

A key feature of the high growth rates in industry in the 1960s was the trade regime adopted by the military government. Most important component of the trade policy was the export bonus scheme. This scheme provided exchange rates to exporters of manufactured goods more favorable than the official exchange rate. It allowed exports to receive a percentage of their export's earnings in the form of transferable bonus vouchers. These vouchers allowed the holder either:

- i) To purchase an equaling amount of foreign exchange at official rate which can be used to import any item on bonus list
- ii) To sell the voucher to an organized market

Imports liberalizing program that started in 1959 along with bonus scheme was responsible for following:

- i) Over 1959-64 total imports increased more rapidly than exports
- ii) Market forces were increased relied upon to determine the commodity composition of imports
- iii) A variety of new devices were introduced into the licensing scheme to increase the flexibility of entrance into the import trade
- iv) Increase in the rate of duties on import goods which acted from the cost side, to reduce excess demand for imports

Open General Licensing system was expanded to allow the new commers to the import trade. Hence the monopoly of the category holders of 1950s was broken. In 1961 eleven commodities were in the list of OGL, which was increased to fifty-one by 1964.

Export bonus scheme had a positive effect on exports in the early 1960s. the exports of raw jute fell from 60% of the total exports in 1958/9 to 20% in 1968/9, while the exports of cotton and jute textiles increased from 8.3% to 35% in the same period and other exports increased

from 2 to 20% in the same ten years. Items importable on license which were 90% of imports in 1960/1 fell to 39% in 1964/5. Free list where commodities could be imported without license was increased from four to fifty items in two years and by 1964/5 about half of all imports were on free list.

One reason why the government was able to be so generous in its import policy was the large amount of foreign aid the military government received. More than 40% of the imports of the government were financed by the foreign aid component, which was 6% of GDP in 1964/5.

Free list was reduced from sixty-six items in 1964 to fourteen in 1968 and to eleven in 1971. There was also a cut in the licensable list, but the bonus list expanded from 215 in 1966/7 to 277 in 1970.