Chapter 21
The Effect of Export Diversification on Economic Growth:
The Case of the BRICS-T

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ABSTRACT

There are many studies on the growth of emerging economies under the leadership of foreign trade in the literature. The majority of the mentioned studies reveal that exports increase growth. In addition to expressing the increase in exports in numbers in recent years, it is also seen that researches about its effect on growth are also prominent. In this context, Dumitruscu-Hurlin (2012) panel causality test was applied using data covering the period of 1990-2018 to determine the relationship between Turkey and BRICS countries' product diversification in exports and economic growth. Findings obtained shows that product variety in exports in the relevant country group is effective on long-term economic growth.

INTRODUCTION

When the economies of developed countries are analyzed, it is seen that their share in global foreign trade is high. Foreign trade in the growth and development of national economies has an important place. In many analyzes on the economies of developing countries, the increase in export rates and the increase in growth rates were in parallel.

Some developing countries have been named as the emerging economies of the markets with their foreign trade policies and successful performances. The countries that are most affected by the fluctuations in exports are the countries with high export revenues in the global markets. Countries that depend

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on one or more products in their exports will have a negative impact on the country's economy and the country's growth rates, as the prices of the products fall. One of the best methods against fluctuations in export revenues is the diversification of products in the export basket. Countries with increased export basket, the number of products they export are less affected by fluctuations and instability in export revenues is minimized.

One of the most important reasons why BRICS country group has high growth rates in recent years is rapidly increasing diversified production and high export performance. When the global economies are analyzed, the export rates of developed countries and developing countries are much higher than the economies of underdeveloped countries and the product range they export is quite wide. Studies in the literature suggest that export diversification increases economic growth. In addition to export diversification, market diversification also positively contributes to economic growth.

Turkey and emerging economies called BRICS countries, in their foreign trade, have taken important steps towards integration with liberal policies and the global economy. With their rapidly growing economies in the last two decades, BRICS countries have a voice in the world foreign trade. The most important exporting countries of the world are in this group.

In the second part of the study, the relationship between economic growth and exports has been tried to be explained theoretically. In the third part of the study, literature study is included. In the fourth part of the study, some macroeconomic information on the BRICS group of countries and Turkey's foreign trade are included. In the fifth part of the study, econometric analysis has been done and finally the evaluation of the results has been given.

ECONOMIC GROWTH AND EXPORT DIVERSIFICATION

Economic growth refers to the increase in the capacity of goods and services produced in an economy over time. In order to mention on economic growth, long-term and continuity must be present. In this context, economic growth refers to the increase in real product per capita in certain periods. That is to say, economic growth is not a static phenomenon that can be measured in the short term, but a dynamic phenomenon in the long term (Taban, 2008).

The economic growth process is a dynamic process that involves many factors. The export-based growth hypothesis is a common view among economists, where growth is one of the main determinants. The growth policy led by exports is based on David Ricardo, which is the basis of the opinion that it has a positive effect on industrialization and development. If the foreign currency required for the growth of the economy in a country cannot be provided and as a result of this situation, exposure to negative consequences in the balance of payments reveals that countries should implement an export-based economic growth policy. It is observed that the countries implementing an external trade policy, especially countries with successful export rates provided more national income growth. So according to these views, the increasing total exports is one of the most important ways to increase the economic growth rate. In order to increase total exports, the production of goods and services in the domestic market needs to be increased, assuming that this increases growth (Taş, 2011: 21).

Since the second half of the 20th century, rapid increases have occurred in globalization and cross-border trade. With the effect of external shocks, countries where export revenues are important in foreign trade have some instabilities in foreign trade revenues. These countries have applied to expand their product range to reduce the effect of fluctuations in external export. Export diversification is changing

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