

Growth Trend and Structural Changes in Foreign Trade of Bangladesh in the Post-Independence Twentieth Century

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Abstract: Since independence Bangladesh has been facing chronic trade deficit. The main reasons for this trade imbalance are increasingly large dependence on import of capital goods and machineries, industrial raw materials, fuel, food grain and a wide variety of consumer items on import side and low volume of few traditional export items, low valued products, high concentration on traditional markets, and low level of product diversification on the export front. Though the Government started trade policy reform in mid 1980s but it gained the real momentum in 1990s when the government started initiating a series of reforms. In the earlier years of independence Bangladesh adopted import substitution strategy but in the backdrop of frustrated results and changing global economic scenario Bangladesh switched to outward oriented trade strategy. The reforms include denationalization of public enterprises, simplification of private investment procedure, tax holidays, reduction of quantitative restriction, and removal of import licensing, simplification of custom procedure, eliminating quantitative restriction on import, decreasing tariff rates, bonded warehouse, and duty drawback facilities etc. The compound growth rate of export is estimated higher than that of import during 1972-2000. It is also observed that substantial changes occurred in the structure of export and import in terms of commodity compositions and directions of trade. The paper analyses the growth trend and structural changes in Foreign Trade of Bangladesh in the post independence twentieth century from 1972 to 2000.

1.0 Introduction

Foreign trade plays very important and crucial role in economic development of a country. Economic theories suggest that it reduces the dependence of foreign aid, augments the base of industrialization, increases foreign exchange earnings, creates employment opportunities, helps in transformation of the economic structure etc. Empirical evidences support that there exist positive correlation and strong causality between foreign trade and economic growth and development of many countries.¹ Bangladesh emerged as sovereign and independent country on 16 December 1971. Since independence Bangladesh has been facing with chronic deficit in the balance of trade. The main reasons have been

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¹ B. Balassa, 'Exports and Economic Growth: Further Evidence', Journal of Development Economics, Vol. 5, 1978 and P.C.Y. Chow, 'Causality Between Export and Industrial Performance: Evidence from NICs', Journal of Development Economics, Vol. 18, 1987.

identified as increasingly large dependence on import of capital goods and machineries, industrial raw materials, fuel, food grain and a wide variety of consumer items on import side and low volume of few traditional export items, low valued products, high concentration on traditional markets, and low level of product diversification on the export front. The paper is an attempt to analyse the growth trend and structural change in Foreign Trade of Bangladesh from 1972 to 2000.

The paper is organized into five sections where section one deals with introduction, section two highlights objectives and methodology, brief literature review, section three deals with export scenario with its growth trend and structural changes, section four analyses import scenarios with its growth trend and structural changes and section five is conclusion.

2.0 Objectives

The broad objective of the study is to examine the growth trend and structural changes of foreign trade Bangladesh during 1972-2000. The specific objectives of the study are to:

- ☐ Analyse the export scenario of Bangladesh during the study period.
- ☐ Determine the trend growth rate of export and the structural changes.
- ☐ Analyse the import scenario of Bangladesh during the study period.
- ☐ Determine the trend growth rate of import and the structural changes.

3.0 Methodology

The proposed study is both explanatory and evaluative type of research in nature. It has empirically examined the trend growth rate and structural change of foreign trade of Bangladesh from 1972 to 2000. Annual Time Series Data for the period from 1972-73 to 1999-2000 for export and import of Bangladesh at aggregate level and disaggregate level has been used to estimate the trend growth rate and to show the structural changes in the composition of export and import as well as its destination. The secondary sources of data included books, journals, published and

unpublished documents, various publications of the Export Promotion Bureau (EPB), Bangladesh Bank, Bangladesh Bureau of Statistics (BBS), Ministry of Finance, World Tables of World Bank, International Financial Statistics of IMF etc. Data were processed and presented by MS-Excel and SPSS software.

4.0 Specifications of Export and Import Trend Functions

Specifications of Export and Import Trend Functions

A. The Export Trend Function:

$$\text{Log } X = \beta_0 + \beta_1 T + \varepsilon_t$$

[Log X = Exports in logarithm, T = Year, ε_t = Error Term, β_1 = Coefficient]

B. The Import Trend Function:

$$\text{Log } M = \beta_0 + \beta_1 T + \varepsilon_t$$

[Log M = Imports in logarithm, T = Year, ε_t = Error Term, β_1 = Coefficient]

The above two are log-linear models and using OLS method of linear regression we get the estimate of β_1 which are the coefficients of time variable. Once β_1 are estimated then we take anti-log of β_1 . Then 1 is subtracted from the anti-log of β_1 and the results are multiplied by 100 to get the compound growth rates of exports and imports.² The formula for Compound Growth Rate (CGR) takes the following form:

$$\text{CGR} = [\text{Anti-log of estimated } \beta_1 - 1] \times 100.$$

5.0 Review of Literature

There are very few systematic and in-depth studies so far to examine the growth trend and structural changes of foreign trade of Bangladesh. The existing literatures, related to this study, are briefly reviewed in this section.

Reza (1981)³ analyses the chronic trade deficit of Bangladesh arguing that the export base and export earnings are persistently very low over a long span of time. He finds out the performance of export sub-sector is very poor because of heavy concentration on few traditional items like raw jute, jute goods, tea, fish, leathers etc. Analyzing the trade figures from 1950 to 1978 he tries to show the problems and prospect of this sub-sector. He also focuses the employment potential and income distribution

² D. N. Gujrati, Basic Econometrics, 4th edition, (Singapore: McGraw Hill Book Co. 2004), p 180.

³ Sadrel Reza. The Export Trade of Bangladesh 1950-1978. (Dhaka: The University of Dhaka, 1981).

implications of export oriented strategy of development. He also suggests for export-led growth strategy instead of import substitution growth strategy as a policy option. He also emphasizes on the production of manufactured goods for the promotion of exports as well as for industrial growth.

Bhuyan (1982)⁴ examines the prospect of non-traditional exports focusing on the imports of machinery and industrial raw materials. He shows that the demands for non-traditional items have been growing and there remains scope for modernization and expansion of this sub-sector. He does not give details about the transformation and diversification of non-traditional exports.

Kabir (1988)⁵ estimates the aggregate import and export demand functions of Bangladesh using time series data for a sample period from 1973 to 1983. In his study he chooses domestic price, foreign price, foreign exchange reserve, exchange rate as explanatory variables. He estimates the price elasticity and income elasticity of our exports and imports but he does not analyse the growth of export and imports.

Mahmood (1982)⁶ explains the possibilities of the export led growth in Bangladesh. He argues that a country like Bangladesh can achieve high standards of living only through industrialization and expansion of trade in manufacturing. Citing examples of South Korea, Taiwan, Singapore, Hong Kong he mentions that Bangladesh should avoid import substitution industries and move to manufactured export because the demand for manufactured exports are more stable compared to traditional products. He argues that traditional exports suffer from supply inelasticity in the world market.

Talukdar (1983)⁷ analyses the diversification of export with reference to Ready Made Garments (RMG). He points out that Bangladesh has comparative advantage in RMG because of cheap labour. He opines that

⁴ A. R. Bhuyan. *Non-Traditional Exports of Bangladesh: Trends, Performance and Prospects.* (Dhaka: Bureau of Economic Research, University of Dhaka, 1982).

⁵ R. Kabir. "Estimating Import & Export Demand Functions: The Case of Bangladesh", *Bangladesh Institute of Development Studies*, Vol. 16, No. 4, (Dhaka: December 1988).

⁶ Wahiduddin Mahmood. "Possibilities of Export-led Growth in Bangladesh". , *The Bangladesh Journal of Political Economy* , Vol. 6, No. 1, (Dhaka: 1982).

⁷ Md. Serajul Islam Talukdar. "Scope for the Diversification of Export Trade in Bangladesh with Special Reference to Ready Made Garments". *Bank Parikrama*, Dhaka, Vol.8, No.3,4, (September and December, 1983).

export earnings could be enhanced through promotion of RMG. This study places more weights only one export items. But other developing countries have been enjoying comparative advantage in RMG. So, in order to face global challenges Bangladesh should diversify export base.

Roy (1991)^৮ analyses the determinants of export performance of Bangladesh using an econometric analysis. He examines the causal relationship of the determining factors and export performance for Bangladesh. His study finds that the export performance of Bangladesh is associated with greater commodity diversification of exports. He shows that commodity exports have been diversified more over the years. Liberalization of trade and industrial policies has important consequences for the composition of exports as well as growth and stability.

Ahmed (2001)^৯ analyzes the trends and impact of trade liberalization in Bangladesh. He examines the impact of trade liberalization on import demand, export supply, industrial growth of Bangladesh using modern time series method of co-integration and error correction modeling. In analyzing Bangladesh experience with trade liberalization he addresses a number of key issues such as nature and policy instruments of trade liberalization, the degree of trade liberalization, impact of trade liberalization on import demand, export supply, industrial growth and government revenue, and external constraints faced by Bangladesh. He finds that both at aggregate and commodity level the import is generally less sensitive to import price changes whereas export both at aggregate and commodity level are sensitive to real exchange rate and relative prices. Bangladesh export supply is found as price inelastic at both levels. Using ECM he finds that trade liberalization it has significant role in improving the trade performance of Bangladesh.

Haseen (2007)^{১০} examines the policy shifts, structural change and growth performance of export and import of Bangladesh since independence. Analyzing annual export and imports figures she tries to determine the growth of export and import and to find out the change in composition of

^৮ Dilip Kumar Roy. "Determinants of Export Performance of Bangladesh". The Bangladesh Institute of Development Studies, Vol. 19, No. 4. (Dhaka: December 1991).

^৯ Nasiruddin Ahmed. Trade Liberalization in Bangladesh: An Investigation into Trend. Dhaka: The University Press Limited, 2001.

^{১০} Laila Haseen. 'Foreign Trade in Bangladesh: Policy Shifts, Structural Change and Growth Performance', Th: Jahangirnagar Economic Review, vol. 18, June 2007.

export and import. She also highlights the direction of foreign trade, openness of economy, policy regimes etc. She finds that despite different policy regimes and strategies Bangladesh foreign trade has gained chronic trade deficit and import has dominated over export.

Choudhury (2001)¹¹ estimates export demand function of total exports of Bangladesh and exports to fifteen major trading partners over the period 1972-73 to 1997-98. She shows growth, performance, structural change of export sector.

6.0 Export Scenario of Bangladesh during 1972-2000

It has been revealed from the history of foreign trade of the then Bengal that the economy was an export-oriented one since the beginning of the eighteenth century. The low price of raw Silk, Textiles and Food-grains attracted many traders of other parts of Asia and of Europe. However, the export-oriented foreign trade of Bengal did not put substantial impact on the domestic economy in terms of development of a local market or production base to meet increasing demands for export products. Due to the Industrial Revolution in England and the advancement of science and technology in other parts of the world, the products of Bengal gradually lost its international market. On the other hand the territory became dependent on import of manufactured products from abroad. This process had been continuing throughout the British period and East Pakistan. The government of Pakistan emphasized on exporting raw materials, primary and agricultural products while pursuing Import Substitution Strategy (ISS). But proper attention was not put in place to develop domestic manufacturing base and to increase domestic demand.

After independence Bangladesh continued the ISS policy. As a war devastated newly born country Bangladesh experienced very low exports for the first couple of years of its independence. The annual export growth rates were volatile with negative rate in some year upto 1986-87. Since then Bangladesh continued to achieve substantially high and positive growth rates in exports with few exceptions. The export earnings, growth rates and its share in GDP have been shown in table-1:

¹¹ Riffat Zaman Choudhury, 'Export Demand Function of Bangladesh: An Econometric Exercise', *The Bangladesh Development Studies*, vol. xxvii, 2001, pp 67-88.

Table-1: Exports of Bangladesh during 1972-73 to 1999-2000

Year	Exports (in M.US\$)	Growth Rate (%)	Exports as % of GDP	Remarks
1972-1973	369.7	4.37	4.0	First Decade of Independence (1972-1973 to 1981-1982). Bangladesh could not reach even at US\$ 1billion level of Exports.
1973-1974	369.7	4.37	4.0	
1974-1975	344.0	-6.95	2.4	
1975-1976	371.9	8.12	5.0	
1976-1977	404.6	8.74	5.7	
1977-1978	489.8	21.04	5.0	
1978-1979	609.7	24.69	5.3	
1979-1980	722.3	18.47	5.5	
1980-1981	711.0	-1.56	5.0	
1981-1982	626.0	-11.94	4.8	
1982-1983	686.0	9.58	5.6	Second Decade of Independence (1982-1983 to 1991- 1992). Bangladesh reached at US\$ 1billion level of Exports and it grew at closer to US\$ 2 billion.
1983-1984	811.0	18.21	5.7	
1984-1985	934.0	15.24	5.9	
1985-1986	819.0	-12.37	5.2	
1986-1987	1074.0	31.14	6.1	
1987-1988	1231.0	14.61	6.4	
1988-1989	1286.0	4.47	6.3	
1989-1990	1524.0	18.50	6.9	
1990-1991	1718.0	12.79	7.3	
1991-1992	1993.0	15.94	8.4	
1992-1993	2383.0	19.56	9.9	8 Years of Third Decade of Independence (1992- 1993 to 1991-1992). Bangladesh reached at closer to US\$ 6 billion level of Exports.
1993-1994	2600.0	9.10	9.9	
1994-1995	3473.0	33.54	11.8	
1995-1996	3884.0	11.83	12.2	
1996-1997	4427.0	13.83	13.5	
1997-1998	5172.0	16.82	15.2	
1998-1999	5324.0	2.94	14.7	
1999-2000	5762.0	8.22	15.2	

Source: Export From Bangladesh 1972-73 to 1999-2000, Export Promotion Bureau.

From table: 1, it appears that Bangladesh failed to achieve even US\$ 1 billion level of export during the first decade of independence with highest export earnings at US\$ 722.30 in 1979-1980. We can observe the phenomenal growth rates achieved in this decade were 21.04% in 1977-1978, 24.69% in 1978-1979 and 18.47 in 1979-1980. The export earnings decreased to US\$ 711.0 and US\$ 626.0 for the next two fiscals with negative growth rates at (-)1.56% and (-)11.94% in 1980-1981 and 1981-1982 respectively.

During second decade of independence Bangladesh achieved highest export earnings at US\$ 1993.0 million with registering 15.94 growth rate in 1991-1992. In this decade the only negative growth rate (-12.37%) was happened in 1985-1986. But this set back was overshadowed by

immediate overwhelming success in achieving 31.14% increase of export in the next fiscal 1986-1987. The remaining part of twentieth century and the eight years of third decade of independence Bangladesh experienced tremendous success in export earnings which is marked by US\$ 5762.0 million in 1999-2000 with 8.22% growth rate. The highest ever growth rate was recorded as 33.54% in 1994-1995 during the post-independence Bangladesh in the twentieth century. Bangladesh achieved commendable performance in export growth because of the overwhelming growth of RMG and knitwear exports over 1981-2000. The annual average growth rate of this sub sector was 37% over 1981-2000 and 29% for the period 1990-2000.¹²

6.1 Compound Growth Rates of Exports

The compound growth rates of exports are estimated for the entire study period from 1972-1973 to 1999-2000 along with the same for first decade (1972-1973 to 1981-1982), second decade (1982-1983 to 1991-1992) and the remaining eight years of twentieth century of our independence. The results are shown below:

Table-2: Compound Growth Rates for Exports

Period	Estimated Trend Equation	CGR (%)
1972-1973 to 1981-1982	$\log X = 2.48 + .039T$	9.40
1982-1983 to 1991-1992	$\log X = 2.29 + .049T$	11.94
1992-1993 to 1999-2000	$\log X = 2.18 + .058T$	14.29
1972-1973 to 1999-2000	$\log X = 2.40 + .047T$	11.43

Source: Author's own calculation.

In the above table it is observed that the compound growth rate of exports in the first decade of independence i.e. 1972-1973 to 1981-1982 is 9.40% while the same is 11.94% in the second decade i.e. 1982-1983 to 1991-1992 and 14.29% in the next eight years of third decade i.e. 1992-1993 to 1999-2000. It indicates that the growth rates of exports are higher in the subsequent decades meaning that our export trade is on increasing trend. The overall compound growth rate for 1972-1993 to 1999-2000 is estimated as 11.43%.

¹² Ibid, p.69

6.2 Structural Changes of Exports

In this section we shall show the structural changes taken place in the exports of Bangladesh during 1972-1973 to 1999-2000. The changes are characterized mainly by the changes in commodity compositions and direction of export destinations. Table 2 shows the commodity composition of exports while the destination of exports is depicted in table-3.

Export literatures and studies show that jute and raw jute were traditionally the main export items after independence. In 1973-1974 jute and raw jute contributed to about 90% of total exports while the remaining 10% was contributed by mainly leather, tea and chemical products. Gradually the share of jute and raw jute decreased due to less demand in world market. Its shares in total exports became 70% in 1977-1978, 73.9 in 1979-1980, 57.8% in 1984-1985, 29.7% in 1989-1990, 11.5% in 1994-1995, 7.06% in 1998-1999 and 5.87% in 1999-2000. Traditional export items contributed to 97.04% in 1973-1974, 88.4% in 1977-1978, 87.8% in 1979-1980, 71.8% in 1984-1985, 44.0% in 1989-90. So it is evident that the shares of traditional exports are falling. It becomes only 12.14% in 1994-1995, 7.76% in 1998-1999 and 6.12% in 1999-2000.

On the other hand the shares of non-traditional exports increased substantially over the years. In 1973-1974 the share was recorded as 2.96% which increased to 11.6% in 1977-1978, 12.2% in 1979-80, 28.2 in 1984-1985. Basically the growth of non-traditional exports could be explained by the Ready Made Garments (RMG) and Knitwear as new export items. The contribution of non-traditional exports boosted fast in subsequent years which were 56% in 1989-1990, 87.83% in 1994-1995, 92.24% in 1998-1999, and 93.88% in 1999-2000. The share of RMG was 0.1% in 1979-1080 which increased to 12.4% in 1984-1985. The total share of RMG and Knitwear together was recorded as 40.90% in 1989-1990 which rose to 64.1% in 1994-1995, 75.67% in 1998-1999 and in 1999-2000.

Table-3: Percentage Shares of Exports of Major Items

Year	(in %)				
	Jute and Jute Goods	Tea	Leather and Leather Goods	Frozen food	RMG
1972-1973	90.7	2.7	4.6	1.3	-
1981-1982	66.2	6.3	10.6	8.8	1.2
1991-1992	21.6	1.8	8.3	7.3	59.3
1999-2000	6.3	0.3	3.7	6.4	81.5

Source: Export From Bangladesh 1972-73 to 1999-2000, Export Promotion Bureau.

If we classify the export items as primary commodities and manufactured commodities, we observe that the share of primary commodities gradually decreased and the same for manufactured commodities increased over the years. The share of primary commodities was recorded as 41.41% in 1973-1974 which was decreased in the subsequent years as 34.45% in 1977-1978, 30.75% in 1979-1980, 33.88% in 1984-1985, 21.20% in 1989-1990, 13.02% in 1994-1995, 7.95% in 1998-1999 and 8.16% in 1999-2000. On the other hand the share of manufactured items of total exports was recorded as 58.54% in 1973-1974 which was subsequently recorded as 65.55% in 1977-1978, 69.25% in 1979-1980, 66.12% in 1984-1985, 87.80% in 1989-1990, 86.98% in 1994-1995, 92.05% in 1998-1999 and 91.84% in 1999-2000. The structural change in the composition of exports is a major breakthrough in our export sector over the period 1981-2000. The share of RMG and Knitwear in total exports increased from less than 1% in 1981 to about 40% in 1990 and 76% in 2000. The share of traditional export declined from 74% in 1981 to 33% in 1990 and only 6% in 2000. The share of manufacturing exports in total exports increased from 57% in 1972-1973 to 66% in 1977-1978, 77% in 1987-1988, 88% in 1995-1996 and 90% in 1997-1998.¹³

6.3 Direction of Exports of Bangladesh

Traditionally the USA is main destination of our exports followed by European countries, Canada, Australia, Japan and other Asian countries. The share of total exports directed to the USA was 16.15% in 1973-1974, 13.70% in 1983-1984, 28.99% in 1993-94, 37.38% in 1997-1998, and 39.52% in 1999-2000. The UK imported 6.75% of our total exports in 1973-1974, 5.25% in 1983-1984, 10.23% in 1993-94, 8.35% in 1997-

¹³ Ibid, pp. 70-71.

1998, and 8.69% in 1999-2000. Germany imported 1.90% in 1973-1974, 1.65% in 1983-1984, 10.86% in 1993-94, 9.90% in 1997-1998, and 11.45% in 1999-2000. We exported to Italy 2.97% of our total exports in 1973-1974, 8.52% in 1983-1984, 6.73% in 1993-94, 5.24% in 1997-1998, India is also seen as one of the major destinations of our exports. We exported 4.38% of our total exports to India in 1973-1974, 2.61% in 1983-1984, 0.66% in 1993-94, 1.27% in 1997-1998, 1.12% in 1999-2000. If we look at the direction of Exports by major regions we observe that the American region and EU countries are the major sources of our export destination followed by Asian, Middle East and African regions. Regional distribution of our exports is shown in table-4:

Table-4: Distribution of Exports by Regions

Region	Share of Exports by Year (in percentage)				
	1972-1973	1982-1983	1994-1995	1997-1998	1999-2000
American	27.30	13.00	36.72	40.00	41.80
EU Countries	26.40	18.60	40.14	43.47	44.50
Asian	07.50	27.70	13.43	08.95	07.50
Middle East	03.70	13.10	03.17	02.78	02.20
African	12.60	13.10	02.39	1.02	00.70
Others	22.50	14.50	04.15	03.78	03.30

Source: Export From Bangladesh 1972-73 to 1999-2000, Export Promotion Bureau.

It is evident from the table that EU countries and American region are the two major destinations of our exports which reflect the higher degree of market concentration and this type of dependency is always vulnerable and may pose external shocks.

7.0 Import Scenario of Bangladesh during 1972-2000

The annual import figures from 1972-1973 to 1999-2000 are shown in the following table. In the first decade of our independence the highest import was US\$ 2572 million in 1981-1982. In the second decade the same was recorded highest as US\$ 3759million in 1989-1990. The import rose to US\$ 8403million in 1999-2000. The annual growth rates of import were found more volatile in the first decade of independence as it - 31.37% in 1976-1977 and 54.17% in 1977-1978. During the second decade of independence the import growth rates were moderate and fairly stable which was recorded highest as 13.46% in 1987-1988 and lowest as -0.20% in 1991-1992. Since 1992-1993 there was no negative growth of import. Import was in on increasing trend and the growth was 37.27% in

1994-1995 and 3.09% in 1996-1997. The shares of imports in GDP were in between 8.7% and 22.2 % during 1972-1973 to 1999-2000¹⁴. Since 1995-1996 the share of imports in GDP remained more than 16%. The more share of import in GDP compared to export share indicates more trade deficit.

Table-5: Imports of Bangladesh during 1972-73 to 1999-2000

Year	Imports (in M. US\$)	Growth Rate (%)	Imports as % of GDP	Remarks
1972-1973	780	-	8.7	First Decade of Independence (1972-1973 to 1981-1982). Bangladesh Import reached at US\$ 2.5 billion level.
1973-1974	925	18.58	10.0	
1974-1975	1403	51.67	9.8	
1975-1976	1275	-9.12	17.1	
1976-1977	875	-31.37	12.3	
1977-1978	1349	54.17	13.8	
1978-1979	1556	15.34	13.6	
1979-1980	2372	52.44	18.3	
1980-1981	2533	6.78	17.7	
1981-1982	2572	1.54	19.8	
1982-1983	2309	-10.22	18.6	Second Decade of Independence (1982-1983 to 1991-1992). Bangladesh reached at US\$ 3.4 billion level of imports.
1983-1984	2353	01.90	16.4	
1984-1985	2647	12.49	16.9	
1985-1986	2364	-10.69	15.1	
1986-1987	2620	10.82	14.9	
1987-1988	2986	13.46	15.6	
1988-1989	3375	13.02	16.5	
1989-1990	3759	11.33	16.8	
1990-1991	3470	-7.68	14.8	
1991-1992	3463	-0.20	14.6	
1992-1993	3986	15.10	16.6	8 Years of Third Decade of Independence (1992-1993 to 1991-1992). Bangladesh reached at closer to US\$ 8.4 billion imports.
1993-1994	4250	6.62	16.2	
1994-1995	5834	37.27	19.9	
1995-1996	6947	19.08	21.8	
1996-1997	7162	3.09	21.8	
1997-1998	7524	5.05	22.0	
1998-1999	8018	6.56	22.1	
1999-2000	8430	4.80	22.2	

Source: Economic Trends, Bangladesh Bank, Foreign Trade Statistics, BBS, various issues.

7.1 Compound Growth Rates of Imports

The compound growth rates of imports are estimated for the entire study period from 1972-1973 to 1999-2000 along with the same for first decade (1972-1973 to 1981-1982), second decade (1982-1983 to 1991-1992) and the remaining eight years of twentieth century of our independence. The results are shown below:

¹⁴ Nabi Maruf Ashraf, Growth and Diversification of Foreign Trade: Impact on the Performance of External Sector of Bangladesh, unpublished PhD thesis submitted to Institute of Bangladesh Studies, (University of Rajshahi, October 2006).

Table-6: Compound Growth Rates(CGR) for Imports

Period	Estimated Trend Equation	CGR (%)
1972-1973 to 1981-1982	$\log M = 2.85 + .056T$	13.76
1982-1983 to 1991-1992	$\log M = 2.95 + .025T$	5.93
1992-1993 to 1999-2000	$\log M = 2.95 + .048T$	11.69
1972-1973 to 1999-2000	$\log M = 2.95 + .035T$	8.39

Source: Author's own calculation.

In the above table it is observed that the compound growth rate of imports in the first decade of independence i.e. 1972-1973 to 1981-1982 is 13.76% while the same is 5.93% in the second decade i.e. 1982-1983 to 1991-1992 and 11.69% in the next eight years of third decade i.e. 1992-1993 to 1999-2000. It indicates that the growth rates of imports are fluctuating and it becomes lower than the first decade meaning that our domestic production is on increasing trend. The overall compound growth rate of imports for the period 1972-1993 to 1999-2000 is estimated as 8.39% whereas the compound growth rate of export for the same period is found as 11.43%. It indicates that our export sector has performed well compared to that of import sector during 1972-1993 to 1999-2000.

7.2 Structural Changes of Imports

In this section we shall show the structural changes taken place in the import of Bangladesh during 1972-1973 to 1999-2000. The changes are characterized mainly by the changes in commodity compositions of imports and sources of imports. Table- 3 shows the commodity composition of imports while the sources of import are depicted in table-4.

Table-7: Percentage Shares of Imports by Economic Classifications

Years	Consumer Goods	Materials for Consumer Goods	Capital Goods	Materials for Capital Goods
1973-1974	57.3	18.4	18.1	6.2
1978-1979	18.8	42.0	18.4	20.8
1983-1984	28.8	36.6	26.6	10.0
1988-1989	34.5	33.0	11.8	20.7
1993-1994	41.48	28.89	12.0	17.63
1998-1999	39.1	29.2	13.30	18.4
1999-2000	40.0	28.2	11.9	19.9

Source: Economic Trends, Bangladesh Bank, Bangladesh Economic Review, various issues.

It is evident from the above table that consumer goods and the raw materials for consumer goods dominated as principal import item. The share of capital goods and raw materials for capital goods in total imports was 24.2% in 1973-1974, 39.2% in 1978-1979, 32.5% in 1988-1989 and 31.8% in 1999-2000. On the other hand the share of consumer goods and raw materials for consumer goods declined gradually as it was 75.7% in 1973-1974, 60.8% in 1978-1979, 68.3% in 1988-1989 and 68.2% in 1999-2000.

The relative share of principal import commodities is shown in table-8. At the earlier years of independence food grain was our main import items but gradually its share in total imports decreases over the years as domestic production substantially increased.

The import of cotton and textiles increases over the years because of higher domestic demand in local RMG and Knitwear manufacturing. The import of capital goods and materials for capital goods remained a large portion of our total import indicating positive sign of domestic industrialization and expansion of manufacturing base.

Table-8: Relative Share of Principal Imported Commodities.

Year	(in %)				
	Food Grain	Crude Petroleum and Petroleum Products	Cotton and Textiles	Fertilizer	Capital Goods and Materials
1973-1974	36.0	9.8	7.1	2.6	17.0
1978-1979	12.7	12.2	6.1	8.6	26.7
1983-1984	15.3	15.1	6.4	3.2	28.4
1988-1989	11.12	8.33	7.36	3.19	32.29
1993-1994	4.05	8.37	18.13	3.5	33.34
1998-1999	8.89	4.85	16.76	1.5	24.59
1999-2000	4.53	7.59	17.02	0.95	25.38

Source: Sultan Hafeez Rahman¹⁵, Economic Trends, Bangladesh Bank, various issues.

¹⁵ Sultan Hafeez Rahman, 'The External Economy of Bangladesh: Trends, Structure and the Terms of Trade, BIDS Research Report No. 120, (Dhaka, BIDS, 1990), p. 27.

Table-9 : Sources of Imports by Regions

(in %)

Region	Share of Imports by Year (in percentage)				
	1973-1974	1985-1986	1994-1995	1997-1998	1999-2000
American	31.71	12.40	6.48	6.23	12.44
EEC Countries	19.45	11.96	7.57	10.22	8.90
East Europe	15.45	3.50	0.87	1.73	2.63
Asian	19.70	50.88	63.20	64.68	60.96
Middle East	2.88	14.98	03.17	5.59	7.69
African	1.20	0.76	0.37	0.75	1.00
Oceania	7.21	1.57	14.92	5.60	3.61
Others	2.4	3.95	3.42	5.2	2.77

Source: Economic Trend of Bangladesh Bank, Bangladesh Economic Review(various issues)

Form the above table it is clear that Asian countries become major source of our imports. This is because of bulk import from India and China due to the geographical proximity. In 1973-1974 American regions was our main source of imports followed by Asian, EEC and East European countries. Asian countries become the source of 50 per cent imports in 1985-1986. In 1999-2000 the share of import of Asian countries was recorded as 60.96%.

8.0 Conclusion

Though Bangladesh has been suffering chronic trade deficit since independence but there are a number of remarkable achievement in improving trade-gdp ratio, export diversification in terms of items and markets, increase imports of capital goods and raw materials for capital goods. The significant increase in trade-gap ratio of Bangladesh reflects greater degree of openness of the economy to the external world. The structure of export has changed significantly, shifting from primary goods to manufacturing goods and from traditional to non-traditional items. The structure of imports also changed significantly in terms of commodity and sources. The government initiated extensive trade reform programs to increase of export of newly developed non-traditional and higher value added products. The major elements of the policy reforms included liberalization of imports and simplification of import procedures, rationalization of tariff structure, reduction in tariff rates and quantitative restrictions, pursuit of a flexible exchange rate policy, allowing IMF-

consistent counter trade, and provision of specific and transparent export promotion measures. The Five Year Export Policy and Five Year Import Policy Order were adopted by the government during the Fifth Five-Year Plan period (1997-2002) to improve the foreign trade sector of Bangladesh with emphasis on product diversification and quality improvements, backward linkages, foreign investment etc on export side and import of raw materials, capital machinery on the import side.

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