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How Does Export Composition Affect Growth in Developing Countries?

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Exports of developing countries are recognized as a source of valuable foreign exchange as well as an area of additional productive activity. A few developing countries have based a large part of their economy on export production and have accomplished rapid and sustained growth. This has caused wider support for the idea of trade as an integral part in development. Recently, the literature has examined whether, in addition to or aside from the large share of exports to GDP, the composition of exports was also a vital factor in distinguishing the superior growth performances of these few countries relative to that of the majority of developing countries. Available empirical studies have proxied this factor by using countries classified as either 'manufactured-oriented' or 'primary-oriented'. Their results have largely urged further investigation on this newer issue. This purpose of this study then, is to seek more conclusive evidence on the importance of export composition for growth in developing countries. The model proposes that with all other factors constant, an increase in the manufactured share of production over time should strongly and positively encourage growth, as theorized in the literature. The countries selected are carefully chosen according to region, inward/outward trade bias, and export composition, in order to allow for a 'balanced' sample. In addition, the export-based economies of South-East Asia are excluded from the sample due to their high share of exports in GDP. The relevant period for the study is 1970 - 85.