

E.A. Weerasinghe

*University of Sri Jayawardenapura*

The relative merits of export promotion and import substitution strategies have received substantial attention in the development literature. The 1970's have witnessed an emerging consensus in favour of export promotion. Further evidence in favour of export promotion has come from statistical work on the relationship between export and growth.

The aim of the study was to test the validity of the hypothesis i.e. whether the growth in export invariably leads to economic growth or not. The test of the above hypothesis was done using appropriate statistical techniques, especially the causality test developed recently.

This study covered the period 1957 to 1985. The economic growth was measured by the annual values of Gross Domestic Product and export growth was measured by the annual values of exports. Real exports and GDP were obtained by deflating their nominal values by the price indices on 1980. The data used here, were taken from the reports of International Financial Statistics and data analysis was made through the micro computer using the statistical package, developed by the Computer Centre, University of Sri Jayawardenepura.

The Analysis of export data revealed that the growth in export has been subjected to various fluctuations. Upto 1973, the growth in export earnings had been stagnant and since then an upward trend has been seen. The study concludes that the growth in export does not cause economic growth whereas economic growth causes growth in export. A major finding of the aggregative analysis is that economic growth and growth in export enjoy uni-directional simple causality i.e. economic growth causes export growth.