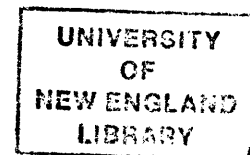


Export Expansion and Economic Growth in Bangladesh: An Empirical Investigation

By

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Dedication

To my children, the sources of my inspiration.

Abstract

This study is an attempt to empirically determine the effect of export growth on the growth rate of GDP in Bangladesh. In addition we analyse the structure of Bangladesh export and identify the factors determining the export performance. An augmented 'neoclassical sources of growth model' is used as the analytical frame work for empirical investigation. Our preliminary investigation includes an analysis of the properties of The data using the descriptive statistics and graphical representation of the key variables. Annual time series data for the period of 1961-1992, were used for econometric analysis. In our basic model the growth rate of GDP depends on the investment-GDP ratio, the growth rate of labour force and the weighted growth rate of export. We extend the basic model by including an interaction dummy for abnormal year and a trend variable on empirical ground. By employing both the Classical Linear Regression and the Autoregressive Conditional Heteroscedastic (ARCH) models, we observe that the weighted export growth rate significantly and positively affects the growth rate of GDP in Bangladesh. The relationship between GDP and investment-GDP ratio was sensitive to empirical specification. In our preferred model (ARCH), we observe that an increase in the share of investment in GDP significantly increases the growth rate of GDP in normal years, but negligibly increases the GDP growth in abnormal years. The abnormality in the economy arises from political turmoil and natural disaster. We also disaggregated investment into private and public investment, and aggregate export into manufacturing and non-manufacturing exports. Due to multicollinearity problem we can not establish significant relationship of these variables with the GDP growth rate. This dissertation complements the findings of other studies in this field by rejecting the null hypothesis of no significant effect of export growth on economic growth of the country. Hence the export led growth strategy deserves special attention and concerted efforts are necessary for generating exportable surplus in the domestic economy. In order to promote export and magnify the effect of export on economic growth, this study suggests some possible policy measures such as ensuring competitive exchange rate, establishing backward linkage industries, foreign market penetration, export diversification, and matching export incentives with those of the south Asian competitors.

Contents

Declaration	ii
Dedication	iii
Abstract	iv
Contents	v
List of tables	ix
List of figures	x
Acknowledgment	xi
Chapter 1: Introduction	1
1.1 Background	1
1.2 The Nature of the Problem	4
1.3 Objective	4
1.4 Significance of the study	5
1.5 Hypotheses	5
1.6 Organisation of the Dissertation	6
Chapter 2: Literature Review	7
2.1 Introduction	7
2.2 Export and Growth: Theoretical Literature	8
2.2.1 An overview of growth models	8
2.2.2 Modern theory of trade and export-oriented growth	10
2.2.3 Trade and growth : The case of a small open economy	11
2.2.4 Import-substitution strategy and growth of a small open economy	12
2.2.5 The case of immeserizing growth in a large open economy	13
2.3 Export and Economic growth: Empirical Literature	14
2.3.1 Evidence in favour of export oriented industrialisation	15
2.3.2 Foreign exchange constraint and export oriented growth	20 19
2.3.3 Factors influencing export performance in LDCs	22
2.3.4 Trade liberalisation and export growth	24
2.4 Trade Policy: Import Substitution Versus Export-Oriented Industrialisation Strategy	25

2.5 Development Experience of Bangladesh and Selected LDCs	30
2.5 Export Performance and Growth Empirical Literature on Bangladesh	31
2.6 Summary	33
Chapter 3 : The Nature of Bangladesh Economy	38
3.1 Introduction	38
3.2 Physical Features and Climate	38
3.3 Population and Labour Force	39
3.3.1 Population	39
3.3.2 Labour force	40
3.3.3 Labour policies and human resource development	42
3.4 The Structure of Output	43
3.4.1 Agriculture	45
3.4.2 Infrastructure	46
3.4.3 Industry	46
3.4.4 The service sector	46
3.5 The Composition of Expenditure	47
3.5.1 Consumption and investment expenditure	47
3.5.2. Balance of payment	48
3.6 Recent Economic Policy Reforms	48
Chapter 4: Export Characteristics and Growth Scenario of Bangladesh.	50
4.1 Introduction	50
4.2 Export Performance and Economic Growth	50
4.2.1 Terms of trade	58
4.3 The Structure of Bangladesh Exports	60
4.3.1 The method of transaction	60
4.3.2 Composition of exports	61
4.3.3 Export characteristics of prime commodities	63
4.3.4 Product diversification	68
4.4 Direction of Export	69
4.5 Government Export Policy	70
4.5.1 Objectives	70
4.5.2 Export incentives	72

4.6 Human Resource Export and Economic Development	72
4.7 Foreign Exchange Regime and Export Performance	75
4.8 Comparison with other South Asian Countries	76
4.9 Summary and Concluding Remarks	81
Chapter 5: Analytical Framework	83
5.1 Introduction	83
5.2 Method of Preliminary Investigation	83
5.3 The Theoretical Model	86
5.3.1 The conceptual framework	86
5.3.2 A formal model	89
5.4 The Empirical Model	92
5.4.1 The empirical specification	92
5.5 Estimation Techniques	94
5.6 Variable Definition and the Data	95
5.6.1 Definition of variables	95
5.6.2 Data sources	96
Chapter: 6 Empirical Results	98
6.2 Some Preliminary Results	98
6.3 The Results of the Whole Sample Period	100
6.3.1 The correlation analysis	100
6.3.2 The OLS results	101
6.3.3 Summary of the OLS results	103
6.4 The Results of the Auto Regressive Conditional Heteroscedastic (ARCH) Model	104
6.4.1 The Likelihood Ratio test for the significance of export	106
6.5 The Results for Post Liberation Period (1972-73 to 1991-92) and Pre Liberation Period (1961-62 to 1971-72).	107
6.5.1 Correlation analysis for sub-periods	107
6.5.2 The OLS results for sub - periods	110
6.6 Effects of the Composition of Export on GDP Growth for the Post -Liberation period (1972-73 to 1991-92)	112
6.7 The OLS Results for the Effects of Private vis-a-vis Public Investment	113

6.8 Major Findings	115
Chapter 7 : Summary, Conclusions and Policy Implications	119
7.1 Restatement of the Problem	119
7.2 Summary and conclusion	120
7.3 Policy Implications	122
7.3.1 Policies to promote export-oriented growth	123
7.4 Limitation of the Study	126
7.5 Suggestions for Future Research	127
Appendices	
Appendix 1: Basic indicators	128
Appendix 2 : Balance of payment of Bangladesh in crore Taka	129
Appendix 3: Merchandise export, foreign exchange reserve and official exchange rate	130
Appendix 4: GDP, investment and export (at constant 1984-85 prices in million Taka) and population in million	131
Appendix 5: Per capita export, percapita GDP, and per capita investment	132
Appendix 6: Balance of merchandise trade and export as percentage	133
Appendix 7 :Commodity wise export receipts	134
Appendix 8 Share of commodities in total export	135
Appendix 9: Share and growth rates of primary and manufacturing commodities	136
Appendix 10:Derivation of Feder model	137
References	139

List of Tables

Table 2.1	Feder's regression result for semi-industrialised LDCs	17
Table 2.2	Balassa's GNP growth model	19
Table 2.3	World Bank classification of forty-one developing economies by trade	28
Table 2.4	Export of goods and services as percentage of GDP	30
Table 2.5	Correlation coefficient	32
Table 3.1	The demographic transition of Bangladesh	40
Table 3.2	Economically active and inactive population By activity status	41
Table 3.3	Structure of employment in Bangladesh	42
Table 3.4	Consumption, investment and saving in Bangladesh	48
Table 4.1	Commodity terms of trade of Bangladesh	59
Table 4.2	Major destination of Bangladesh merchandise export	70
Table 4.3	Persons abroad and their remittances under wage earners' scheme	74
Table 4.4	South Asian countries structure of merchandise exports	77
Table 4.5	The types of traded commodities between Bangladesh and South Asian countries	78
Table 4.6	South Asian commodity export as percentage of GDP	79
Table 4.7	Growth rate of GDP of Asian countries	79
Table 4.8	Growth rate of merchandise exports	80
Table 4.9	South Asia's share in world export	81
Table 5.1	Major economic characteristics	
Table 6.1	Descriptive statistics of key variables	99
Table 6.2	Correlation between GDP and exports	100
Table 6.3	Results of the OLS estimates for the whole sample period 1961-62 to 1991-92	101
Table 6.4:	Lagrange Multiplier (LM) test for the first order ARCH process	105
Table 6.5	The ARCH MODEL	105
Table 6.6	Correlation coefficient between different measures of GDP and export Sub-Periods : 1972-73 to 1991-92 and 1961-62 to 1971-72	109
Table 6.7	Results of correlation co-efficient for sub sample of 1971-72 to 1981-82 and 1982-83 to 1991-92	110
Table 6.8	The OLS results for two sub periods	111
Table 6.9	The OLS results for 1973-74 to 1991-1992	113
Table 6.10:	The OLS results for the post-liberation period: private vis-a-vis Public Investment	114
Table 6.11	Estimated coefficient of export growth in models of GDP growth	117

List of Figures

Figure 2.1	Autarky and free trade in a small open economy	12
Figure 2.2	Effect of tariff protection	13
Figure 2.3	The case of immeserizing growth	14
Figure 4.1	Gross Domestic Product (GDP) and export in million Taka at 1984-85 prices.	51
Figure 4.2	Growth rate of GDP and growth rate of export	53
Figure 4.3	Growth rate of GDP and weighted growth rate of export	54
Figure 4.4	Growth rate of GDP and ratio of export to GDP	55
Figure 4.5	Per capita GDP, per capita export and per capita investment in constant price	56
Figure 4.6	Total, private and public investment in million Taka, 1984-85 price	57
Figure 4.7	Growth rate of GDP and investment- GDP ratio	58
Figure 4.8	Merchandise export as a percentage of import	62
Figure 4.9	Share of ready made garments, jute manufactures and fish in percentage	65
Figure 4.10	Percentage share of leather, raw jute, tea and fertilizer	66
Figure 4.11	Percentage share of primary and manufactured exports	67
Figure 4.12	Growth rate of primary and manufactured export	67
Figure 5.1	Positive externality effect	87
Figure 5.2	Productivity differential effect	88

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