

Does export dependency hurt economic development? Empirical evidence from Singapore

Abstract

A rapid export growth in East Asia was once identified as a source of the sustainable economic development that the region enjoyed. However, the current global recession has turned exports from an economic virtue to a vice. There is a growing awareness that a heavy reliance on exports has caused a serious economic downturn in the region. The present paper chooses Singapore as a case study to examine the relationship between the origin of the East Asian Miracle (i.e. export dependency) and the economic growth. For this purpose, the study employs a causality test developed by Toda and Yamamoto. The empirical findings indicate that despite a negative long-run relationship between export dependency and economic growth, Singapore's heavy reliance on exports does not seem to have produced negative effects on the nation's economic growth. This is because the increase in export dependency was an effect, and not a cause, of the country's output expansion.