy only has been marching towards the second stage of economic development in which export is expected to expand through labour intensive manufactured goods. The share of material for consumer goods was declining while the share of consumer goods was increasing. Share of consumer goods in total exports increased due to increase of exports of consumer manufacture goods and food and live animals.

4.3 CHANGING PATTERN OF EXPORTS BY SECTION OF GOODS

Concomitantly with standard international trade classification (SITC) Bangladesh exports have been classified by Bangladesh Bureau of Statistics (BBS) at different digit level which is called Bangladesh standard trade classification (BSTC). At 1 - digit level per export is classified into 10 sections which are as follows:

<u>BSTC code</u>	<u>Name of Commodities</u>
0.	Food and live animals classified for food
1.	Beverage and Tobacco
2.	Crude materials inedible except fuels
3.	Minerals, fuels, lubricants and related materials
4.	Animals and vegetables oil, fats and related materials
5.	Chemicals and related products N.E.C.

6. Manufactured goods classified chiefly by materials
7. Machinery and transport equipments
8. Miscellaneous manufactured articles
9. Commodities and transactions N.E.C.

Table 4.3 shows the changing pattern of share of BSTC sections of export goods in aggregate exports of Bangladesh during 1972-73 to 1985-86.

The share of food and live animals chiefly for food increased from 1.75% in 1972-73 to 18.94% in 1985-86. The average rate of increase of its share in aggregate exports was 18.52% per annum. Its total export receipts increased (about 101 times) in 1985-86 over 1972-73 with average rate of increase of 39.23% per annum.

The share of beverage and tobacco in aggregate exports was less than 0.5% during the whole period under review.

The share of crude materials, inedible except fuels declined from 36.9% in 1972-73 to 19.66% in 1985-86. The average rate of decrease of its share was 4.4% per annum against 12.29% increase of its total exports. Minerals, fuels, lubricants and related materials contributed very little share in aggregate exports of the country. Its share was varying from 0.3% to 4.58% with some sort of fluctuation. The share of chemicals and related materials N.E.C. was also little in aggregate exports varying from 0.15% to 2.17% during the period.

The share of manufactured goods classified chiefly by materials was the largest in aggregate exports of the country during the whole period under review. Its share in aggregate

exports decreased from 58.96% in 1972-73 to 49.28% in 1985-86. The average rate of decrease of its share was 2.41% against 14.63% rate of increase of its total exports. The share of miscellaneous manufactured articles increased from 2.13% in 1972-73 to 17% in 1985-86. The average rate of increase of its share

Table:4.3

The share of export goods by sections in aggregate exports of Bangladesh during 1972-73 to 1985-86

Year	BSTC	% Share in aggregate exports							
		0	1	2	3	5	6	7	8
1972-73	1.75	-	36.90	-	-	58.62	-	2.13	
1973-74	8.09	-	36.65	-	-	54.62	-	0.51	
1974-75	8.00	-	33.42	-	-	57.73	-	0.23	
1975-76	9.07	-	33.55	-	0.52	55.77	-	0.54	
1976-77	14.77	-	35.40	1.57	1.02	45.63	-	0.76	
1977-78	14.06	-	29.10	0.30	1.81	53.86	-	1.00	
1978-79	13.94	-	32.82	1.99	1.58	50.17	-	0.91	
1979-80	12.07	-	19.91	1.44	2.17	64.16	0.62	0.47	
1980-81	12.49	-	16.99	1.77	0.84	66.10	1.53	0.71	
1981-82	17.84	0.31	16.86	0.88	1.31	60.85	1.00	1.66	
1982-83	17.55	0.27	15.55	4.58	0.15	53.82	3.98	2.15	
1983-84	20.53	0.21	14.08	1.72	0.69	55.97	1.15	5.14	
1984-85	16.40	0.26	15.48	2.06	0.81	49.57	1.23	14.45	
1985-86	18.98	0.09	19.66	1.21	0.57	49.28	na	17.00	

Note: (-) negligible or nil, na : not available

Source : Background Table : 8

was 15.99%. Against this its total exports increased by 36.21% per annum on average. The share of other sections not mentioned here was either insignificant or nil.

The average growth of share as well as export receipts was the highest for food and live animals classified for food which was followed by miscellaneous manufactured articles (Table 4.4). The share as well as export receipts of chemicals and related products n.e.c. was increasing slowly. The export receipts of other sections was increasing though their share in aggregate exports was declining.

Table : 4.4

Growth rate of share and export receipts of important export sections of Bangladesh during 1972-73 to 1985-86

BSTC code	Total Export Receipts		Share in Aggregate Exports	
	Change in 1985-86 over 1972-73 %	Average Growth %	Change in 1985-86 over 1972-73 %	Average Growth %
0	10192.00	39.23	982.28	18.54
2	406.74	12.29	-46.72	-4.40
3	194.64	11.41	-22.93	-2.57
5	769.00	19.58	9.62	0.77
6	576.19	14.63	-28.92	-2.41
8	6981.97	36.21	690.14	15.99

Source : Appendix Table : 8 and Table 4.3

4.4 CHANGING PATTERN OF JUTE AND NON-JUTE EXPORT ITEMS

Needless to say that Bangladesh export trade is dominated by jute items since pre-independence period. Both raw jute and jute manufactures together accounted for the lion share in aggregate exports of the country at the initial stage. But with the passage of time the share of jute items started declining due to comparatively less growth of them and rapid rise of non-jute items. This situation of rapid growth of non-jute items is welcome because the scope for expansion of jute export in world market has been limited by the sharp competition of synthetic products. Moreover if the cultivation of raw jute covers more acres, the land area under rice cultivation will shrink which will cause more food deficit in the economy and as a result more food imports.

Table 4.5 presents the changing pattern of exports of jute and non-jute items in aggregate exports of the economy.

The share of jute items in the aggregate exports of the country decreased from 69.86% in 1972-73 to 59.91% in 1985-86. Its share decreased by 3.97% per annum on an average. Total export increased by 13.06% per annum on average.

Beside this the share of non-jute items rose from 10.14% in 1972-73 to 49.09% in 1985-86.

Its share increased by 11.92% per annum against 31.75% rate of increase of its export receipts. That is export receipts of jute items was increasing at lower rate than non-jute items. The average annual rate of increase of export of jute items was 18.71 percentage points lower than that of non-jute items.

Table : 4.5

The relative position of jute and non-jute exports in aggregate exports of Bangladesh during 1972-73 to 1985-86

Year	JUTE ITEMS		NON-JUTE ITEMS	
	Share %	Annual change of total Ex. receipts %	Share %	Annual change of total Ex. receipts %
1972-73	89.86	-	10.14	-
1973-74	87.58	5.00	12.42	31.94
1974-75	82.61	-0.84	17.39	47.21
1975-76	81.00	73.59	19.00	93.42
1976-77	71.17	5.56	28.83	82.29
1977-78	70.07	35.95	29.93	11.72
1978-79	69.27	32.66	30.73	37.77
1979-80	73.73	21.52	26.27	-2.40
1980-81	68.39	-3.14	31.61	25.66
1981-82	62.75	-1.03	37.25	27.11
1982-83	62.58	45.00	37.44	46.18
1983-84	58.47	4.43	41.53	23.98
1984-85	57.85	28.9	42.15	32.18
1985-86	50.91	-8.77	49.09	20.73
Average annual growth (%)				
	-3.97	13.04	11.92	31.75

Source : Appendix Table : 8

Consequently the jute items were losing their share in aggregate exports of the country.

The export expansion of jute items was slowed down by sharp competition of substitute products on demand side and stagnation of production on supply side. In future this may have to shrink further. The coming up of non-jute sectors has transmitted some hope for the country. Firstly it causes some diversification in the export regime of the economy and secondly some export items have emerged which possess enough potentialities for expansion in the international market.

4.5 TRADITIONAL AND NON-TRADITIONAL EXPORTS OF BANGLADESH

Bangladesh exports are divided into traditional and non-traditional exports. Export items like raw jute, jute yarn, jute fabrics, tea, hides and skins, leather etc., are traditional items and items like garments shrimps, prawns, frog legs, fish, fruits, specialised textiles, handicraft, engineering goods etc. are non-traditional items.

Immediately after independence the aggregate exports of the country was dominated by traditional items. But afterwards with development of the country the non-traditional items have been showing better performance in aggregate exports.

Table 4.6 shows the changing pattern of traditional and non-traditional export items of Bangladesh during 1975-76 to 1985-86.

The share of traditional items in aggregate exports of the country decreased from 70.44% in 1975-76 to 54.67% in 1985-86. As against this the share of non-traditional export increased from 29.56% in 1975-76 to 45.33% in 1985-86.

The share of traditional export items was reducing by 2.28% per annum while the share of non-traditional items was increasing by 3.96% per annum on average during 1975-76 to 1985-86.

Table : 4.6

The changing pattern of traditional and non-traditional exports of Bangladesh during 1975-76 to 1985-86

Year	<u>Traditional Exports</u>		<u>Non-Traditional Export</u>	
	Share %	Annual change in export Receipts %	Share %	Annual change in export Receipts %
1975-76	70.44	-	29.56	-
1976-77	80.08	-36.58	19.92	-19.04
1977-78	79.23	6.47	20.77	12.12
1978-79	75.93	28.60	24.07	55.50
1979-80	78.20	17.59	21.80	3.40
1980-81	73.89	- 1.33	26.11	25.08
1981-82	68.55	0.07	31.45	29.92
1982-83	68.99	46.38	31.01	43.41
1983-84	66.76	8.15	33.24	19.81
1984-85	64.20	25.24	35.80	40.27
1985-86	54.67	-11.72	45.33	31.26
Average Annual Growth in (%)				
	-2.28	12.90	3.96	20.11

Source : Appendix Table : 8

The export receipts of traditional items rose by 12.9% per annum while that of non-traditional items increased by 20.11% per annum on average. So the average annual growth of export receipts of non-traditional items was 7.21 percentage points higher than that of traditional items. As a result the share of the latter was reducing while the share of the former was increasing in the aggregate exports of the country.

The country has little hope to expand exports of the traditional items like raw jute, jute yarn, jute fabrics, hides and skins etc. Moreover the Third Five Year Plan has projected that the world prices of jute and jute goods would decline by about 20% during 1985-90 and tea prices would remain approximately the same. So only hopes of the country remain in sector of non-traditional exports. TIP (Trade and Industrial Policy, Feb., 1986) studies suggest that there is a wide range of product lines in non-traditional sectors with prospects for significant export development.

4.6 PRIMARY AND MANUFACTURED EXPORTS IN BANGLADESH

Bangladesh exports composed of primary and manufactured commodities. The primary commodities exported consist of raw jute, raw cotton, hides and skins, tea, fish, shrimps and prawns, vegetables, betelnut and spices etc. The manufactured commodities consist of jute goods, tanned leather, naptha and furnace oil, garments, textile products, paper products, newsprint, rayon, handicrafts and molasses etc. At 1-digit level sections 6 to 8 consist of manufactured goods and at 3-digit level it consists of sections 600 to 899 in BSTC. All other groups except these

sections consist of primary commodities.

The share of primary commodities in the aggregate exports of the country was declining (Table 4.7). Its share declined from 44.19% in 1972-73 to 36.54% in 1985-86. It was 17.31% fall in 1985-86 over 1972-73. It reduced by 1.35% per annum on average. The share of manufactured exports on the other hand rose from 55.81% in 1972-73 to 63.44% in 1985-86. This was 13.71% rise in 1985-86 over 1972-73. The average growth rate of its share was 0.92% per annum.

The total export receipts of both primary and manufactured commodities was increasing during the period. The export receipts of primary commodities increased almost in every year over previous year except in 1974-75. In this year the reduction of raw jute export receipts affected the total exports of primary goods.

The exports of primary goods increased by 16.13% per annum on average. Similarly the export receipts of manufactured goods increased almost in every year over previous year except in 1985-86. The growth rate of its export was 18.91% per annum on average during 1972-73 to 1985-86.

So the average growth rate of manufactured exports was 2.68 percentage points higher than that of primary exports. As a result the primary commodities were losing share whereas the manufactured goods were gaining share in aggregate exports of the country. This is a welcome change in the composition of exports.

Table : 4.7

The changing pattern of exports of primary and manufactured goods of Bangladesh during 1972-73 to 1985-86.

Year	<u>Primary commodities</u>		<u>Manufactured commodities</u>	
	Share	Annual change (export Receipts)	Share	Annual change (Export Receipts)
	%	%	%	%
1972-73	44.19	-	55.81	-
1973-74	41.38	0.88	58.62	13.15
1974-75	36.67	-6.33	63.33	13.57
1975-76	42.10	121.03	57.90	54.22
1976-77	42.82	20.14	57.18	18.64
1977-78	34.44	7.62	65.56	23.39
1978-79	38.08	34.19	61.92	26.74
1979-80	30.70	14.17	69.30	27.78
1980-81	29.34	4.43	70.66	6.48
1981-82	33.62	7.86	66.38	1.33
1982-83	35.42	45.44	64.58	41.50
1983-84	34.71	11.77	65.29	13.00
1984-85	33.88	30.24	66.12	31.89
1985-86	36.54	3.66	63.46	-0.51
Average Annual Growth in (%)				
	-1.35	16.81	0.92	18.81

Source : Appendix Table : 8

4.7 THE SHARE OF MAJOR EXPORT COMMODITIES IN BANGLADESH EXPORTS

Usually the export commodities whose share in aggregate exports of a country are significant are called major export commodities. But what extent of share will be significant has no definite limit. However, those commodities may be defined as the major commodities whose contribution to aggregate exports of a country is acceptably high.

Bangladesh exports a good number of commodities every year to different countries. But the number of commodities which contribute large share in aggregate exports of the country are few. We have selected those commodities whose contribution in aggregate exports in 1985-86 was more than 2% as major commodities. Under this criteria the commodities like raw jute, jute goods, tea, leather, shrimps and prawns and garments are considered as major export commodities. The share of these commodities in aggregate exports of the country was 97.33% in 1972-73 and 91.07% in 1985-86.

The analysis of share of these major commodities will exhibit the relative importance of these commodities in aggregate exports over a period of time. It will help us to detect which commodities are gaining importance and which are losing importance in aggregate exports of the country.

Table 4.8 shows the changing pattern of shares of major commodities in aggregate exports of Bangladesh.

The yearwise share of major commodities are very much fluctuating. We can state by comparing the first year with the last year what has happened to their share. But this type of

Table : 4.8

The changing pattern of share of major commodities in aggregate exports of Bangladesh during 1972-73 to 1985-86.

Percentage share in aggregate exports

Year	Raw Jute	Jute Goods	Tea	Leather	Shrimp & Prawns	Garments	Total
1972-73	35.14	52.27	3.50	5.69	0.73		97.33
1973-74	31.62	53.14	3.64	5.93	1.31		95.64
1974-75	24.18	59.20	5.19	6.07	1.01		95.05
1975-76	29.44	49.96	4.29	9.09	1.82		94.60
1976-77	27.59	41.61	9.83	9.84	3.21		92.06
1977-78	21.44	50.28	8.75	9.55	2.49		92.51
1978-79	22.69	45.53	6.35	13.15	2.86		90.66
1979-80	18.67	50.15	4.32	11.97	3.26	0.08	88.37
1980-81	15.33	47.89	4.69	6.03	2.56	0.30	76.86
1981-82	13.33	44.51	5.81	8.33	4.12	1.14	77.26
1982-83	13.88	43.11	6.25	7.11	5.12	1.44	76.91
1983-84	13.50	43.11	9.09	9.09	8.36	4.10	87.25
1984-85	15.15	43.22	5.83	8.70	6.19	10.94	92.03
1985-86	12.96	37.33	3.82	9.19	11.41	16.34	91.07
Average Annual Growth in (%)							
	-6.87	-2.37	0.63	3.48	22.06	113.80	

statement would not be very much correct to determine whether it has had a decreasing trend or an increasing trend over a period of time. To avoid the effect of fluctuations on our comments on trend we have computed three-year moving average. Generally to avoid short term fluctuations on any economic variables three-year moving average is used. We have considered 14 years period. It seems that three-year moving average will be convenient for this period.

The results of three-year moving average of share of major export commodities are presented in Table 4.9.

The share of raw jute in aggregate exports of the country decreased from 35.14% in 1972-73 to 12.98% in 1985-86. The average rate of decrease of its share was 6.87% per annum during 1972-73 to 1985-86. The three-year moving average of its share shows that its share had a declining trend throughout the whole period. Likewise the share of jute goods was decreasing during the said period. Its share decreased from 52.27% in 1972-73 to 37.33% in 1985-86. Its share decreased by 2.37% per annum in aggregate exports of the country on average. The share of tea increased very slightly from 3.5% in 1972-73 to 3.82% in 1985-86.

This was 9.14% increase in the share of tea in total exports in 1985-86 over 1972-73. The average rate of increase of its share was 0.63% per annum on an average. Three-year moving average figures of its share exhibits that it had an increasing trend during 1972-73 to 1977-78 and static trend with some fluctuations during 1978-79 to 1985-86. The share of leather, leather products, increased from 5.69% in 1972-73 to

9.19% in 1985-86. Its share increased by 3.46% per annum on average during 1972-73 to 1985-86. Its share had an increasing trend during 1972-73 to 1978-79 and then a decreasing trend upto 1981-82 and afterwards a slight increasing trend.

The share of shrimps and prawns increased from 0.7% in 1972-73 to 11.41% in 1985-86. Its share rose by 22.06% per annum during 1972-73 to 1985-86 on average. Its share had a sharp increasing trend throughout the whole period.

The share of garment exports increased very rapidly at a higher rate. Its share increased from very negligible (almost 0) percent in 1976-77 to 16.34% in 1985-86. Its share increased about 203 times in 1985-86 over 1979-80. The average rate of increase of its share was 113.8% per annum during 1979-80 to 1985-86. Its share had a sharp increasing trend during the period under review. Garments products are highly labour intensive in nature. The cheap labour force in the economy provides Bangladesh a comparative advantage over other countries. As a result the garment industries as well as garment exports of the country expanded very rapidly.

On the basis of growing relative importance, the major export items can be arranged in following ascending order (based on growth of share):

1. Garments
2. Shrimps and prawns
3. Leather, leather products
4. Tea
5. Jute goods
6. Raw jute

The relative importance in aggregate exports of the country was increasing for garments, shrimps and prawns and leather. The position of tea improved very slightly while the importance of raw jute and jute goods was declining.

But if we consider relative share in aggregate export in 1985-86 the commodities should be arranged in the following order:

1. Jute goods
2. Raw jute
3. Garments
4. Shrimps and prawns
5. Leather, leather products
6. Tea

4.8 GROWTH PATTERN OF EXPORT EARNINGS OF MAJOR COMMODITIES: BANGLADESH

The changing pattern of share of major export commodities shows their relative importance in aggregate exports of the country. It does not tell anything about the growth pattern of their export earnings. The pattern of growth of export earnings of these commodities is very important to know their performances in the past. Also their past growth pattern helps to forecast the potentialities of export expansion of the country relying upon these commodities. So the present section is devoted to analyze the growth pattern of export earnings of major export items.

Table : 4.9

Trend (three-year moving average) of shares of major commodities in aggregate exports of Bangladesh during 1972-73 to 1985-86.

Three Year Moving Average of Shares

Year	Raw Jute	Jute Goods	Tea	Leather	Shrimps & Prawns	Garments
1972-73	35.14	52.27	3.50	5.69	0.70	
1973-74	30.31	54.87	4.11	5.90	1.00	
1974-75	28.41	54.10	4.37	7.03	1.38	
1975-76	27.07	50.26	6.44	8.33	2.01	
1976-77	26.16	47.28	7.62	9.43	2.51	
1977-78	23.91	45.81	8.31	10.85	2.85	0.01
1978-79	20.90	48.65	6.47	11.56	2.87	0.04
1979-80	18.86	47.86	5.12	10.38	2.89	0.13
1980-81	15.74	47.52	4.94	8.78	3.32	0.51
1981-82	14.18	45.17	5.58	7.16	3.94	0.96
1982-83	13.57	43.58	7.05	8.18	5.87	2.23
1983-84	14.18	43.15	7.06	8.30	7.22	5.49
1984-85	13.88	41.22	6.25	8.99	9.32	10.46

Source : Table 4.8

Jute Goods:

Jute goods is the largest export item of Bangladesh. Its contribution to aggregate exports of the country was the highest during the whole period from 1972-73 to 1985-86. The average growth rate of its export earnings was 14.49% per annum.

Out of 13 years its export receipts increased in 12 years over previous year. Only in 1985-86 its export earnings decreased by 6.94% over 1984-85. Its annual rate of increase varied from 0.07% to 49.39%.

The exponential rate of growth of its export receipts was 16.3% per annum. During the said period the rate of growth of its export receipts decelerated by 1.09% per annum.

Raw Jute

Bangladesh is the biggest raw jute exporting country of the world. Immediately after her separation from India as a province of Pakistan the export of raw jute was the largest source of foreign exchange earnings of Bangladesh (the then East Pakistan).

Export receipts of raw jute increased by 262.32% in 1985-86 over 1972-73. The average rate of increase of its exports was 9.63% per annum. Its annual exports increased in 6 years and decreased in 7 years over previous year.

The exponential rate of growth of its export was 10.57% per annum. The rate of growth of its export receipts decelerated at a rate of 0.43% per annum.

Readymade Garments:

The export receipts of readymade garments expanded very rapidly after 1976-77. Before that its export was almost zero. The establishment of garment factories has been getting momentum since 1975-76. Garment products are highly labour intensive in nature. Its production cost is greatly dominated by labour cost. On account of the availability of cheap labour,

cent percent export oriented garment industries expanded in the country every fast.

Its export receipts increased by 142.13% per annum on an average during 1976-77 to 1985-86. Its export increased in 8 years and decreased in 1 year over previous year during the same period. Its export increased by 119.56% per annum at an exponential rate. The growth rate of its exports retarded by 4.56% per annum.

Shrimps and Prawns:

With regard to relative importance in country's aggregate exports shrimps and prawns occupied fourth place. Its relative share in aggregate exports of the country has been increasing at fast rate. The export receipts of shrimps and prawns increased by 43.68% per annum during 1972-73 to 1985-86 on average. Its annual exports increased in 10 years and decreased in 3 years over previous year.

The exponential rate of growth of its export receipts was 37.05% per annum with 0.95 rate of retardation.

Leather and Leather goods

In order of relative importance in aggregate exports of the country leather and leather goods occupied the fifth position. Its export receipts increased by 21.62% per annum on an average during 1972-73 to 1985-86. Its annual exports increased in 12 years and decreased in 1 year over previous year.

The exponential rate of growth of its exports was 20.77% per annum with annual rate of retardation of 2.55%.

Tea

Tea is the sixth commodity with respect to its relative importance in aggregate exports of the country. During pre-independence period Bangladesh exported tea to West Pakistan. Immediately after independence in 1971 its trade relation with Pakistan was delinked. As a result she had to market its surplus product of tea to foreign countries other than Pakistan. But after revival of trade relation with Pakistan in 1975-76 she has been exporting tea to Pakistan as well as to other countries.

The average annual rate of increase of its exports was 18.45% per annum. The annual rate of growth of its exports was positive in 9 years and negative in 4 years during 1972-73 to 1985-86.

The exponential rate of growth of its export was 20.87% per annum with an annual rate retardation of 3.78%.

Table 4.10 presents the rate of growth of export receipts of major commodities in Bangladesh during 1972-73 to 1985-86.

The foregoing discussion of this sections indicates that the export earnings of the major export items was increasing with retardation in growth rates during 1972-73 to 1985-86.

The exponential rate of growth was the highest for garments which was followed by shrimps and prawns, tea, leather and jute goods respectively. The exponential rate of growth was the lowest for raw jute.

It is important to note that the growth rate of export receipts of all major commodities was decelerating during the

Table : 4.10

Rate of growth of major export commodities

Annual rate of increase in %

Year	Jute goods	Raw Jute	Garments	Shrimps & Prawns	Leather	Tea
1972-73						
1973-74	9.56	- 3.04	-	102.58	12.18	12.06
1974-75	17.10	-19.61	-	-19.50	7.52	49.59
1975-76	49.39	155.52	-	214.35	165.30	46.61
1976-77	0.07	12.60	-	112.49	30.08	107.47
1977-78	30.04	16.36	-84.04	-16.70	4.39	31.56
1978-79	21.51	41.94	854.00	54.42	84.81	- 5.98
1979-80	31.59	- 2.21	934.58	30.13	3.95	- 7.89
1980-81	10.73	- 4.27	353.91	- 4.96	-38.84	19.18
1981-82	1.31	- 5.23	312.10	76.63	50.56	25.81
1982-83	23.94	33.32	62.35	58.19	9.16	37.41
1983-84	10.21	7.12	212.46	79.92	40.97	56.32
1984-85	23.22	237.22	227.28	20.47	17.59	-18.95
1985-86	- 6.94	- 7.67	61.00	50.07	13.95	-29.44
Average rate of growth (%)						
	14.49	9.63	142.13	43.68	21.82	18.45
Exponential rate of growth (%)						
	16.31	10.57	119.56	37.05	20.77	20.67
Acceleration/retardation (%)						
	-1.09	-0.43	- 4.56	- 0.95	-2.55	-3.18

Source: Appendix Table : 8

Note: (-) indicates negligible or nil

period under review. That is the rate of increase of their export receipts retarded over the period.

The export receipts of garments which has the highest exponential rate of growth decelerated at the highest rate of 4.56%. After this the rate of deceleration was higher for tea,

Export receipts of raw jute decelerated at the lowest rate of 0.43% which was respectively followed by shrimps and prawns and jute goods.

From past performances we may conclude that the country may have some export potentialities for future expansion in garments, shrimps and prawns, leather and tea among the major commodities.

4.9 CHANGING PATTERN OF SHARE OF BANGLADESH MAJOR EXPORT ITEMS IN THEIR WORLD EXPORTS

The changing pattern of share of Bangladesh major export commodities will exhibit how far the country has been successful in increasing their share over a period of time. It will also highlight the competitive position of her export commodities and also the future prospects for their expansion.

Table 4.11 presents changing pattern of shares of major export items of Bangladesh in their world aggregate exports during 1976 to 1985.

The export share of fish (salted, dried and smoked) of Bangladesh increased from 0.06% in 1977 to 0.41% in 1985 in its world aggregate exports. World aggregate exports means exports of market economies. Its share in its world exports was increasing

Table : 4.11

The changing pattern of shares of major export items of Bangladesh in their world aggregate exports.

Bangladesh's % share in World exports

[illegible]

Source : Appendix Table : 9

almost in every year from 1977 to 1985. Its share increased by 23.8% per annum on average during the said period.

The share of shell fish (fresh and frozen) of Bangladesh increased from 0.45% in 1976 to 1.76% in 1985 in its world aggregate exports. Its share was increasing in every year during 1976 to 1985. The average growth rate of its share was 14.61% per annum during the said period.

The share of tea exports of Bangladesh increased from 1.58% in 1976 to 2.63% in 1985 in its aggregate exports of the world. Its share had an increasing trend in presence of fluctuations in world exports during 1976 to 1985. The average growth rate of its share was 5.23% per annum during the said period.

The share of Bangladesh jute in its world exports was increasing slowly during 1976 to 1985. Its share increased from 70.5% in 1976 to 85.14% in 1985. The average rate of increase of its share was 1.9% per annum.

The share of Bangladesh leather in its world exports increased from 35.67% in 1977 to 50.62% in 1985. The average rate of increase of its share was 4.01% per annum.

The share of textile yarn of Bangladesh increased from 0.13% in 1976 to 0.2% in 1985 in its world exports. Its annual share increased in almost every year during 1976 to 1985. The average rate of increase of its share was 4.4% per annum.

The share of Bangladesh textile fabric in its world exports decreased from 5.28% in 1976 to 4.9% in 1985. The average rate of decrease of its share was 0.74% per annum during

the above period.

The share of Bangladesh textile articles NEC increased from 4.47% in 1976 to 4.97 in 1985 in its world exports. Its share was varying from 3.53% to 5.54% during 1976 to 1985. The average rate of increase of its share was 1.06% per annum.

The share of men's outer wears (garments) of Bangladesh increased from 0.03% in 1981 to 0.38% in 1985 in its world exports. The average rate of increase of its share was 66.16% per annum during 1981 to 1985. The share of under garments (not Kit) of Bangladesh increased from 0.03% in 1981 to 3.69% in 1985 in its world exports. The average rate of increase of its share was 115.17% per annum during 1981 to 1985.

The above analysis indicates that the share of major export commodities analysed above improved in their world exports excepts textile fabrics. However, only shares of Bangladesh jute and leather were significant in their world exports. In the case of jute Bangladesh was facing a shrinking world market. So a substantial share in a market that shrinks over a period of time is not a happy situation. Except these commodities, the share of other commodities were insignificant in their world exports. So the possesses possibilities for further expansion of exports of these commodities.

Notes:

<u>SITC</u>	<u>Name of Commodities</u>
<u>Code</u>	
035	Fish salted, dried smoked
036	Shell fish fresh, frozen
074	Tea

264	Jute, Other Text Best Fibres
611	Leather
651	Textile yarn
654	Other woven Textile fabrics
658	Textile Articles NEC
842	Men's outer wear
844	Under garments (Not kit)

4.10 GROWTH OF MAJOR EXPORT ITEMS OF BANGLADESH COMPARED WITH THEIR WORLD EXPORT GROWTH

In the previous section we have discussed the changing share of major export commodities of Bangladesh in their world exports. We have seen that the share of almost all the major commodities was increasing during the period under review. But increase in share always does not mean increase in export earnings. If world exports decrease and Bangladesh exports remain constant in that case Bangladesh's share in aggregate exports of the world will increase.

If the world export of a commodity remains constant due to demand constraints a country can not increase export of this commodity easily. This is true if the country already has a large share in the world market. But if a country has a very small share in the world market then she can increase her exports by increasing her shares, even if the world market does not expand.

That is when world demand for commodity becomes stagnant or shrinks, the possibility of increasing the export of this

commodity becomes simply almost impossible for each country. A country can easily enhance exports of these commodities whose world export is increasing fast.

The analysis of growth patterns of major export items of Bangladesh in comparison with their world export growth will show how the world exports of these commodities are growing and whether Bangladesh is lagging behind the world growth or going ahead of that. Table 4.12 shows the growth pattern of major export commodities of Bangladesh in comparison with their world export growth.

Bangladesh fish export was increasing at a higher rate than its world exports. The world exports of fish (salted, dried, smoked) were increasing at a rate of 3.26% per annum against 22.06% exponential rate of increase of Bangladesh. So the rate of growth of Bangladesh fish export was 18.8 percentage points higher than that of world fish export.

Similarly the growth rate of shell fish (fresh, frozen) exports of Bangladesh was higher than that of its world export. The exponential rate of growth of Bangladesh shell fish exports was 13.93 percentage points higher than that of its world exports during 1976 to 1985.

Tea exports of the world was increasing at a rate of 5.21% against 10.72% rate of increase per annum of Bangladesh tea export on an average during 1976 to 1985.

The exponential growth rate of Bangladesh tea exports was 6.38 percentage points higher than that of the world tea export during the same period.

At an exponential rate Bangladesh jute export was increasing by 0.51% per annum while its world export was declining by 1.54% per annum during the said period.

Bangladesh's leather export increased by 3.64% per annum against 1.69% decrease of its world export per annum.

The exponential rate of increase of Bangladesh textile yarn exports was 5.47 percentage points higher than that of its world export during 1975 to 1985. Bangladesh's woven textile fabric exports increased at a bit higher exponential rate than that of its world exports in the same period. Its growth rate was 1.02 percentage points higher at a continuous compound rate. Similarly the exponential growth rate of Bangladesh textile articles export was 1.91 percentage points higher than that of its world exports during the same period.

The exponential growth rate of Bangladesh men's outer wear exports was 63.76 percentage points higher than that of its world export during 1981 to 1985.

Similarly the exponential rate of growth of Bangladesh under garments (not kit) export was 99.96 percentage points higher than the growth rate of its world export during the same period.

From the above analysis we can say that the above mentioned export commodities of Bangladesh were increasing faster than their world exports. The world exports of all commodities were increasing except raw jute and leather. So Bangladesh may have export potentialities in all goods except raw jute and leather among the above listed commodities.

Table : 4.12

Comparison of growth of Bangladesh' export items with growth of their world exports during 1976 to 1985.

Export Receipts

Items with SITC		Average growth %		Exponential Growth in %		
Code		Bangladesh	World	Bangladesh	World	%points
1		2	3	4	5	(4 - 5)
035	Fish salted, dried, smoked	28.34	3.49	22.06	3.26	18.80
036	Shell fish, Fresh, Frozen	12.65	8.69	22.98	9.05	13.93
074	Tea	10.71	5.21	10.07	3.69	6.38
264	Jute (raw)	1.47	-0.42	0.51	-1.52	2.05
611	Leather	2.99	-0.98	3.64	-1.69	5.33
651	Textile Yarn	10.42	5.60	11.07	5.60	5.47
654	Other woven textile fabric	5.76	6.57	6.33	5.31	1.02
658	Textile article NEC.	7.38	6.23	7.74	5.83	1.91
842	Men's outer* wear	66.27	0.61	64.73	0.97	63.76
844	Under* Garments	125.61	5.98	107.52	7.56	99.96

* For 1981 to 1985

Source: Appendix Table : 9

4.11 COMMODITY CONCENTRATION OF BANGLADESH EXPORT

"An attribute of the commodity structure of a country's trade flows which comes immediately to mind is looking for indicators of susceptibility, is the extent of its concentration. The more is a country's trade (exports or imports) concentrated in small number of goods, the more likely is this trade as a whole to be subject to fluctuations and disturbances, from a greater dispersion in trade structure follows a great stability" (Michaely, 1984, p.52).

Concentration of commodities increases susceptibility and vulnerability. If a country's export becomes more dispersed accidental fluctuations in the markets for each good are likely to offset each other and as a result the export flow remains stable. Conversely when a country's export is limited in few goods any change in price or quantity of any goods affect export earnings of the same and the export flow becomes more responsive to minor changes. James Loves (1986) has supported the conventional argument that commodity concentration has long been regarded as a major factor contributing to the short-term instability in export earnings experienced by developing countries.

The commodity concentration could be measured by a variety of indexes. Among these the Gini-Hirschman coefficient of concentration has gained wider acceptance. For exports the coefficient of commodity concentration of a country is defined as:

$$C_{jx} = \sqrt{\frac{1}{n} \sum_{j=1}^n (x_{1j} / X_j)^2}$$

Table : 4.13

The commodity concentration of Bangladesh exports during 1972-73 to 1986-87.

Year	No. of goods	Coefficient of concentration $= \frac{C}{N}$	$\frac{1}{\sqrt{N}}$	(3 - 4)
1	2	3	4	5
1972-73	48	0.4517	0.1443	0.3074
1973-74	74	0.3765	0.1162	0.2603
1974-75	57	0.4289	0.1324	0.2965
1975-76	61	0.4141	0.1280	0.2861
1976-77	98	0.4335	0.1010	0.3325
1977-78	105	0.4377	0.0975	0.3402
1978-79	75	0.4199	0.1155	0.3044
1979-80	83	0.4399	0.1098	0.3295
1980-81	92	0.4295	0.1043	0.3252
1981-82	92	0.3947	0.1043	0.2904
1982-83	103	0.3603	0.0985	0.2618
1983-84	103	0.3457	0.0985	0.2472
1984-85	88	0.3477	0.1066	0.2411
1985-86	89	0.2506	0.7060	0.1446
1986-87	113	0.3024	0.0941	0.2083

Source: This is calculated on the basis of 3-digit level classified data published by Bangladesh Bureau of Statistics, Dhaka.

Note: The number of commodities is counted at 3-digit level classification. The commodities which contributed less than TK. 1000 to total exports are excluded.

Where X_{ij} = exports of good i by the j th country and X_j = total exports of j th country.

The upper bound of the coefficient of concentration is unity which will be its value when all the country's exports consist of a single commodity. The lower bound would be achieved when the country's exports are equally divided among all goods. In this case the value of the index would be $\frac{1}{N}$ where N is the number of goods in the scheme.

This formula has been used to measure the commodity concentration of Bangladesh exports. Table 4.13 presents the results.

The coefficient of commodity concentration of Bangladesh's export has been computed on the basis of Bangladesh standard trade classification (BSTC) data at 3 - digit level published by Bangladesh Bureau of statistics, Dhaka.

The table reveals that the number of commodities at 3-digit level exported by Bangladesh increased from 48 in 1972-73 to 113 in 1986-87. The number of export commodities classified at 3-digit level had an increasing movement with presence of fluctuations during 1972-73 to 1986-87.

The coefficient of commodity concentration of Bangladesh export was declining over the period under review. The coefficient of commodity concentration declined from 0.4517 in 1972-73 to 0.3024 in 1986-87. That is it decreased from 45.17% in 1972-73 to 30.24% in 1986-87.

The average rate of reduction of commodity concentration of the country's export was 2.64% per annum. The difference

between C_jx (coefficient of commodity concentration) and $\frac{1}{\sqrt{N}}$ (evenly distributed coefficient) was 30.74% in 1972-73 and 20.83% in 1986-87.

The highest diversification of Bangladesh export commodities was achieved in 1985-86. In this year the gap between C_jx and $\frac{1}{\sqrt{N}}$ was minimum (14.46 percentage points).

From the above observation it might be remarked that over a period of time the exports of the country has been diversifying gradually.

The diversification was result of the facts that (a) some commodities like raw jute and jute goods have been losing their share in aggregate exports of the country, (b) the relative position of some new commodities have been improving and (c) some new commodities have entered the export list.

A well diversified export structure of a country helps it in achieving better performance. It reduces instability and enhances dispersion of markets and thus leads to export growth. Bangladesh's export is still highly concentrated in few commodities although over a period of time it has got some diversification.

Hence we have made an attempt to see how far commodity concentration of exports is associated with her export performance by regression analysis. The yearwise commodity concentration is considered as independent variable and annual export receipts as dependent variable during 1972-73 to 1986-87. The result obtains as follows:

$$Y = 6035.81 - 123.1\% \quad R^2 = 0.6701$$

$$(6.0746) \quad (-4.9371)^*$$

$$D.W. = 1.1328$$

The significant value of R^2 indicates that performance of export receipts is explained by commodity concentration. The significant negative t-value shows that there is an inverse association between export receipts and commodity concentration. That higher export receipts are associated with lower commodity concentration of exports.

From this association it may be said that diversification of Bangladesh exports might be one cause of its expansion during 1972-73 to 1986-87. That is diversification might have helped the growth of export.

4.12 SUMMARY AND CONCLUSION

By types of commodities Bangladesh exports are categorised into : (1) consumer goods, (2) material for consumer goods (3) capital goods and (4) material for capital goods.

The contribution of consumer goods to aggregate exports of the country was the highest which was respectively followed by material for consumer goods. The share of capital goods and material for capital goods in aggregate exports was less than 1 percent on average.

The share as well as exports of consumer goods was increasing. The export receipts of material for consumer goods was increasing while its share in aggregate exports was declining. The share and export receipts of material for capital

* t-value is significant at 1% level.

goods was increasing at the highest rate among all types which was followed by capital goods with respect to average growth. This trend was good for the economy.

Food and live animals' export receipts as well as share in aggregate export was increasing at higher rate than that of any other section during 1972-73 to 1985-86. This was followed by section miscellaneous manufactured articles with regard to growth of its exports and share in aggregate exports.

The other section whose export receipts and share in aggregate exports were increasing during 1972-73 to 1985-86 was chemical and related products NEC. But its share was small in national aggregate exports. The sections whose export receipts were increasing but share in aggregate exports was declining were:

(i) crude materials, inedibles except fuels, (ii) minerals, fuels, lubricants and related materials and (iii) manufactured goods classified chiefly by materials. The rest of 10 sections excluding the above represented very insignificant share individually in aggregate exports of the country during the said period.

Bangladesh' exports was initially dominated by jute items. But the share of jute items in aggregate exports of the country was reducing although its export was increasing. The share of non-jute items was increasing in national aggregate exports. This was the result of the emergence of some new non-jute export items. This was a welcome trend for the economy as it caused diversification of exports of the country.

Similarly as above Bangladesh exports was dominated by traditional export items at the primary stage. But with passage of time the traditional export items were losing share in national aggregate exports whereas non-traditional export items were gaining share due to their relatively higher rate of growth. This trend was also good for the economy because while the possibility of future expansion of exports of traditional items is very much limited by their demand constraint in international market the non-traditional items possess bright prospects for future expansion.

When Bangladesh exports are classified under primary and manufactured goods it is found that during 1972-73 to 1985-86 the export receipts of manufactured goods were rising at 2.68 percentage points higher rate than that of primary goods. The share of primary goods was reducing while the share of manufactured goods was increasing in national aggregate exports.

Among major export items the export receipts of garments was increasing at the highest rate which was followed by shrimps and prawns, tea and leather and leather products. Raw jute experienced the lowest rate of growth which was followed by jute goods. It is important to note that the growth rate of export receipts of no single major commodity accelerated during the period under review. Instead, the growth rate of export of each commodity retarded over a period of time.

The growth rate of export of raw jute, fish and tea was higher in post-independence period than that in pre-independence period whereas the growth of exports of jute goods and leather

and leather products was higher in pre-independence period.

The share of major export items of Bangladesh in their aggregate exports of the world (market economy) was increasing for the following commodities.

<u>SITC Code</u>	<u>Name of commodities</u>
035	Fish salted, dried, smoked
036	Shell fish, fresh, frozen
074	Tea
264	Jute other Text bast fibres
611	Leather
651	Textile yarn
658	Textile articles NEC
642	Men's outer wear (not kit)
644	Under garments (not kit)

Among the above commodities the share of under garments in its aggregate exports of the world was increasing at higher rate which was followed by another garments item men's out^{er} wear. These items were respectively followed by fish (salted, dried, smoked) and shell fish (fresh, frozen).

The performance of the above export items of Bangladesh were better during the period under review. Within the purview of share only Bangladesh raw jute and leather contributed significantly to world aggregate exports. But the share of other commodities was insignificant in their world exports. So Bangladesh export commodities still possess some possibilities for further expansion.

Among the above items the garments exports of Bangladesh were increasing very fast which was followed by fish items and tea. The export of raw jute and leather of Bangladesh was increasing slowly while their world exports was declining.

The commodity concentration of Bangladesh exports was declining slowly during 1972-73 to 1986-87. The coefficient of commodity concentration of her export reduced from 45.17% in 1972-73 to 30.24% in 1986-87.

The average annual rate of reduction of commodity concentration of her exports was 2.64%. That is over a period of time her exports were more dispersed. The dispersion of exports has helped better performance of her exports.

Table : 4.15

The results of regression equation: $Y = Ka^t b^{\frac{t^2}{2}}$

Y	K	a	b
Export receipts:			
Jute goods	103.53	1.27837	0.98906
Raw Jute	77.14	1.14784	0.99571
Garments	0.338	4.27416	0.95435
Shrimps and Prawns	1.44	1.55595	0.99049
Leather	10.00	1.49	0.9745
Tea	5.54	1.57568	0.96773