The Economic Journal of Nepal, Vol. 27, No. 1, Jan.-Mar. 2004 (Issue No. 105) © CEDECON-TU

Nepal's Export Performance: A Constant Market-Share Analysis

*Udaya Raj Regmi**

Abstract

Nepal's export performance in terms of export growth has been decomposed into world trade effect, commodity composition effect, market distribution effect, and competitive effect by using a constant market share model for two sub-periods, 1977-86 and 1986-96. It is found that rapidly expanding world trade proves to be the most important single factor behind the acceleration of export growth of Nepal. Commodity composition has not contributed to export growth at all because the country has specialized on such products for which demand is relatively slow in the world market. Also, market distribution has hardly contributed to export growth as the country has diversified exports from India to overseas countries where markets are more stagnant. Nepal's export sector has lost its competitiveness in the international market due to poor competitiveness of manufacturers as compared with primary products.

Introduction

Export plays a conspicuous role in promoting economic growth of LDCs with open economies. The leading and dominating position of industrial as well as newly industrialized countries in the world export scenario has encouraged LDCs for prioritizing the export sector as an accelerator of economic prosperity and living standard of the people of Nepal. In order to meet the import requirements of development goods, to release the country from the burden of repayment of principal and interest thereof arising from ever-increasing proportion of loan, and to relax the pressure on saving following the curtailment of aid, export helps mitigate the binding foreign exchange constraints and attenuate the foreign exchange gap.

Apart from earning foreign exchange, export contributes to economic growth through generating tremendous employment opportunities, augmenting national income, permitting the exploitation of economies of scale, leading to better resource allocation and raising total factor productivity growth. Exports also help to improve the rate of capital formation, correct

* Dr. Regmi is Lecturer and Head, Department of Marketing, M.M.A.M Campus (T.U.), Biratnagar, Nepal.

the balance of payments deficits, and contribute to industrialization. As a result, too much emphasis is placed on the expansion of exports, necessitating and warranting an analysis of export performance in the context of Nepal. To analyze the export performance of a country, Tyszynski (1951), Leamer and Stern (1970), Richardson (1971), Banerji (1974), Biswas (1982), Tiwari (1985), Agarwal (1988) and Roy (1991) have applied a c and Roy (1991) have applied a c. "The technique basically tries to segregate the observed growth of exports of a country in terms of its export structure and the residual called competitiveness. The CMS analysis seems to provide a powerful taxonomic device for grouping the major components of export growth and gives single aggregate measures to reflect the changes occurring at disaggregated product level" (Biswas, 1982). The constant market share analysis provides a useful tool for analyzing export performance by allowing achieved export growth to be separated into the world demand, commodity composition, market distribution, and competitiveness, and furnish useful information concerning the extent to which the country in question is exporting to markets with relatively unfavorable or favorable growth rates, which sort of information my be of interest to the authorities concerned with export policy (Leamer and Stern, 1970 :1979). As a matter of fact, it provides a useful decomposition criterion for analyzing the export performance of a country between two periods.

Symbolically constant market share model is expressed algebraically as:

$$V^1-V^0=\Sigma rv_i^0+(\Sigma r_i v_i^0-\Sigma rv_i^0)+(\Sigma\Sigma r_{ij}v_{ij}-\Sigma r_i r_i v_i^0)+(\Sigma\Sigma_j v^1_{ij}-\Sigma\Sigma v^0_{ij}-\Sigma\Sigma r_{ij}v^0_{ij}).....(1)$$

If the order of the centre two terms viz. commodity composition and market distribution effect is reversed, equation (1) would be written as:

$$V^1-V^0=\Sigma rv^o_i+(\Sigma r_j v^o_j-\Sigma rv^0_j)+(\Sigma\Sigma r_{ij}v_{ij}-r_j v_{ij})+(\Sigma\Sigma v^1_{ij}-\Sigma\Sigma v^0_{ij}\Sigma\Sigma r_{ij}v_{ij}).....(2)$$

Where,

- V = Total Nepalese exports in value terms.
- V_i = Nepalese exports of commodity i in value terms.
- Vj = Nepalese Exports to market j in value terms.
- Vij = Nepalese exports of commodity i to market j in value terms.
- r = Percentage increase in total world exports from initial year to terminal year.
- ri = Percentage increase in total world exports of commodity i from initial year to terminal year.
- rij = Percentage increase in world exports of commodity i to market j from initial year to terminal year. The superscript 1 and 0 refer to the terminal and initial year respectively.

In this study, twenty-one commodity group at SITC three-digit level, and six market group viz. Asia, America, the European Union, other Europe, Oceania, and Africa have been considered for two sub-periods :1977-86 and 1986-96.

The first term in the right hand side of both equations indicates the world trade effect. Its magnitude shows the potential increase in Nepalese exports if it maintained its share of world exports. The second term in equation (1) and the third term in equation (2) are the commodity composition effects. The positive sign of commodity composition effects indicates that Nepal's export structure is relatively concerned on high growth commodities. It would

be negative in the reverse case. The third term in equation (1) and the second term in equation (2) are the market distribution effects. Its sign would be positive if Nepal had concentrated its exports in markets that were experiencing relatively rapid growth. The sign would be negative if Nepal had concentrated in more stagnated markets. The last term points out the competitiveness effects When a country fails to maintain its share in world markets, the competitiveness term will be negative and will indicate price increases for the country in question somewhat greater than its competitors (Leamer and Stren, 1970: 172).

Decomposition Analysis

As can be seen is Table 1 that Nepal's export growth can predominantly be attributed to the increase in world trade, which caused, 266.98 percent change in exports in the 1997-86 period. The contribution of the increase in world trade to the actual increase in Nepal's exports almost doubled in absolute terms between 1977-96 and 1986-96. But the strength of this source of export earning considerably declined over the period 1986-96, registering only 110.49 percent change in exports. This is due primarily to minimal share of Nepal's exports in the world's exports. Despite the success attained by the country in diversifying food exports of the 1960s to other primary commodities in the 1970s to manufactures in the 1980s, the share of the export sector of the country vis-à-vis the world declined considerably. As shown in Table 2, the percentage of Nepal's export in the world exports declined from all time high of 0.0106 percent in 1976 to 0.0071 percent in 1986 and then marginally increased to reach 0.0073 percent in 1996. It is therefore the fact that Nepal could not keep pace with the world is evident from her low and even declining export shares. Still, rapidly expanding world trade is the single source of export growth of the country in recent years.

Table 1. Sources of Export Growth in Nepal

Equation I	Period		Equation II	Period	
	1977-86 (Mn$)	1986-96 (Mn$)		1977-86 (Mn$)	1986-96 (Mn$)
Change in Exports	35.4 (100.0)	107.83 (100.0)	Change in Exports	35.4 (100.0)	107.83 (100.0)
Due to increase in world trade	94.51 (267.0)	185.3 (110.5)	Due to increase in world trade	94.51 (267.0)	185.3 (110.5)
Due to commodity composition	-75.13 (-212.2)	-20.72 (-12.4)	Due to commodity composition	-6.19 (-17.49)	-74.42 (-44.34)
Due to market distribuion	-0.97 (-2.74)	-10.6 (-6.3)	Due to market distribution	-77.71 (-219.52)	-42.88 (-25.55)
Due to competitive effect	16.99 (47.99)	-46.2 (-27.5)	Due to competitive effect	16.99 (47.99)	-46.2 (-27.5)

Note: Figures in parentheses indicate their respective percentage.

Source : Author's Calculation based on data from Yearbook Of International Trade Statistics (Various Issues), UN, Overseas Trade Statistics (Various Issues),7 TPC, Foreign Trade Statistics (Various Issues), NRB.

Table 2. Share of Nepal's Exports in World Exports

Year	Percentage of Nepal's Exports in the world Exports	Year	Percentage of Nepal's Exports in the world Exports	Year	Percentage of Nepal's Exports in the world Exports
1976	0.0106	1983	0.0056	1990	0.0063
1977	0.0078	1984	0.0072	1991	0.0076
1978	0.0075	1985	0.0090	1992	0.0100
1979	0.0071	1986	0.0071	1993	0.0105
1980	0.0042	1987	0.0064	1994	0.0085
1981	0.0076	1988	0.0071	1995	0.0068
1982	0.0051	1989	0.0054	1996	0.0073

Source: International Financial Statistics (Various Years), IMF.

The negative effect of commodity composition indicates that Nepal's exports are concentrated on products for which demand is growing relatively slowly. In spite of the diversification away from primary commodity to manufactures, which are also growing slowly, since the mid-1980s, Nepal cannot get rid of the problem of concentration on these slowly moving items. Suffice it to say that the vulnerability of Nepal's export lies in the commodity composition of exports. Nepal seems to have specialized in those commodity groups in which the expansion of world trade is least marked or even negative. In most of the products, specialization declined irrespective of the growth in world demand. Here the crux of the problem lies in the failure in shifting specialization from slow growth items to fast growth ones. Consequently, Nepal's commodity composition could not match to that of the world exports resulting in 212.23 percent loss, which amounted to $75.13 million, accrued in the potential increase in exports. Nepal could not manage to maintain the specialization in those items in which world demand is high (Table 3). However, specialization in readymade garments and seeds for other fixed oils, which enjoyed the highest growth rates in world market, has increased. As such, Nepal's loss in export earnings reduced to the extent of only $20.72 million in 1996 (Table 1). The pattern of world trade expansion was clearly unfavorable to Nepal principally because of Nepal's specialization in jute, spices, and floor coverings for which world trade is either below average or negative. Also, the relative importance of crude vegetable materials, paper, special textile fabric prods, textile articles nes, and outwear knit non-elastic in Nepal's exports is low, in which world trade increased by as much as or more than average .Surprisingly, Nepal has increased her specialization in tea and coffee in spite of negative growth rate in world trade. As the world demand is very low in floor coverings, Nepal should not entirely depend on it.

Table 3. Nepal's Specialization Index

Commodities	1977	1996	Average growth in world trade (1977-96) (in percentage)
Live Animals for Food	52.65	5.61	6.9
Butter	181.95	4.33	6.09
Rice	318.6	...	5.58
Vegetable etc fresh simply preserved	11.05	8.95	7.82
Tea and Coffee	0.33	5.57	-0.36
Spices	68.24	16.50	4.92
Feeding Stuff for Animals	34.04	4.58	10.81
Tobacco Unmanufactured	17.90	...	5.43
Hides, Skins etc. furs Raw	28.73	1.84	5.01
Seeds for other Fixed Oils	389.00	532.50	10.31
Jute other Textile Bast Fibers	713.13	37.14	-3.19
Crude Animal Materials nes	0.21	.0003	6.52
Crude Vegetable Materials nes	10.34	1.64	8.62
Dyes nes Tanning Production	236.00	11.14	10.89
Paper and Paper Products	0.12	0.18	9.08
Special Textile Fabric Prods	79.13	0.38	8.5
Textile Articles nes	5.96	0.006	10.6
Floor Coverings etc	11.51	227.55	5.58
Readymade Garments	0.41	14.98	11.18
Outwear Knit Non-elastic	1.23	0.90	10.9
Works of Art	11.80	6.39	7.09
Others	0.01	0.29	8.42
Average of all commodities			8.45

Note: Specialization index is the ratio of the percentage share of Nepal's exports to the percentage share in the world exports of a given commodity.

Source : Author's Calculation based on data from Yearbook of International Trade Statistics (Various Issues), UN.

The pattern of market distribution has had substantial influence on export growth between 1977 and 1996. Moreover, the situation went from bad to worse in 1996 as the magnitude of its effect increased substantially. The country has made tremendous strides in diversifying

exports away from India to other countries which are more stagnant markets and also experiencing slow growth. Table 4 reveals Nepal's relative dependence on various markets in respect of seven commodity groups in 1985 and 1996, and the percentage rates of growth of these various markets during the period 1985-96. The relative dependence of floor coverings on Germany is very high, and on Spain, Austria and Belgium is moderate, but growth of these markets is far below average and even negative especially during the period 1991-96. The U.S.A. and Japanese market is the fastest growing but its relative importance in small for Nepal. The opportunities for expanding exports lie in the U.K. but it is becoming relatively unimportant to Nepal in recent years. In garments, Japan, Australia, France, Spain and Italy, in addition to The U.S.A., are prominent among the countries where the expansion of demand is most marked but these markets are relatively unimportant for Nepal. As for Germany, the growth rate of market is negative and no longer remains a potential market. Japan and the U.S.A. are the most promising markets for woolen goods but the market is relatively unimportant for Nepal, Hides and Skins have no strong demand as other commodities mentioned above. The U.K. is the most potential market for it but its relative dependence declined substantially. For tea, Japan and Germany have the highest demand but the market dependence is too low and declined further. There is no definite market pattern for pulses. The loss due to the unfavorable market pattern of the world trade in the latter period amounted to $ 20.72 million, which was a mere $ 0.9 million in the former period. The contribution of export to growth in 1996 mainly came from Germany (33.96%), followed by the U.S.A. (28.53%), and India (18.52%). The Share of Nepal in total imports of these countries is still trivial imports of these countries are still trivial. The government of Nepal is giving priority to concentrate exports at stagnant markets where no prospects appear for further export growth. The country should be prepared as soon as possible to export at highly growing markets such as Hong Kong, Singapore, Japan, China, Sri Lanka, Bangladesh and India (Table 5).

Table 4. Market Dependence Ratios of Nepal's Exports and the Market Pattern of World Trade Growth

Markets	Year	Commodities						
		Floor Coverings	Readymade Garments	Woollen Goods	Hides and Skins	Pulses	Tea	Crude Vegetable Materials
U.S.A.	1985	0.0189	0.1302	0.0011	...	...	...	...
	1996	0.0459	0.0955	...	...	...	...	...
	Average Growth (1985-96)	3.13	7.99	9.98	...	...	...	...
Germany	1996	0.2020	0.0002	0.0014	0.0119	...	0.0039	...
	1996	1.1014	0.0030	0.0016	0.0092	...	0.0026	...
	Average Growth (1985-96)	8.66	11.44	10.14	-1.11	...	7.86	8.49

Italy	1985	...	0.00002	...	0.1529	0.0122	0.0000	...
	1996	...	0.0007	...	0.0795	...	0.0012	...
	Average Growth (1985-96)	6.48	17.16	...	2.82	0.82	3.9	...
U.K.	1985	0.1050	0.00009	0.00005	0.0519	0.0122	...	...
	1996	0.0179	0.0028	0.0009	0.0002	...	...	...
	Average Growth (1985-96)		6.55	9.97	12.31	3.47	0.82	... ...
Switzerland	1985	0.0405	0.00007	...	...	...	0.0000	...
	1996	0.0711	0.0003	...	0.0004	...	...	...
	Average Growth (1985-96)	3.94	8.88	...	-5.48	...	-0.29	...
Spain	1985	0.0003	0.0000006	...	...	...	...	...
	1996	0.0225	0.0003	...	0.0009	...	...	...
	Average Growth (1985-96)	19.78	31.06	...	0.72	...	...	...
Austria	1985	0.0011	0.00515	...	...	...	...	...
	1996	0.032	0.00006	...	...	...	...	...
	Average Growth (1985-96)	7.35	11.16	...	...	...	...	...
Belgium	1985	0.0022	...	...	...	...	...	...
	1996	0.0454	...	...	0.00005	...	...	...
	Average Growth (1985-96)	8.65	10.19	...	0.96	...	...	...
France	1985	0.0027	0.0000012	0.00006	...	...	...	...
	1996	0.0061	0.0005	0.00014	...	...	0.00016	...
	Average Growth (1985-96)	3.93	13.32	10.99	...	...	1.9	...
Netherlands	1985	0.0078	...	..	...	...	0.00016	...
	1996	0.0104	...	...	...	...	0.00002	...
	Average Growth (1985-96)	5.1	...	...	...	...	-1.2	12.08

Japan	1985	0.0014	0.0003	0.0004	0.0115	...	0.0002	...
	1996	0.0008	0.0005	0.00003	0.0002	...	0.00004	...
	Average Growth (1985-96)	16.79	24.25	18.92	-1.21	...	7.33	...
Canada	1985	...	0.0008	0.0001	...	0.0017	...	...
	1996	...	0.014	0.00095	...	...	...	...
	Average Growth (1985-96)	...	5.41	4.46	...	5.26	...	...
Sweden	1985	...	0.0003	0.0002	...	...	...	...
	1996	...	0.0015	0.0003	...	...	...	...
	Average Growth (1985-96)	...	4.95	3.58	...	...	...	...
Australia	1985	...	0.0001	0.0002	...	...	...	...
	1996	...	0.0004	0.00038	...	...	...	...
	Average Growth (1985-96)	...	17.7	4.47	...	...	...	...
Hong Kong	1985	...	...	...	...	0.0554	...	...
	1996	...	...	...	...	...	...	...
	Average Growth (1985-96)	...	...	...	...	-3.57	3.44	...
Bangladesh	1985	...	...	...	...	...	...	...
	1996	...	...	...	...	0.2366	...	...
	Average Growth (1985-96)	...	...	...	...	23.24	...	...
Korea	1985	...	...	...	...	...	...	...
	1996	...	...	...	...	0.0004	...	...
	Average Growth (1985-96)	...	...	...	...	8.16	...	...
Sri Lanka	1985	...	...	...	...	0.1476	...	...
	1996	...	...	...	...	0.0096	...	...
	Average Growth (1985-96)	...	...	...	...	6.12	...	...

Singapore	1985	...	...	...	...	0.2129	...	...
	1996	...	...	...	...	...	...	...
	Average Growth (1985-96)	...	...	...	...	2.2	...	...
U.A.E.	1985	...	...	...	...	0.0129	...	...
	1996	...	...	...	...	...	...	...
	Average Growth (1985-96)	...	...	...	...	11.7	...	...

Note: Three dots (...) indicate that an amount is nil or negligible.

Source : Author's Calculation based on data from Overseas Trade Statistics (Various Issues), TPC and Yearbook Of International Statistics (Various Issues), UN.

Table 5. Market Share of Nepal in Import Markets and Import Growth

(In percentage)

Markets	1977	1986	1996	Market growth rate (Import growth rate)	
				1977-86	1987-96
U.S.A.	0.0027	0.0145	0.0125	9.07	6.83
Germany	0.0032	0.0093	0.0266	6.52	7.22
France	0.0041	0.0023	0.0021	6.26	5.92
Belgium	0.0041	0.0017	0.0037	5.44	6.99
U.K.	0.0017	0.0088	0.0017	7.17	6.41
Hong Kong	0.0325	0.0013	0.0003	12.97	15.14
Japan	0.0064	0.0007	0.0003	5.98	8.74
Singapore	0.0334	0.0100	0.0008	9.31	14.97
India	0.549	0.3470	0.1766	8.78	8.57
China	...	0.0091	0.0007	19.7	12.34
Sri Lanka	...	0.9000	0.0055	10.23	10.21
Bangladesh	...	0.0002	0.1057	7.89	9.47
Switzerland	...	0.007	0.0107	8.63	3.93
New Zealand	...	0.0075	0.0011	6.08	7.3
Australia	...	0.0009	0.0015	6.81	8.36
Denmark	...	0.0004	0.0007	5.6	5.71
Spain	...	0.0008	0.0025	6.99	9.51
Austria	...	0.0009	0.0059	6.55	7.48
Italy	...	0.0055	0.0034	7.53	5.11
Canada	...	0.0006	0.0011	7.35	6.57

Source: Author's Calculation based on data from Direction Of Trade Statistics (Various Issues), IMF.

The net increase in Nepalese exports attributable to changes in world trade can thus be placed at $ 18.41 million or about 52 percent of the actual increase, and the rest $ 16.99 million or 48 percent is attributable to the increased competitiveness of Nepalese exports in the first sub-period. In the sub- period, world trade alone contributed to the net increase in Nepalese exports. Nepal's export sector lost it's competitiveness during the latter period, meaning that manufactures have less competitive capacity in comparison with primary commodity in international market.

Table 6. Market Share of Total Imports into Different Countries (In Percentage)

Countries	Year	Commodities						
		Floor Coverings	Readymade Garments	Woollen Goods	Hides and Skins	Pulses	Tea	Crude Vegetable Materials
Germany	1985	1.0233	0.0014	0.0008	0.3252	...	0.1449	0.00002
	1996	5.7726	0.0205	0.0105	0.4942	...	0.0402	0.0315
U. S. A.	1985	0.1101	0.2949	0.0036	...	...	...	...
	1996	0.5181	0.3701	...	...	...	...	...
U.K.	1985	0.9967	0.0013	0.0009	1.5365	0.1639	...	...
	1996	0.2220	0.0521	0.0143	0.0054	...	...	...
France	1985	0.0348	0.00002	0.0009	...	...	0.0078	...
	1996	0.1380	0.0377	0.0020	...	...	0.0011	...
Netherlands	1985	0.0303	...	...	...	...	0.0019	...
	1996	0.2775	...	...	...	...	...	...
Switzerland	1985	0.8518	0.0020	...		...	0.0064	0.0034
	1996	2.6419	0.0126	...		...	0.0005	0.3071
Japan	1985	0.0439	0.0083	0.0071	0.0942	...	...	...
	1996	0.0102	0.0631	0.0002	0.0026	...	...	...
Belgium	1985	0.0726	...	...	...	...	...	...
	1996	1.5828	...	...	...	...	...	...
Austria	1985	0.0446	0.2386	...	...	...	...	...
	1996	1.5629	0.0034	...	...	...	...	...
Spain	1985	0.0856	0.0002	...	...	...	...	...
	1996	2.1200	0.0157	...	...	...	...	...
Italy	1985	...	0.0007	...	0.5250	...	0.0043	...

	1996	0.0632	0.0217	...	0.3363	...	0.1073	...
Canada	1985	...	0.0243	0.0034	...	0.1575	...	...
	1996	...	0.0978	0.0706	...	...	...	...
Sweden	1985	...	0.0106	0.0077	...	...	...	...
	1996	...	0.1178	0.0025	...	...	...	...
Australia	1985	...	0.0184	0.0157	...	...	...	...
	1996	...	0.2313	0.0459	...	...	...	...
Singapore	1985	...	...	...	...	17.3099	...	...
	1996	...	...	...	...	...	...	...
Sri Lanka	1985	...	...	...	...	11.7143	...	...
	1996	...	...	...	...	0.7227	...	...
Hong Kong	1985	...	...	...	...	4.6951	...	...
	1996	...	...	...	...	...	...	...
U.A.E.	1985	...	...	...	...	1.7143	...	...
	1996	...	...	...	...	...	...	...
Bangladesh	1985	...	...	...	...	...	...	...
	1996	...	...	...	...	53.7815	...	...
Korea	1985	...	...	...	...	...	...	...
	1996	...	...	...	...	0.0459	...	...

Note: Three dots (...) indicate that an amount is nil or negligible.

Source: Author's Calculation based on data from Overseas Trade Statistics (Various Issues), TPC and International Financial Statistics (Various Issues), IMF.

It is instructive to compare the trends of markets shares of Nepal and her South Asian counterparts in a few selected commodities. In floor coverings, readymade garments, woolen goods, Nepal's market share increased, through marginally, in almost all the countries mentioned in Table 6.However as evident from Table 7, Nepal's share in world exports increased in all the commodity groups but there shares are lower than the South Asian Countries indicating that Nepal's competitive position is weak in the latter period. The prevalence of vertical trade between Nepal and India causes the presence of competitive strength of Nepal during the former period. The gain to Nepal from the increased competitive effect in international market was $ 16.99 million in the period 1977-86 but the opportunities for Nepalese exports was reduced to the extent of $ 46.16 million by the poor competitive strength in international market.

If the order of commodity composition and market distribution is reversed, they have had no effects on the results significantly because their signs have not been changed at all. The effect of market distribution seems to have been deteriorated even further for both sub-

periods as its effect increased from a mere $ 0.97 million (-2.74 percent) to $ -77.71 million (-219.52 percent) in the first sub- period, and from $-10.59 million (-6.3%) to $ -42.88 million (-25.55 percent) in the second sub-period. Despite the improvement in the magnitude of the commodity composition effect a bit, which declined from $75.13 million (-212.23%) to $6.19(-17.49 percent) in the first sub-period, the persistence of negative sign indicates no reversal of the trend. However, since the commodities composition effect intensified from $ -20.72 million (-12.35 percent) to $-74.42 million (- 44.34percent), it deteriorated further is the second sub period.

Table 7. Market Share in World Exports (in percentage)

Commodities (SITC-three digit level)	Year	Countries				
		India	Pakistan	Nepal	Sri Lanka	Bangladesh
Floor Coverings (659)	1985	6.24	3.55	0.38	0.134	0.0196
	1996	6.31	...	1.83	...	...
Readymade Garments	1985	3.59	0.67	0.13	1.20	0.81
(842-844)	1996	3.01	0.81	0.16	1.44	1.90
Woolen goods	1985	1.09	0.10	0.001	0.13	0.04
(845)	1996	1.02	0.64	0.007	0.63	0.63
Pulses	1985	0.0664	0.0138	0.242	0.0059	...
(054.2)	1996	1.3635	0.0219	0.466	0.0007	...
Tea	1985	24.7	17.84	3.156	1.37	2.13
(074.1)	1996	11.3	1.04	11.32	21.8	1.2
Cereals	1985	0.36	0.73	0.049	...	...
(041-046)	1996	2.53	1.046	0.0008	...	...
Oilseeds	1985	3.32	0.815	0.055	0.029	...
(081.3)	1996	10.05	0.0001	0.018	0.0072	...

Source: Author's Calculation based on data from Yearbook of International trade Statistics (Various Issues), United Nations.

Conclusions

An attempt was made to analyze Nepalese export performance over two sub-periods during 1977 to 1996 by a Constant Market Share model, which decomposes the growth of exports into world trade effect, commodity composition effect, market distribution effect,

and general competitiveness effect. It was found that rapidly expanding world trade turned out to be the single most important factor behind the acceleration of export growth of Nepal. For one thing, both commodity composition and market distribution have not contributed to the export growth at all, and for another, Nepal's export sector lost its competitiveness during the period 1986-96. The country has specialized on such products for which demand is growing relatively slowly in the world market except for readymade garments and seeds for other fixed oils. Also, manufactures seem to stand out as the products with poor competitiveness as compared with primary products in the international market. The country has attained the long-awaited goal of diversifying exports away from India to overseas countries, which are more stagnant markets. In short, the experience of the country in the last four decades shows that the export sector has been dominated by the slow growth items, which, for the most part, are directed at stagnant markets. Owing to the presence of ad hoc and unsound plans and policies, the government could not make effectual attempts to expand exports of high growth commodities in high growth markets. Under the circumstances, the government had better identity the high-growth items and then stimulates exporters to centre their efforts on high- growth markets including Hong Kong, Singapore, China, Sri Lanka, Bangladesh, Japan, and India if the government wants to turn the ailing and moribund economy into a healthy one.

References

Agarwal, Manmohan (1988). "A Comparative Analysis of India's Export performance 1965-80," *Indian Economic Review* XXIII (2): 23-61.

Attri,V. M. (1996). "Export-led Growth in Developing Countries: 1960-80," *Indian Economic Journal* 43 (3) :19-28.

Banerji, R. Fanadev (1974). "The Export Performance of Less Developed Countries: A Constant Market Share Analysis," *Weltwirtschaftiches Archiv,* Band Number Heft 3: 447-81.

Bishwas, Basndes (1982). "Constant Market Share Analysis of Export Performance: The Case of India," *Economic Journal* 29 (3) : 41-51.

Chen, Jan-Jul and De Piao Tang (1990), "Export Performance and Productivity Growth: The Case of Taiwan," *Economic Development and Cultural Change* 38 (3):575-85.

Feder, Gershon (1989). *On Export and Economic Growth*, World Bank Staff Working Paper No. 508, World Bank.

Kavoussi, Rostam M. (1984). "Export Expansion and Economic Growth: Further Empirical Evidence," *Journal of Development Economics* 14 (1-2): 241-50.

Laumas, Prem S. (1982). "Exports and Propensity to Save," *Economic Development and Cultural Change* 30 (4): 831-41.

Lee, Joong-Koon (1971). "Exports and the Propensity to Save in LDCs," *Economic Journal* 81 (322): 341-51.

Lydall, H.F. (1975). *Trade and Employment.* Geneva: ILO.

Maizels, Alffed (1968). *Exports and Economic Growth in Developing Countries.* London: Cambridge University Press.

Michady, Micael (1977). "Exports End Ground of Answer Empirical Investigation," *Journal of Development Economics* 4 (1): 4a-53.

Nishimizu, Mieko and Sheramn Robinson (1984). "Trade Policies and Production Change in send, industrial countries," *Journal of Development Economics* 16 (1-2)I 1.7-206.

Rayment, P.B.W. (1971). "On the Analysis of the Export Performance of Developing Countries," *Economic Record* 47 (118): 270- 76.

Roy, Dilip Kumar (1991). "Export Performance of Bangladesh: A Constant Market Share Analysis," *Bangladesh Development Studies* Vol. XIX(3): 63-81.

Sabolo, Yues (1980). "Industrialization, Exports and Employment," *International Labour Review* 199 (4): 481-94.

Srinivason, T.N. (2001). "India's Export Performance: A Comparative Analysis," in Isher Judge Ahluwalia and I.M.D. Little (eds.) *India's Economic Reforms and Development: Essays For Manmohan Singh.* New Delhi: Oxford University Press.

Tiwari, R.S. (1985). "Constant Market Share Analysis of Export Growth: The Indian Case," *Pakistan Journal of Applied Economics* Vol. IV(2): 101-18.

Tyler, Vilhiam G. (1981). "Growth and Export Expansion in Developing Countries: Some Empirical Evidence," *Journal of Development Economics* 9 (1):120-30.