

**Is there any Growth Spillover Effect from Partner Countries to Bangladesh?
By**

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Abstract

All the countries of the world and areas are now a days someway or other interdependent through trade, aid, investment, culture, language and other channels. Increased globalization and cooperation among countries have bolstered this channel more intensely in recent days. Bangladesh being a forty-five years old lower middle-income country has been undergoing relationship with the rest of the world mostly through international trade, foreign aid, foreign investment and workers' remittance. The main contributing factor for 7% plus growth record mostly comes from two private sector channels: foreign trade and overseas remittance. The partners of growth include traditional partners like US, UK and some newly emerging partners like European Union, Germany, India, and China. This paper examines the pattern of growth dependence of Bangladesh vis-à-vis her eleven major trade, remittance, foreign aid, and FDI partner countries by using Vector Autoregressive process and annual data ranging from 1972 till 2015. Out of eleven partners selected in this study only three of them named USA, India, and Japan has significant growth spillover effect on the economy of Bangladesh. Most of the newly added countries in the list of partnership with Bangladesh are yet to offer any significant growth spillover effect. They have either one-way relationship or the relationship seems to be insignificant. Bangladesh being a small but moderately open economy in the world the result is striking in the sense that all types of partnerships do not turn out to be growth enhancing. Only four and a half decade of exploration in economic interaction is not enough to yield sustained relationship be it trade, aid, remittance, foreign aid or FDI. A robustness check by using high frequency monthly data keeps the result intact. This means that the result seems not to be significantly data-driven in the form of frequency or time span. Bivariate Granger Causality Test, Multivariate Vector Auto regression result and Impulse Response Analysis do not provide any robust nature of growth relationship. In all the three tests we find that only Japan has two-way growth relationship with Bangladesh, which is trade and concessional loan-driven channel. If we consider the graduation of Bangladesh from LDC to middle income country by 2021 then the growth channel is expected to face serious challenge in terms of high borrowing interest rate. The win-win relationship is expected to generate through the channel of real trade or foreign direct investment.

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