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September 1989

DEVELOPMENTS IN INTERNATIONAL EXCHANGE AND TRADE SYSTEMS

By a Staff Team from the Exchange and Trade Relations Department

INTERNATIONAL MONETARY FUND • WASHINGTON, D.C.

World Economic and Financial Surveys

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Contents

The following symbols have been used throughout this book:

... to indicate that data are not available;

— to indicate that the figure is zero or less than half the digit shown, or that the item does not exist;

– between years or months (e.g., 1988–89 or January–June) to indicate the years or months covered, including the beginning and ending years or months;

/ between years (e.g., 1988/89) to indicate a crop or fiscal (financial) year.

"Billion" means a thousand million.

Details may not add to totals shown because of rounding.

Preface

This study was prepared by a staff team in the Exchange Restrictions Division of the Exchange and Trade Relations Department of the International Monetary Fund under the direction of Peter J. Quirk, Division Chief. In addition to Martin G. Gilman, Kyung Mo Huh, Pisit Leeahtam, and Joslin M. Landell-Mills, other contributors were Kirsten Fitchett, Virgilio Sandoval, and Conchita Valencia. Secretarial assistance was capably provided by Dorothy Ryan and Barbara Watson. The authors also wish to thank the Editor, Sara Kane of the External Relations Department.

The present study was completed in May 1989 and reflects factual developments up to March 1989 as reported by members for the Fund's *Annual Report on Exchange Arrangements and Exchange Restrictions,* 1988. In the latter publication, Kyung Mo Huh, Maria-Elena Ureta, and other staff of the Exchange and Trade Relations Department, assisted by staff in Area Departments of the International Monetary Fund, have played an important role in assembling the basic country material. The paper has also benefited from comments by other members of the staff of the Fund, members of the Executive Board, and national authorities. The opinions expressed are those of the authors and do not necessarily represent the views of the Executive Directors or of other staff members. Similar studies have been published in previous years as Part One of the *Annual Report on Exchange Arrangements and Exchange Restrictions*.

It should be noted that the term "country" used in this Report does not in all cases refer to a territorial entity that is a state as understood by international law and practice. The term also includes some territorial entities that are not states but for which statistical data are maintained and provided internationally on a separate independent basis.

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I

Overview and Major Trends

This study emerges from the compilation of the International Monetary Fund's Annual Report on Exchange Arrangements and Exchange Restrictions (AREAER), *which has been published since 1950. These country-specific reports, including the 1989 edition, which serves as the background document for the present study, are prepared in accordance with the provisions of Article XIV, Section 3, of the Fund's Articles of Agreement. They inform the Fund membership and public of the current status of exchange rate arrangements and the restrictive systems for trade and payments in Fund member countries. Using basic information compiled by the Fund staff, this study identifies trends and reviews major developments underlying topical issues in the system of financial and trade linkages between countries. The emphasis is on recent major policy actions of trading and financial nations that have systemic consequences. By its nature, the study stresses institutional rather than quantitative evidence in support of its findings.*

A significant improvement in world economic conditions during 1988 and the first quarter of 1989[1] was accompanied by uneven experience in Fund members' international exchange and trade systems. Despite the rapid expansion of world trade, tensions increased in trade relations between major industrial countries.[2] Strains were evident not only in a continuing increase of bilateral antidumping and trade-restraint measures, but also in participants' initial difficulties in reaching agreement on a range of major issues at the midterm review of the Uruguay Round of Multilateral Negotiations. Exchange rates in industrial countries displayed more stability in 1987 and 1988 than in other recent years, but the high level of official intervention indicated in 1987 continued. In the group of developing countries, a decline in debt ratios was encouraging, but external payments arrears rose amid signs of greater difficulties in the completion of debt-restructuring agreements with creditors. Nevertheless, on the positive side, developing countries steadily continued the process of liberalization of all major categories of restrictions that has been evident since the mid-1980s.

The further erosion of commercial relations between industrial countries and between debtor and creditor countries in 1988 threatens to move the international trade and payments system further from the path of multilateralism broadly adhered to since the 1940s. It has caused observers to raise the prospect of an increasing regionalization, with smaller exporting countries increasingly coalescing around major countries through formal or de facto arrangements. This may appear paradoxical, because improved communications are generally thought to have lessened the importance of geographical factors, and the reconstruction of major economies has also put their industrial competitiveness on a more even footing. Also, although it had been thought that the high rates of unemployment evident in the early 1980s had contributed to protectionist pressures in industrial countries, unemployment has abated in recent years. Despite the rising employment and investment rates that would indicate reduced need for restructuring of industrial capacity between countries, supported by a sharp reversal of hitherto unsustainable exchange rates, trade imbalances have remained large and have served as a continuing spur for protectionist sentiment. Protectionism, in turn, has put further strains on the arrears situation of the developing countries.

Another of the deleterious effects of the protectionist measures taken has been to cartelize world trade in certain industries by the allocation of various portions of export markets. Moreover, the use of such quantitative controls, voluntary export restraints (VERs) in particular, has enabled exporters in surplus countries to reap large windfall profits that have ultimately enhanced their competitive position in third-country markets. Many of these firms are multinational with operations in several countries and have become adept at re-sourcing their exports once trade actions are threatened. Thus, along with the welfare losses of consumers in the industrial countries, limited access to

[1] International Monetary Fund, *World Economic Outlook, April 1989: A Survey by the Staff of the International Monetary Fund*, World Economic and Financial Surveys (Washington, 1989).

[2] For an account of trade measures through mid-1988, see Margaret Kelly and others, *Issues and Developments in International Trade Policy*, Occasional Paper No. 63 (Washington: International Monetary Fund, December 1988).

industrial country markets for many heavily indebted developing countries in which they have or could develop a comparative advantage has exacerbated their difficulties in fostering growth and alleviating debt-service burdens.

Nevertheless, the overall growth of world trade has accelerated continuously since 1986 from a 4.5 percent growth rate in 1986 to over 9 percent in 1988 (Chart 1). Its growth has outstripped that of domestic output in the industrial countries, with the consequence that the global economy has tended toward greater integration despite the increasing protectionist pressures. This development indicates the underlying strength of the forces toward integration of world markets that have been sufficiently strong to override increasing protectionism. However, the global trade-output elasticity has been markedly cyclical, and a slowing in the present long-standing expansion would thus be accompanied by a greater than proportionate slowing in world trade. Imbalances in trade constitute a major continuing threat to the multilateral system, and it is therefore a major concern how such a slowdown would be distributed. Following a marked decline in trade imbalances of the major countries from 1986, progress in reducing deficits has slowed in recent quarters and is projected by the Fund staff to cease in 1989–90 in the absence of major macroeconomic policy adjustments. To the possible effects on the international exchange and trade systems of a slowing of industrial country activity must be added the unfolding debt situation and capital market effects of domestic fiscal imbalances exacerbated by automatic stabilizer mechanisms.

Schedules of tariffs and import surcharges have changed little in 1988, pending the outcome of the Uruguay Round. In consequence, the major policy changes for the industrial countries have been in the area of temporary antidumping and countervailing duty measures, or the threat thereof, and VERs. Recourse to other border and nonborder measures such as the safeguard clause under the General Agreement on Tariffs and Trade (GATT), industry subsidies, government procurement, health and technical standards, and local content requirements has been mixed. The tendency toward bilateral trading agreements, retaliatory measures of a bilateral nature, and measures within regional groupings persisted in 1988 (see Section IV below). This trend has aroused fears about the creation of economic and trading blocs, despite the contention by participants in the arrangements that they do not represent an increase in restrictiveness vis-à-vis third countries. The possibility of trade diversion resulting from de facto movement into trading blocs, bilateralism, and the replacement of "free" trade with managed "fair" trade is worrisome, particularly when such developments are emerging even as the economies of industrial countries have been performing relatively well. These developments also occurred despite continued financial market deregulation and the liberalization of capital movements in 1988.

Exchange rates of industrial countries showed more stability in 1987 and 1988 than in the previous years, accompanied by sizable official intervention from time to time. These developments paralleled a tendency toward close cooperation by industrial countries in the foreign exchange markets in recent years, in line with the objectives of the February 1987 Louvre Accord and its subsequent reaffirmations in 1987 and 1988.

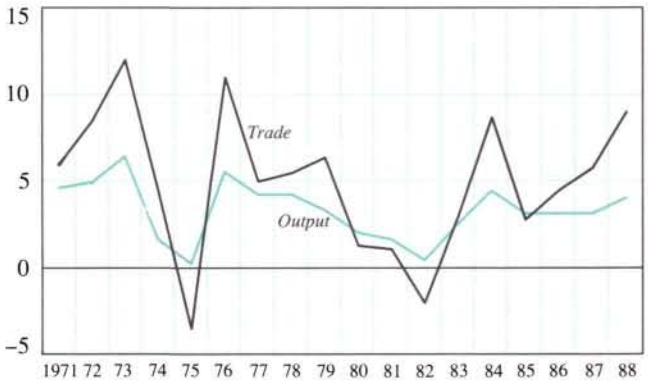
In the group of developing countries, the rapid depreciation of real (inflation-adjusted) exchange rates that had occurred through 1987 ceased in 1988, as average exchange rates in this group of countries appreciated somewhat in real terms. This was paralleled by the aggregate current account of developing countries, which moved into a deficit of $19 billion from approximate balance in 1987. Abstracting from further policy corrections, including debt reduction, the aggregate deficit of this group of countries would be expected to widen somewhat further over the next two years. This broad trend is evident also in developing countries with recent debt-servicing difficulties, where the decline in the current account deficit from a peak of SDR 90 billion in 1981 to SDR 27 billion in 1986 is expected to be reversed, to yield a deficit of SDR 37 billion in 1990.

Despite the leveling-off of improvements in the balance of payments of developing countries, the pattern of vigorous liberalization of trade and exchange systems evident in recent years continued in 1988, and may even have accelerated in certain categories such as capital restrictions.[3] Greater flexibility was evident in the exchange arrangements of some developing countries with the continued adoption of market-oriented exchange systems in several countries. Of the 28 countries undertaking trade liberalization measures as evidenced by tariff and quota reductions, 10 also simplified their exchange rate arrangements and made them more flexible. However, although formal restrictive systems moved in the direction of liberalization, there were growing indications of a retrogressive movement in informal exchange restrictions through the incurrence of external payments arrears. Total arrears, which had declined to SDR 29 billion in 1987, rose

[3]Significant problems emerge in trying to quantify the impact of recent trends in exchange and trade controls on macroeconomic variables. First, specific restrictive measures, especially trade measures, may simply not be reported. This is the case particularly of those measures falling outside the scope of the GATT, in which the exporter purportedly voluntarily restrains shipments to a particular market. Reporting in this area has improved in recent years, probably exacerbating the observed trend. Nevertheless, reporting is still mostly limited to officially sanctioned arrangements. Second, the impact and scope of exchange and trade control measures, being essentially administrative in nature and, to varying extents, arbitrary, are difficult to quantify. Third, in the assessment of the effects of changes in controls, there is the inevitable problem of comparing the actual situation with the counterfactual case; that is, what would have been the level of trade, inflation, or other variables in their absence.

Chart 1. Growth of World Trade and Output, 1971–88

(Percentage change in volume)



Sources: Data provided by national authorities and staff estimates.

sharply again to a total of SDR 40 billion. The number of Fund member countries incurring external payments arrears nevertheless declined markedly— indicating a growing concentration of financing difficulties. The expected sharp rise in net debtor countries' debt service ratios in 1989, reflecting higher international interest rates, seems likely to put further strain on this situation.

Under Article VIII of the Fund's Articles of Agreement, Fund members have undertaken to avoid the imposition of restrictions on payments and transfers for current international transactions (defined to include certain capital transactions by Article XXX), discriminatory currency arrangements, or multiple currency practices without the Fund's approval. However, under the transitional arrangements of Article XIV, members are permitted to maintain those exchange restrictions in effect at the time of joining the Fund. As of March 31, 1989, 86 member countries—all developing countries—avail themselves of Article XIV status; the other 65 members have accepted the obligations of Article VIII.[4] Indonesia, Korea, and Portugal accepted the obligations of Article VIII in 1988. As a general policy, Fund resources are not made available to countries and measures inconsistent with Article VIII are not approved unless the Fund is satisfied that any exchange restrictions or multiple currency practices they maintain are necessary, and that their use will be temporary and is caused by payments difficulties that the member is working to eliminate.

Article IV of the Articles of Agreement obliges the Fund to "exercise firm surveillance over the exchange rate policies of members and [to] adopt specific principles for the guidance of all members with respect to those policies." The underlying principle of this Article as adopted is that the policy combination most likely to promote the trade and capital flows that will allow countries to meet their domestic economic and financial objectives is a realistic exchange rate and unrestricted payments. For instance, in 1987–88 several countries that moved their exchange rate regimes closer to market-related mechanisms were in a position to liberalize, to some extent, their restrictions on imports; these countries included Argentina, Bangladesh, Brazil, Ghana, Guyana, Maldives, Nigeria, Syria, Trinidad and Tobago, and Turkey.

For the same reason, tariffs or quantitative restrictions imposed on specific imports to protect specific industries or sectors are counterproductive; by creating pressures for exchange rate appreciation, the tariffs will protect some activities by undermining others. The Fund's experience with multiple exchange rates supports these conclusions. Most countries have found that rates used to protect the current account or specific elements of it have been associated with continued payments problems and, eventually, depreciation of the official rate, as the authorities become unable to defend its original level. The uncertainty and fiscal subsidies accompanying the proliferation of exchange rates have often contributed to the inflation that the authorities attempted to avoid, as prices were adjusted to the scarcity of foreign exchange. Nor do multiple exchange systems seem to allow countries ultimately to avoid a uniform exchange rate change; experience has shown that eventually the authorities are forced to simplify their practices and to reduce or unify the spreads among their various rates, as occurred recently in Argentina, Bangladesh, Guinea, Paraguay, Peru, and Venezuela. In the meantime, evasion of controls and proliferation of black markets reduce fiscal revenues and exacerbate distortions, and make the adjustment to the inevitable exchange rate change even more difficult.

This study is divided into four main sections and contains an appendix summarizing major measures taken in the international exchange and trade systems in 1988 (some 600 measures classified by type of measure, country, and liberalizing or tightening effect). The second section summarizes developments in exchange arrangements and the evolution of exchange rates; the third section highlights the main developments in restrictive payments and trade practices; and the fourth section describes developments in bilateral and regional arrangements and countertrade practices.[5]

[4]Nineteen members availing themselves of the transitional arrangements under Article XIV also maintain exchange systems that are free of restrictions on payments and transfers for current international transactions. Thirteen of these countries are members of the West African Monetary Union (WAMU) or the Central African Monetary Area.

[5]As noted above, descriptions of the exchange rate and exchange and trade arrangements of each member country are published separately in International Monetary Fund, *Annual Report on Exchange Arrangements and Exchange Restrictions (AREAER)*, 1989 (Washington, 1989).

II

Developments in Exchange Systems

As noted in Section I, the Fund's Articles of Agreement state broad aims for members' exchange rate policies and arrangements. However, each member selects its own regime, while the Fund is enjoined to "exercise firm surveillance" over these policies (Article IV). The Fund, in a document entitled "Surveillance Over Exchange Rate Policies" issued in 1977,[6] gives members further guidance in setting exchange rate policies; broadly, members should avoid manipulating exchange rates or the international monetary system, they should intervene in the market if necessary to counter disorderly conditions, and when they do so, they should take into account the interests of other members.

Choice of Exchange Arrangements

As an aid to the Fund's surveillance, members are required to notify the Fund of their exchange rate regimes and any changes in classification or arrangements, such as changes in the composition of currency baskets or exchange rates. (See Box 1 for details on exchange rate classifications.) The Fund's Executive Board is thus specifically informed at the time of any exchange rate change of pegged currencies, and generally of any discrete change in the rate of a more flexibly managed currency that is greater than 10 percent in nominal terms. All currency changes (or stability) and relative price movements that result in a change of the real effective exchange rate of more than 10 percent since the preceding examination of the member's policies by the Executive Board are also individually brought to the Board's attention. The Fund judges whether a member's exchange rate policies are consistent with its basic obligations "to assure orderly exchange arrangements and to promote a stable system of exchange rates," and any issues arising out of its assessment can be discussed with the authorities, normally in the context of regular annual Article IV consultations with the member, or in association with the use by the member of the Fund's resources.

The exchange arrangements adopted by members since 1973 cover a broad spectrum of degrees of flexibility, from single-currency pegs to a freely floating system. Most countries have adopted arrangements that fall clearly into one or another of the major categories of the present classification system adopted by the Fund in 1982, and countries with dual markets usually have one market that is clearly more important than the other, which allows accurate classification by major market. The exchange rate arrangements of the Fund's member countries in March 1989 are shown in Table 1.

The exchange rate classifications used by the Fund are basically distinguished by the degree of exchange rate flexibility that the category reflects. Thus, single-currency and composite pegs and limited flexibility arrangements reflect margins for fluctuations of less than the equivalent of 2.25 percent around the peg. "Cooperative Arrangements" cover at present only the countries participating in the European Monetary System (EMS); all but one of these countries maintain 2.25 percent margins with respect to their cross rates based on the central rates expressed in terms of the European Currency Unit (ECU).

The "More Flexible" category covers exchange rates that have arrangements leading to a variance greater than would generally be obtained with margins of more than ± 2.25 percent. This residual group is subclassified on the basis of the extent to which the authorities intervene in the setting of exchange rates. For currencies in the "Independently Floating" category, the authorities allow the exchange rate to move continuously to reflect market forces; if they intervene at all, they do so only to influence, not to neutralize, the speed of exchange rate movements. If the authorities set the rate for a specified short interval (usually one day or one week) and stand ready to buy and sell foreign exchange at the specified rate to maintain the exchange rate unchanged at these intervals against a set of indicators, the currency is subclassified as "Adjusted According to a Set of Indicators." The remaining members fall into "Other Managed Floating."

[6] International Monetary Fund, *Selected Decisions of the International Monetary Fund*, Thirteenth Issue (Washington, 1987), pp. 9–14.

Box 1. Definitions of Exchange Rate Classifications

Peg: Single Currency. The country pegs to a major currency—usually the U.S. dollar or the French franc—with infrequent adjustment of the parity. About one half of all developing countries have single-currency pegs.

Peg: Currency Composite. A composite is usually formed by the currencies of major trading partners to make the pegged currency more stable than if a single-currency peg were used. Currency weights may be based on trade, services, or major capital flows. About one fourth of all developing countries have composite pegs.

Flexibility Limited vis-à-vis Single Currency. The value of the currency is maintained with certain margins of the peg. This system currently applies to four Middle Eastern countries.

Flexibility Limited: Cooperative Arrangements. This applies to countries in the exchange rate mechanism (ERM) of the European Monetary System (EMS) and is a cross between a peg and a float; EMS currencies are pegged to each other, but float otherwise.

More Flexible: Adjusted to Indicator. The currency is adjusted more or less automatically to changes in selected indicators. A common indicator is the real effective exchange rate that reflects inflation-adjusted changes in the currency vis-à-vis major trading partners. Another indicator is a preannounced change.

More Flexible: Managed Float. The central bank sets the rate, but varies it frequently. Indicators for adjusting the rate are broadly judgmental, including, for example, the payments position, reserves, or parallel market developments, and adjustments are not automatic.

More Flexible: Independent Float. Rates are market-determined. Most developed countries have floats—partial for the EMS countries—but the number of developing countries included in this category has been increasing in recent years.

The experience with floating the major currencies has shown considerable variability of both long- and short-run exchange rates.[7] As a measure of short-run variability, the changes in the average annual nominal effective exchange rate of the U.S. dollar were almost nine times greater under floating rates than during the last decade of adjustable par values, and about four times greater in real effective terms. Variability has been broadly unchanged on balance since 1980. In principle, there are costs associated with exchange rate variability because it discourages trade, increases uncertainty of investment decisions, and generally makes policymaking difficult—empirically, the evidence is as yet mixed. Although forward cover of sufficiently long maturity has been available to cover risks associated with trade, it has not been available in long enough maturities and at a low enough cost to offset the uncertainties for longer-term investment decisions.[8] Thus, an argument often cited for fixed or managed regimes is that they allow smoothing of the exchange rate in the face of exogenous shocks, given that a floating exchange rate will reflect reversible events and therefore be more volatile. However, the practical difficulty in managing an exchange rate to smooth volatility is in deciding which shocks are reversible and the degree to which they are reversible. For example, is the present level of oil prices permanent and therefore what the oil exporter's exchange rate should adjust to, or is it temporary? The mixed experience with buffer stock schemes for stabilizing international commodities prices suggests that prediction of such price movements is problematic.

Another argument that used to be given for the use of fixed or managed exchange rates in developing countries in particular was that the option of floating was not open to those countries because of institutional weaknesses. However, some 19 developing countries have adopted floating auction or interbank exchange markets during this decade. Where these markets have been permitted to operate without untoward official intervention, they have operated efficiently in the face of considerable seasonality in the balance of payments, and even in countries where there are only one or two commercial banks. Trading among customers themselves has often served as a natural check against collusion or the exercise of monopoly power by the banking system.

Although Fund members have been able to choose between the prospects for greater policy effectiveness under floating, and those for greater financial stability under fixed rates, it has been difficult to determine how much flexibility or fixity is best. Here, various practical considerations have played a role, depending on the type of regime. In the most extreme form of single-currency peg, the currency of another country is used in circulation. Presently, Kiribati, Panama, and Liberia are the only Fund members that use other currencies in this way—the Australian dollar in Kiribati and the U.S. dollar in the other two cases (Panama also circulates government checks, and Liberia circulates its own coins, but not bank notes). The drawbacks are a loss of seigniorage and independence of monetary policies, but for a very small country these might be compensated for by reduced administrative costs

[7] See Reports of the Group of Ten and Group of Twenty-Four, published as appendices to Andrew Crockett and Morris Goldstein, *Strengthening the International Monetary System: Exchange Rates, Surveillance, and Objective Indicators*, Occasional Paper No. 50 (Washington: International Monetary Fund, 1987).

[8] See Peter J. Quirk and others, *Policies for Developing Forward Foreign Exchange Markets*, Occasional Paper No. 60 (Washington: International Monetary Fund, 1988).

Table 1. Exchange Rate Arrangements as of March 31, 1989[1]

Pegged						Flexibility Limited vis-à-vis a Single Currency or Group of Currencies		More Flexible		
Single Currency				Currency Composite				Adjusted According to a Set of Indicators	Other Managed Floating	Independently Floating
U.S. Dollar		French Franc	Other	SDR	Other	Single Currency[2]	Cooperative Arrangements[3]			
Afghanistan[4]	Liberia	Benin	Bhutan (Indian rupee)	Burundi	Algeria	Bahrain[5]	Belgium[4]	Brazil	Argentina[4]	Australia
Antigua and Barbuda	Nicaragua[4]	Burkina Faso	Kiribati (Australian dollar)	Iran, Islamic Rep. of	Austria	Qatar[5]	Denmark	Chile[4]	China, People's Rep. of[4]	Bolivia
Bahamas, The[4]	Oman	Cameroon	Lesotho[4] (South African rand)	Libya[6]	Bangladesh[4]	Saudi Arabia[5]	France	Colombia	Costa Rica[4]	Canada
Barbados	Panama	Central African Rep.	Swaziland (South African rand)	Myanmar	Botswana	United Arab Emirates[5]	Germany, Fed. Rep. of	Madagascar	Dominican Republic	Gambia, The
Belize	Peru[4]	Chad	Tonga (Australian dollar)	Rwanda	Cape Verde		Ireland	Portugal	Ecuador	Ghana[4]
Djibouti	St. Kitts and Nevis	Comoros		Seychelles	Cyprus		Italy		Egypt[4]	Japan
Dominica	St. Lucia	Congo		Zambia	Fiji		Luxembourg[4]		Greece	Lebanon
El Salvador[4]	St. Vincent	Côte d'Ivoire			Finland[7]		Netherlands		Guinea	Maldives
Ethiopia	Sierra Leone	Equatorial Guinea			Hungary		Spain		Guinea-Bissau	New Zealand
Grenada	Sudan[4]	Gabon			Iceland[8]				India[10]	Nigeria
Guatemala	Suriname	Mali			Israel[9]				Indonesia	Paraguay
Guyana[4]	Syrian Arab Rep.[4]	Niger			Jordan				Jamaica	Philippines
Haiti	Trinidad and Tobago	Senegal			Kenya				Korea	South Africa[4]
Honduras[4]	Uganda[4]	Togo			Kuwait				Lao People's Dem. Rep.	Spain
Iraq	Viet Nam[4]				Malawi				Mauritania	United Kingdom
	Yemen Arab Rep.				Malaysia[8]				Mexico[4]	United States
	Yemen, People's Democratic Rep.				Malta				Morocco	Uruguay
					Mauritius				Mozambique	Venezuela
					Nepal				Pakistan	Zaïre
					Norway				Singapore	
					Papua New Guinea				Sri Lanka	
					Poland[4]				Tunisia	
					Romania				Turkey	
					Sao Tome and Principe				Yugoslavia	
					Solomon Islands					
					Somalia					
					Sweden[9]					
					Tanzania					
					Thailand					
					Vanuatu					
					Western Samoa					
					Zimbabwe					

[1]Current information relating to Democratic Kampuchea is unavailable.

[2]In all cases listed in this column, the U.S. dollar was the currency against which exchange rates showed limited flexibility.

[3]This category consists of countries participating in the exchange rate mechanism of the European Monetary System. In each case, the exchange rate is maintained within a margin of 2.25 percent around the bilateral central rates against other participating currencies, with the exception of Italy, in which case the exchange rate is maintained within a margin of 6 percent.

[4]Member maintains multiple exchange arrangements involving more than one exchange rate. The arrangement shown is that maintained in the major market.

[5]Exchange rates are determined on the basis of a fixed relationship to the SDR, within margins of up to ±7.25 percent. However, because of the maintenance of a relatively stable relationship with the U.S. dollar, these margins are not always observed.

[6]The exchange rate is maintained within margins of ±7.5 percent.

[7]The exchange rate is maintained within margins of ±2.0 percent.

[8]The exchange rate is maintained within margins of ±2.25 percent.

[9]The exchange rate is maintained within margins of ±3.0 percent.

[10]The exchange rate is maintained within margins of ±5.0 percent on either side of a weighted composite of the currencies of the main trading partners.

and, perhaps, greater financial stability. The next most rigid form of peg is a one-to-one parity with a currency peg. These are relatively rare, because different inflation rates have necessitated adjustments over time to the original exchange rate of the currency. The only Fund members to have such a peg at present are The Bahamas and Tonga; although until the mid-1980s, the currencies of the Dominican Republic and Guatemala were at parity with the U.S. dollar.

Changes in Fund members' arrangements for their currencies during this decade have shown a distinct tendency to move toward more flexible arrangements and away from single-currency pegs, continuing a trend that began in the mid-1970s. A major development has been that, by the end of 1988, 18 countries maintained independent floats for their currencies, compared with 10 in early 1982, and the number of currencies in the managed float category was also somewhat higher.

This trend away from fixed rates nevertheless masks a reversal in the direction of changes by developing countries within that period, particularly since 1986. Between 1982 and 1986, the majority of the classification changes reflected greater flexibility, and the bulk of these changes were clear shifts in policy. Twenty-three were shifts from currency pegs either to managed floats or floats, whereas only eight were changes from more flexible arrangements to pegs. This trend continued a pattern established between 1976 and 1981, when 19 classification changes were from pegs to more flexible arrangements, whereas there were only 2 adoptions (and retentions) of single-currency pegs. The trend in the adoption of composites has, however, been reversed. Since 1986, ten countries have moved from more flexible arrangements to pegs (seven of them dollar pegs), compared with four countries moving in the opposite direction.

A single-currency peg has been the most frequently used exchange arrangement by developing countries, over one half of which have such an arrangement. This type of peg has the merit of being easy to administer, and is generally chosen by countries that have a large share of foreign exchange transactions in the currency chosen as the peg. With single-currency pegs, however, the exchange rate continues to move; different inflation rates cause adjustments vis-à-vis the currency pegs, and, by definition, the peg means the currency floats with the peg vis-à-vis other currencies. If a country has geographically diversified transactions, a single-currency peg could lead to increased uncertainty.

Part of the reason for the recent move back to pegs may lie in the evolution of the exchange rates of the pegs concerned. The shift has reflected a desire to follow the depreciations of the dollar, but not the appreciations. The nominal effective exchange rate of the U.S. dollar depreciated by some 37 percent between early 1985 and end-1988. During 1984, only 1 country adopted a dollar peg. Over the next three years, 12 countries did so, whereas during 1988, when the dollar essentially stabilized, only 1 country (Ecuador) shifted to a dollar peg. Depreciations against the dollar peg also eased in the years of the steep fall of the dollar. Compared with 15 depreciations against the dollar peg in 1984 when the dollar was appreciating, and 16 during 1988, there were only 5 and 8 depreciations in 1985 and 1986, respectively.[9]

Another aspect of the recent trend toward flexibility is that it has been accounted for almost entirely by changes in the developing countries. Only four industrial countries changed exchange rate regimes between 1982 and 1988, and three of these were changes among forms of flexible arrangements, from managed floating to independently floating (the countries involved were Australia in 1983, New Zealand in 1985, and Spain in 1988).

The eight industrial countries in the "Cooperative Arrangements" category are the EMS currency group, which have adopted this regime as part of a broader effort to coordinate macropolicies. This category differs from a single-currency peg in that arrangements exist to harmonize monetary policy within the region, and there are active floating markets for determining the value of each EMS currency against those outside the EMS arrangements. With single-currency pegging, harmonization does not usually exist between the financial policies of the pegger and the country to whose currency it is pegged, and active markets do not exist for that currency vis-à-vis the other currencies against which it floats de facto. The cooperative arrangements have correspondingly less potential than other pegging arrangements for overvaluation or undervaluation of exchange rates.

As noted above, an increasing number of developing countries have begun to operate managed or independently floating systems for their exchange rates. In 1982, 8 developing countries, 5 of them in Latin America, adopted these arrangements, and over the next five years, there were 22 more shifts to more flexible arrangements by developing countries. By early 1986, of the 36 countries in the floating categories, 28 were developing, compared with 20 out of 28 in early 1982. Since then, however, 9 developing countries have changed from either a float or a managed float to a more restrictive peg.

An important characteristic of these more flexible arrangements in the developing world is that an increasing number of them have been market-determined—often in the context of Fund programs. In mid-1982 Uganda adopted a secondary auction market for foreign exchange; Uruguay changed to a floating system in late 1982; and in 1984, Jamaica, Uganda, the Philippines, and Zaïre unified

[9]In several member countries, owing in part to political sensitivities, the authorities have declared a peg to a currency unit that in practice they do not adhere to closely. Four oil exporting countries are pegged to the SDR, but in practice limit the flexibility of their exchange rate on a short-run basis against the U.S. dollar (the "quasi-peg").

and floated their currencies. They were followed in the next year by Bolivia, the Dominican Republic, and Zambia; and in 1986 The Gambia, Ghana, Guinea, Nigeria, and Sierra Leone turned to floating. In the past two years, despite the generally less flexible stance of arrangements, four countries have floated their rates—Maldives in 1987, Spain in 1988, and Paraguay and Venezuela in early 1989.

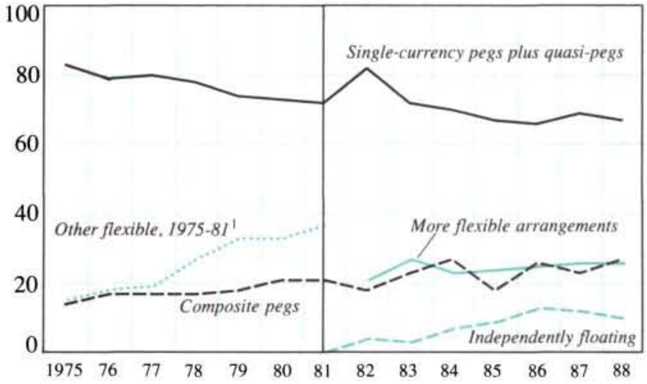
A recent study of the rise in the use of floating by developing countries shows that most turned to floating at a time of increasing external payments difficulties and increasing arrears when reserves were no longer available to support the fixed rate, extensive illegal markets were siphoning off scarce foreign exchange, and capital flight was a major problem.[10] One important motivation has been to increase export competitiveness and reduce recourse to protective measures for domestic industries in a general effort to create incentives for more efficient production. But other reasons have been political, including a desire on the part of the authorities to relinquish direct responsibility for devaluing the exchange rate. The experience with these arrangements, though limited, shows that the exchange rate in these countries generally moved with the money supply and inflation rates, but volatility has generally been less pronounced following the one-shot adjustment at the commencement of floating. Moreover, far from exacerbating inflation, after a brief initial price adjustment (generally less than implied by the share of imports and the magnitude of the depreciation), the float has been associated with less inflation. The experience of these countries, many of them small and with the undeveloped financial institutions noted in the literature, suggests that floating in these countries, if supported by appropriate domestic policies, can be an effective tool for adjustment.

The overall effect of these changes in exchange arrangements since 1982 in developing countries is shown in Charts 2 and 3. As noted earlier, the general trend in developing countries toward freer rates is still clear, although it has slowed since 1986. Most of the changes in pegged arrangements occurred in the dollar peg; by end-1987, the number of currencies pegged to the U.S. dollar had returned to the end-1981 level of 38, after falling to 31 in mid-1985 in the aftermath of the long appreciation of the dollar. The 1982 level reflected the steady decline in the number of dollar pegs recorded since 1975, when 47 currencies had followed the dollar.

Changes in the number of currencies pegged to composites are less striking, but also reflect important shifts. These peggers consist mainly of small countries, often new Fund members, seeking to reduce the fluctuations inherent in single-currency pegs. SDR pegs have declined

Chart 2. Exchange Rate Classifications of Developing Countries, 1975–88

(In number of countries)



Note: See Table 1 (p. 6) for countries in each classification in 1988.

[1] The classification of the more flexible currencies was changed in 1981.

steadily, falling by almost half since 1982, and only eight developing countries now use this peg, despite its ease of computation. This contrasts with a near-tripling of the number of currencies pegging to the SDR between 1975 and 1981.

A qualitative sense of the significance of the trend toward more flexible arrangements can be conveyed by the degree that world trade is affected by countries adopting different arrangements. For instance, the 80 percent increase in the numbers of countries with floating regimes since 1982 is reflected in an increase of about 4 percentage points in their share of global trade. Moreover, there has been no reversal in this share since 1986; the share of world trade represented by managed or independently floating currencies rose steadily from 33 percent in 1982 to 36 percent in 1986 and to 37 percent in 1988. Similarly, the 56 countries that pegged their currencies to single currencies at the end of 1988 represented only about 2 percent of world trade. In terms of the importance of these groups in the Fund's membership, the countries with single-currency pegs declined from 47 percent at the end of 1981 to 36 percent in 1988 (the share of SDR pegs falling from 11 percent to 5 percent), while the share of countries with independent floating arrangements rose from 7 percent to 12 percent.

During 1988, 10 reclassifications of their exchange rates were reported to the Fund by member countries, compared with 14 changes in classifications reported in 1987. Although two of them (Spain, in the first quarter of the year, from a managed float to a float) were clearly in the direction of more flexibility, the rest were all toward less flexibility. Three countries shifted from a managed floating arrangement either to a peg to a currency composite

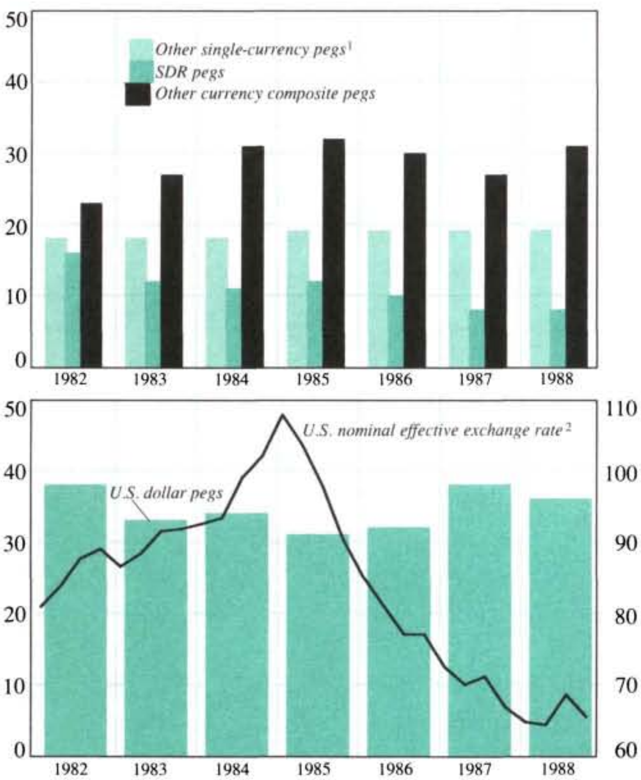
[10] See Peter J. Quirk and others, *Floating Exchange Rates in Developing Countries: Experience with Auction and Interbank Markets*, Occasional Paper No. 53 (Washington: International Monetary Fund, 1987).

(Western Samoa and Iceland), or to a dollar peg (Ecuador), and two countries shifted from a float to a managed float (the Dominican Republic and Guinea). Three countries (Vanuatu, Somalia, and Zambia) changed from either a dollar or an SDR peg to another currency composite peg.

Exchange Rate Developments

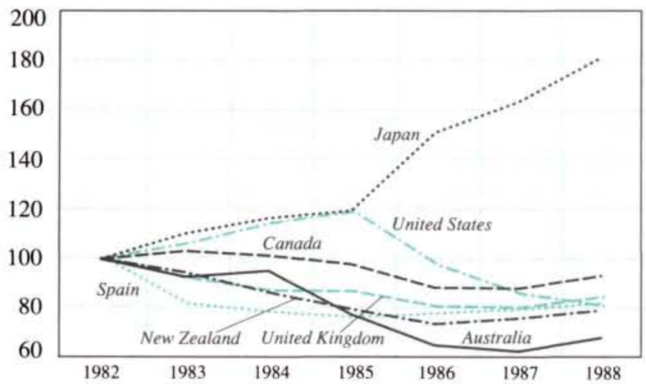
Industrial countries. During 1988, a bottoming-out occurred in the depreciation of the U.S. dollar vis-à-vis most of its main trading partners that had been observed since early 1985 (see Charts 4, 5, and 6). No trend in the direction of the dollar was clear during the year, but its level at the end of 1988 in nominal effective terms was about 40 percent below its peak in February 1985. (All references to nominal effective rates in this section refer to the measure used in the Appendix, which is derived from the Fund's Multilateral Exchange Rate Model (MERM).)

Chart 3. Single-Currency and Composite Pegs, 1982–88
(In number of countries)



Note: See Table 1 (p. 6) for countries in each classification in 1988.
[1]Including those pegged to the French franc.
[2]Index 1985 = 100.

Chart 4. Nominal Effective Exchange Rates of Industrial Countries With Independently Floating Exchange Arrangements, 1982–88
(MERM Index, 1982 = 100)



The real effective rate of the dollar at the end of 1988 was almost back to its pre-Louvre Accord rate of early 1987.

The value of the dollar had fallen steadily during 1987 in nominal effective terms. The currencies of all the industrial countries that either floated their exchange rates or belonged to the Exchange Rate Mechanism (ERM) of the EMS had appreciated against the dollar, and all but three of these (the Australian dollar, the Canadian dollar, and the Italian lira) had also appreciated in nominal effective terms. Between the first quarter of 1985 and the last quarter of 1987, the real effective rate of the dollar depreciated by 38 percent. Its real value was lower than at any time over the last 40 years. Both the Japanese yen and the deutsche mark appreciated strongly in real terms between early 1985 and late 1987—the yen by 27 percent, and the deutsche mark by 19 percent.

In 1988, this trend ceased. In spite of a peak in midyear, with two low periods in April and December, the nominal effective exchange rate of the dollar showed no clear direction, while the real rate depreciated by 0.6 percent. The major currency that appreciated most in nominal effective terms during the year was the Japanese yen, although among the other currencies, both the Canadian and the Australian dollars appreciated far more strongly (Chart 5). In real effective terms, exchange rate movements were relatively similar to nominal changes. The yen, the pound, and the Canadian and Australian dollars appreciated, with the Australian dollar showing the largest increase of 21 percent.

The EMS currencies generally depreciated during 1988, both in effective terms (Chart 6) and against the dollar, although within a fairly narrow range. The deutsche mark was particularly weak, depreciating by 4 percent in effective terms, and by 11 percent against the dollar. The value of the dollar vis-à-vis the yen at the end of

1988 was close to its low level of the end of 1987. Between December 1987 and December 1988, the ERM currencies depreciated in nominal terms by between 10 percent and 12 percent against the dollar. The changes in the nominal effective rates of these currencies were also fairly uniform, ranging between about 3 percent (for the Belgian-Luxembourg franc) and about 5 percent (for the Danish krone). Real effective changes in ERM currencies during 1988 were also generally in the form of small depreciations ranging between −0.7 percent (for the Luxembourg franc) and −6.5 percent (for the Belgian franc).

There was no realignment of the ERM currencies during 1988 (the last realignment was on January 12, 1987). The stable relationships in the system were associated with a general decline in inflation rates and the convergence of interest rates. Differentials in inflation rates among members were about 2 percentage points by the end of the year, with the Netherlands showing the lowest rate of price increase over the fourth quarter of 1987. Excluding Italy, short-term interest rates differed at most by about 3 percentage points among ERM members by the fourth quarter of the year.

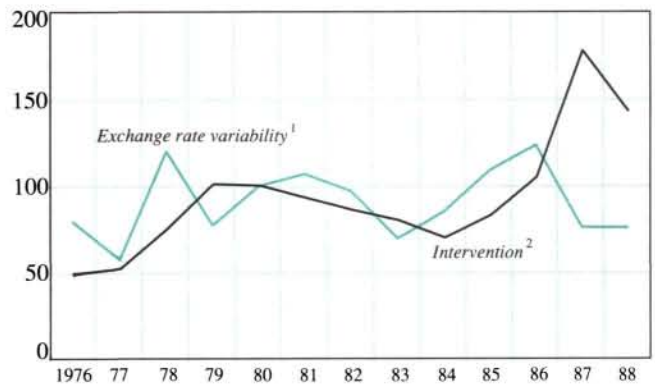
Firm political commitment to monetary coordination seemed to lie behind this stability among the ERM currencies and was reflected in official statements and reported intervention in foreign exchange markets. There were also agreements to coordinate interest rate decisions more closely, to make more flexible use of existing fluctuation margins, and to make more short-term finance available for intervention.

The exchange rate changes of industrial countries during 1988 took place against a background of policy coordination in the industrial countries aimed partly at exchange rate stability. (Chart 7 shows indicators of official intervention and exchange rate variability since the mid-1970s.) Under the Louvre Accord of February 1987, the major industrial countries had recognized the importance of underlying fiscal and structural policies in reducing external imbalances and had agreed to work toward greater stability in exchange rates. The chart indicates that this commitment was followed also by a sharp increase in official intervention. Pressure on the dollar picked up in late 1987, there was a depreciation of close to 7 percent between November and December, and in December the

Chart 5. Real Effective Exchange Rates of Industrial Countries With Independently Floating Arrangements, 1982–88
(MERM Index, 1982 = 100)

Chart 6. Nominal Effective Exchange Rates of Industrial Countries With Cooperative Arrangements, 1982–88
(MERM Index, 1982 = 100)

Chart 7. Industrial Countries: Indicators of Exchange Rate Variability and Official Foreign Exchange Market Intervention, 1976–88
(Index, 1980 = 100)



Source: Fund staff estimates.
[1]For each individual country, currency variability in any year is measured by the average monthly percentage change of its exchange rate in terms of the SDR. The measure of average currency variability shown here is the trade-weighted average of the individual country variability measures, expressed as an index.
[2]Sum of means of monthly total absolute changes in gross foreign exchange reserves, expressed as an index.

Group of Seven major industrial countries reaffirmed the basic objectives of the Louvre Accord.

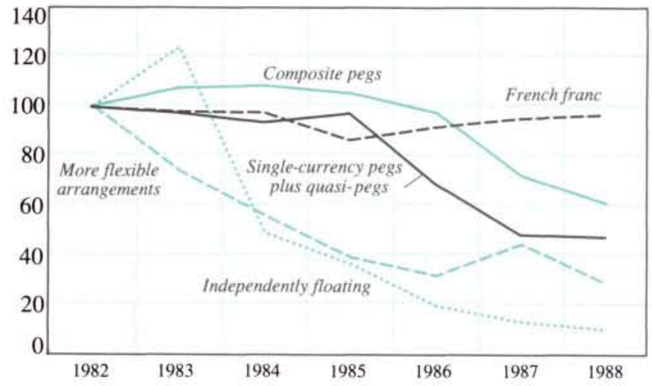
During the first quarter of 1988, when the dollar depreciated somewhat (by 10 percent in MERM effective terms over the first quarter of 1987) the Group of Seven, at a meeting in Washington in April, "welcomed the additional evidence that the correction of imbalances is underway, as well as the increased stability in exchange rates." They went on to express "their determination to continue to coordinate economic policies to strengthen the underlying fundamentals and thereby reinforce the conditions for exchange rate stability." Similar language was used at the Toronto economic summit in June, where the Heads of State or Government of the Group of Seven endorsed the conclusion that "either excessive fluctuation of exchange rates, a further decline of the dollar, or a rise in the dollar to an extent that becomes destabilizing to the adjustment process, could be counterproductive by damaging growth prospects in the world economy." The statement by the Group of Seven at the Annual Meetings of the World Bank and the Fund in Berlin (West) in September 1988 restated the same objectives.

Developing countries.[11] A comparison of average movements of currencies of developing countries in different exchange rate classifications shows that all categories, except for the French franc peggers, have depreciated significantly since 1982 in the face of widespread balance of payments difficulties. Taking average exchange rates measured in nominal and real effective terms (the latter to account for relative changes in trading partners' prices or costs), Charts 8 and 9 show, as might be expected, that currencies in the more flexible classifications have depreciated the most to cope with widespread balance of payments difficulties in this period. This is partly because countries adopting floating arrangements for the first time have always had large initial currency depreciations, reflecting their difficult payments situations. This was the experience of all the countries that have adopted floating: Jamaica, the Philippines, Uganda, and Zaïre in 1984; Bolivia, the Dominican Republic, and Zambia in 1985; The Gambia, Sierra Leone, Ghana, and Nigeria in 1986; and Maldives in 1987. In real terms, the more flexible currencies have stabilized over the past year.

The greater long-run stability of the currencies in the single-currency pegs reflects the fact that they have had fewer and smaller adjustments than the more flexible group. The nonfranc peggers are dominated by the group

Chart 8. Developing Countries: Average Nominal Effective Exchange Rates by Regime, 1982–88

(Indices, 1982 = 100)

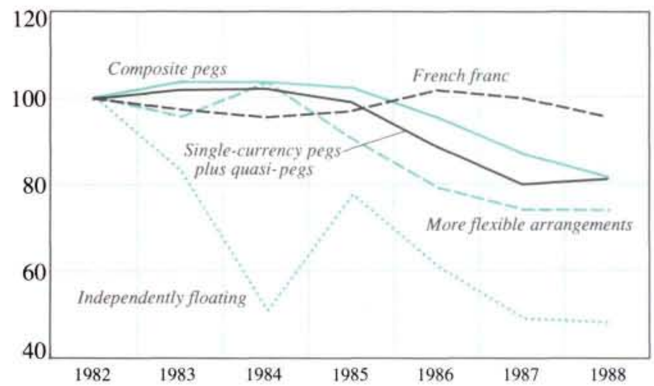


pegging to the U.S. dollar, and these predictably followed the dollar's appreciation until the first quarter of 1985 and its subsequent depreciation and stabilization during 1988. In real terms, since the United States has been relatively successful in containing inflation, currencies pegging to the dollar have depreciated less than their nominal rates since 1985 and, during the past year, have appreciated somewhat.

The discrete changes in the exchange rates of the currencies of developing countries that maintained pegged arrangements during 1988 moved in a narrower range than during 1987, and all involved depreciations against their

Chart 9. Developing Countries: Average Real Effective Exchange Rates by Regime, 1982–88

(Indices, 1982 = 100)



Note: The data exclude the following countries for which real effective exchange rate information was not available: Afghanistan, Algeria, Belize, Benin, Bhutan, Chad, Comoros, Djibouti, Equatorial Guinea, Guinea, Guinea-Bissau, Islamic Republic of Iran, Iraq, Democratic Kampuchea, Lao People's Democratic Republic, Lebanon, Libya, Maldives, Mozambique, Oman, Qatar, Sao Tome and Principe, Syria, United Arab Emirates, Viet Nam, Yemen Arab Republic, and Yemen People's Democratic Republic.

[11] Countries also made changes in their exchange arrangements that affected neither their classification nor their quoted exchange rates. These included changes in the coverage of secondary exchange markets and surrender requirements and institutional change (such as expanding the institutions authorized to make foreign exchange transactions). One country, Nicaragua, changed its currency, the córdoba, which was replaced by a new córdoba worth 1,000 times the value of the old córdoba.

pegs (see Table 2). In 1987 the range had been between an 11.6 percent appreciation (for the Romanian leu against a composite peg) and a 92 percent depreciation (for the Vietnamese dong against the U.S. dollar); last year, the range varied between a depreciation of 0.9 percent (for the Somali shilling against a composite peg in September) and a depreciation of 87.5 percent (for the Nicaraguan córdoba against the U.S. dollar, in June). In general, currencies pegged to the U.S. dollar had larger depreciations than those pegged to other composites.

The frequency with which exchange rates pegged to the U.S. dollar were devalued against the dollar in 1988 (a year of relative stability for the dollar) picked up over the number of devaluations in 1987, and was close to the number of adjustments in the years of dollar appreciation. There were 5 devaluations against the dollar in 1987, and

Table 2. Discrete Exchange Rate Changes of Pegged Currencies, 1988

Country (Currency/Peg)	Date of Change	Domestic Currency Units per Currency Peg: Old Rate	Domestic Currency Units per Currency Peg: New Rate	Percentage Change (Depreciation (−))[1]
Burundi (franc/SDR)	February 25	161.0	177.1	−9.1
Ecuador (sucre/US$)[2]	August 30	250.0	390.0	−35.9
Guatemala (quetzal/US$)	June 23	2.50	2.70[3]	−7.4
Hungary (forint/other comp.)	July 19	50.7066	54.3071	−6.6[4]
Iceland (króna/other comp.)	September 28	46.79	48.14[5]	−2.8
Israel (sheqel/other comp.)	December 27	160.0	168.0	−4.8[4]
Lao People's Dem. Rep.(kip/US$)	July 21	350.0	400.0	−12.5
Malawi (kwacha/other comp.)	January 16	2.0938	2.4619	−14.9[4]
Mozambique (metical/US$)	January 1	400.0	450.0	−11.1
	July 1	450.0	580.0	−22.4
	October 15	580.0	620.0	−6.6
Nicaragua (córdoba/US$)	June 15	10.0[6]	80.0	−87.5
	August 31	80.0	180.0	−55.6
	September 30	180.0	320.0	−43.8
	November 2	320.0	550.0	−41.8
	November 24	550.0	920.0	−40.2
Paraguay (guarani/US$)	July 1	240.0/320.0[7]	400.0	−40.0
				−20.0
Peru (inti/US$)	November 22	250.0[8]	500.0	−50.0
Poland (zloty/other comp.)[9]	January 1– December 31	320.0	502.55	−36.3[4]
Sao Tome and Principe (dobra/other comp.)	July 16	78.91	100.0	−21.1[4]
Somalia (shilling/other comp.)[10]	August 6	180.0	215.0	−16.3
	August 13	215.0	225.0	−4.4
	September 10	225.0	227.0	−0.9
	September 30	227.0	247.0	−8.1
Tanzania (shilling/other comp.)	November 4	98.0	120.0	−18.3
Trinidad and Tobago (dollar/US$)	August 17	3.60	4.25	−15.3
Uganda (shilling/US$)	July 1	60.0	150.0	−60.0
	December 2	150.0	165.0	−9.1
Zambia (kwacha/SDR)	November 9	8.0	10.0	−20.0[4]

[1]In terms of the currency peg. (All changes refer to developing countries, except for Iceland.)
[2]The Central Bank began preannouncing a devaluation of the sucre by S/. 2.50 on a weekly basis.
[3]With effect from June 23, the authorities of Guatemala unified the multiple exchange rate system, setting the rate at Q 2.70 = US$1. The old rate reported is that of the regulated market.
[4]The króna was devalued by 10 percent in terms of the trade-weighted basket on May 16, when the exchange arrangement was reclassified from "More Flexible: Other Managed Floating" to "Other Composite." Previously, on February 29, the króna had been devalued by 6 percent against its basket of currencies.
[5]Exchange rate and percentage change expressed in terms of the U.S. dollar.
[6]With effect from February 15, Nicaragua replaced the córdoba by a new currency, the new córdoba, valued at 1,000 units of the old córdoba. Previous rates ranged from C$70 = US$1 to C$21,000 = US$1 and the new rate constituted an average devaluation of 75 percent.
[7]Public sector transactions were effected in the range of G 240 and C/ 320 per U.S. dollar. Effective July 1, these transactions were to take place at the rate of G 400 per U.S. dollar. Paraguay has three exchange rates in effect, ranging from G 400 = US$1 to G 900 = US$1.
[8]During June and July, a major devaluation of the multiple exchange rates took place. On September 7, the various official rates were unified at I/. 250, representing a devaluation ranging from 47.5 percent to 87.5 percent in terms of the U.S. dollar.
[9]The authorities have continued their policy of small but frequent adjustments of the exchange rate of the zloty. During 1988, the zloty was depreciated vis-à-vis the transferable ruble from ZL 140 = TR 1 to ZL 230 = TR 1, representing a cumulative depreciation of 39.1 percent.
[10]On June 20, the Somali shilling was devalued by 44.4 percent in foreign currency terms when its currency ceased to be pegged to the U.S. dollar and was pegged to a basket of currencies.

16 in 1988, compared with 15 in 1984 just before the dollar peaked. The sizes of the 1988 devaluations were also similar—ranging between 7 percent and 88 percent, compared with a range of between 2 percent and 2.75 percent in 1984.

Changes in the official exchange rates of the currencies that are pegged generally underestimate the degree of actual flexibility in their exchange systems. Several of the countries with pegged arrangements maintain official dual systems for certain transactions. As mentioned earlier, although the historical trend has been toward a reduction in these systems, 26 countries still maintained multiple systems in 1988, usually with a free secondary market. Apart from officially recognized parallel markets, available information shows that 24 of the countries with pegs also had unofficial parallel markets. Rates in these markets in 1988 ranged from 12 percent to 99 percent more depreciated than the officially pegged rate. Most of the countries with data available on unofficial parallel markets operated pegs to the U.S. dollar. The average depreciation in these markets in 1988 was more than 50 percent over the official rate. Although it is difficult to ascertain the significance of these alternative rates—since this depends on the degree of official control over transactions and the importance for economic activity of those transactions covered by the unofficial system—it is clear that they met a need for greater flexibility.

The more flexible currencies in the developing country group also moved more narrowly vis-à-vis the U.S. dollar in 1988 than in the previous year; most changes in 1988 fell into the 1–25 percent depreciation range, whereas over 60 percent of the currency changes in 1987 were outside this range (see Table 3). As in 1987, the majority of the currency changes in this group were depreciations against the dollar, but the fact that they depreciated, on average, less than in 1987 may reflect the reversal in the dollar's effective depreciation that occurred during 1988. Two currencies—the Singapore dollar and the Korean won—appreciated against the dollar for the second successive year (in fact, 1988 was the third year of appreciation for the won).

Table 3. Changes in "More Flexible" Currencies
(December 31, 1987–December 31, 1988)

	Currency Units per U.S. Dollar[1] *(End of Period)*		
	Dec. 31, 1987	Dec. 31, 1988	Percentage Change Depreciation (−)
Argentina (austral)	3.7500	13.325	−71.8
Bolivia (boliviano)	2.2100	2.45	−9.8
Brazil (cruzado)	72.25	765.30	−90.5
Chile (peso)	238.14	247.20	−3.6
China (yuan)	3.7221	3.7221	—
Colombia (peso)	263.7	335.86	−21.5
Costa Rica (colón)	69.3	80.0	−13.4
Dominican Republic (peso)	4.9600	6.41	−22.6
Egypt (pound)	2.19	2.330	−6.0
Gambia, The (dalasi)	6.4387	6.6591	−3.3
Ghana (cedi)	176.0	229.885	−23.4
Greece (drachma)	125.93	148.10	−15.1
Guinea (franc)	440.000	550.000	−20.0
Guinea-Bissau (peso)	851.70	1,363.58	−37.5
India (rupee)	12.8772	14.9489	−14.1
Indonesia (rupiah)	1,650.0	1,731.0	−5.1
Jamaica (dollar)	5.50	5.48	+0.5
Korea (won)	792.30	684.1	+16.0
Lebanon (pound)	455.0	530.0	−14.6
Madagascar (franc)	1,234.27	1,526.43	−19.1
Maldives (rufiyaa)	9.3950	8.57	+10.0
Mauritania (ouguiya)	71.6000	75.73	−5.5
Mexico (peso)	2,209.7	2,281.0	−3.1
Morocco (dirham)	7.8003	8.2106	−5.0
Nigeria (naira)	4.1413	5.353	−22.6
Pakistan (rupee)	17.45	18.65	−6.4
Philippines (peso)	20.80	21.336	−2.5
Portugal (escudo)	129.865	146.371	−11.3
Singapore (dollar)	1.9985	1.9462	+2.7
South Africa (rand)	1.9299	2.3777	−19.0
Sri Lanka (rupee)	30.763	33.03	−7.0
Tunisia (dinar)	0.7779	0.8985	−13.4
Turkey (lira)	1,020.90	1,814.80	−43.7
Uruguay (new peso)	281.0	451.0	−37.7
Yugoslavia (dinar)	1,244.00	5,210.76	−76.1
Zaïre (zaïre)	131.5	274.0	−52.0

Note: Exchange rates shown are midpoints of buying and selling rates.

[1]For those countries that maintain multiple rates, the rate shown is either that quoted by the authorities as the official rate or that used most widely in the country's international transactions.

Multiple Exchange Rates

Multiple exchange rates result from official action when the authorities control foreign exchange payments in such a way as to create different exchange rates for different types of transaction, transactor, or currency. (In practice, rates are defined to be multiple when because of official action they differ by a spread of more than 2 percent, excluding normal transactions costs.) These practices fall into three main categories: a dual or multiple exchange market system applying to broad categories of goods, usually created by the authorities controlling the transactions channeled into the official market; a separate exchange rate for a limited number of specified transactions; and taxes (or subsidies) that accrue to (or are paid by) the monetary authorities on the value of some exchange transactions. Box 2 gives examples of these three types of foreign exchange restrictions. (See also footnote 4 in Table 1, p. 6, for instances of such practices.)

In April 1984 and February 1985 the Executive Board reviewed the Fund's experience with and policies on multiple exchange rate regimes. The main conclusion of these reviews was that multiple rate systems are costly in terms of efficiency and resource allocation and they have not

Box 2. Examples of Multiple Exchange Practices

Dual or Multiple Market System. Multiple markets usually comprise an official market in which the supply and demand for foreign exchange are controlled and a free financial market that handles all other transactions. The free rate is almost always more depreciated than the official rate. Less selective in their impact than the imposition of individual rates for given transactions, multiple markets typically penalize broad categories of suppliers of foreign exchange to the official market—typically exporters—and subsidize groups of purchasers—often the government or key pressure groups.

Fixed Exchange Rate on Given Transactions. Specific foreign exchange transactions can either be subsidized or penalized by the authorities, forcing the purchase or sale of exchange at an over- or undervalued rate for the local currency. This practice is often used to hold down official expenditures on the servicing of government-guaranteed debt, to encourage migrant labor to repatriate foreign earnings, or to penalize profit remittances abroad by foreign companies or payments abroad by residents.

Taxes/Subsidies on the Value of Transactions. Similar in impact to fixing the exchange rate for given transactions and equally selective, these practices typically target current account transactions. Examples include export bonuses or subsidies, mandatory advance import deposits (which pay no interest), taxes on remittances abroad, and taxes on sales of exchange by commercial banks. Although the central bank generally benefits from multiple exchange rate practices, the budget reaps the rewards of taxes on foreign transactions.

proven conducive to medium-term balance of payments adjustment.[12]

The Fund's policies stated on the occasion of the 1984/85 discussions were based on the experience of its membership with multiple exchange rates. Most countries that have adopted multiple currency practices did so at a time of external payments difficulties. The underlying reason for a country to avoid the uniform exchange rate change—normally a devaluation—that would be part of a systematic approach to solving the problem is usually the belief that it will be politically and socially costly. Some countries believe a uniform devaluation would undermine growth prospects and complicate economic management by causing inflation; others believe that it would undermine social priorities by raising the costs of essential food imports; and yet others believe that development prospects would be endangered by higher costs for imported inputs for certain industries.

Multiple rates are thus used to address payments difficulties by attempting to relieve the pressure on different elements of the external accounts, generally imports and some important invisibles payments, or to provide additional incentives for exports. Table 4 gives summary statistics on the coverage of multiple systems at present, which indicates that the aims of the systems have changed little since the 1984/85 review.

In some instances, using a dual rate as a temporary device to find a realistic level for a proposed unified exchange rate has been an effective transitional policy tool. In several countries dual markets were established when the authorities intended to unify the fixed official rate with various other rates, official and unofficial, that existed but were uncertain about the correct level for the new rate. The movement of the exchange rate in the free secondary market served to indicate the appropriate level for the unified rate in most situations, although speculation in other cases led to a greater depreciation in the parallel market than was warranted by economic conditions. The Fund's policies in the area of multiple exchange rates have remained flexible, pragmatic, and responsive to each country's particular circumstances. The most important judgment in the Fund's decision to approve multiple exchange rate systems under its Article VIII relates to their temporary character. Approval of these practices is based on the existence of a well-conceived plan designed to bring about the unification of exchange rates over a specific and appropriately brief period of time. The development of such a plan and firm intentions to eliminate multiple rates are normally expected from a member undertaking an adjustment program supported by the use of Fund resources.

The plan usually consists of successive reductions in exchange rate spreads or shifts in the transactions undertaken in the various exchange markets. In cases where no arrangement entailing the use of Fund resources is in effect, Fund approval of multiple exchange rates has been granted when there are firm indications of measures and conditions considered likely to ensure their temporary nature. A particular form of multiple exchange rate has recently been reviewed in the Fund—namely, official guarantee schemes for private sector borrowers.[13] These schemes typically take the form of exchange subsidies or subsidized forward cover facilities on officially regulated terms for designated purposes, such as rescheduled liabilities. Most of these schemes entail forward premiums that do not reflect market conditions, and they entail losses

[12]For more details of the 1984–85 Fund review, see International Monetary Fund, *AREAER*, 1985.

[13]See Quirk and others (1988).

Table 4. Features of Multiple Exchange Rate Systems, 1983–88
(Number of countries)

Feature	1983	1984	1985	1986	1987	1988
Separate rate for capital and some invisibles	35	37	34	36	39	37
More than one rate for imports	25	23	23	28	33	29
More than one rate for exports	25	25	28	25	32	29
Import rate different from export rate	28	28	28	33	36	33

Source: International Monetary Fund, *AREAER*, various issues.

unless the central bank can cover its position by simultaneously buying spot or forward exchange. Because few developing countries have forward foreign exchange markets that are sufficiently developed to cover these risks, losses are common. The Fund has therefore increasingly promoted and encouraged the development of market-determined forward facilities.

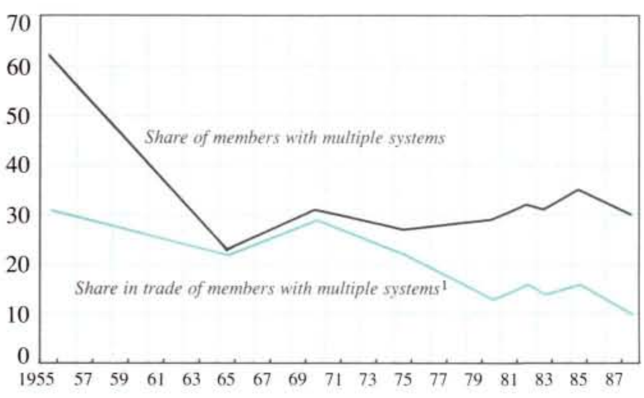
It is difficult to compare changes in the degree of complexity of multiple exchange systems in a given country over different periods and also to compare restrictiveness among countries. Not only are there many types of exchange practices, but their scope and incidence can vary widely and can be difficult to measure. The implementation of exchange market segmentation can also have a crucial effect on how distorting it is, yet this is often almost impossible to assess.

The incidence of multiple rates among the Fund's member countries has generally declined since the 1950s. In the mid-1950s, some two thirds of all members had these regimes, representing about a third of their total trade (Chart 10). In June 1957 the Fund adopted an important decision urging members to simplify their exchange rate structures; it also undertook to assist members in their efforts to do so, providing technical assistance where appropriate. In the late 1950s and early 1960s, these efforts, together with the establishment of convertibility among major countries and an improvement in the international trade situation, contributed to a substantial simplification of exchange rate systems in both developed and developing countries. Progress in simplifying developing countries' systems was, however, mixed thereafter, with increased use of multiple rates in the late 1960s, and again in the early 1980s, as the developing world faced widespread balance of payments difficulties. Since 1986 there have again been sharp reductions in the incidence of multiple rates. By end-1988 about one third of the Fund's membership operated multiple rate regimes, and the importance in world trade of countries with more than one exchange rate has declined more steadily and rapidly. In the industrial countries, now that the spread between the financial rate and the official rate in Belgium and Luxembourg has become virtually nonexistent, countries with multiple rate systems represent only about 10 percent of total trade.

The numbers of countries using the exchange system either to liberalize or restrict foreign exchange transactions can provide an overall sense of whether countries are making less or more use of exchange controls as a tool to manage their external accounts. These numbers should, however, be interpreted with care: they may reflect controls that are transitional in a country with a program for liberalizing transactions in sequence; a practice that may appear restrictive may not be, such as the adoption of a new exchange rate that is market-determined; and a unification that may appear to free transactions may not do so if the new rate is highly regulated or restricted to a few categories of foreign exchange activities. Nevertheless, a brief review of some general indicators of the number and scope of multiple exchange rate systems over the past few years can provide a context for assessing more recent developments.

Chart 11 shows that the number of countries simplifying their exchange rate systems has been steadily rising since 1980. Although liberalization reached a peak in 1983 and 1986 and has since moderated, there are still more countries liberalizing exchange practices than in 1980 and still more liberalizations than restrictions. The number of countries resorting to restrictive exchange rate measures rose to a peak in 1981 and again after the debt crisis in 1983 and has generally fallen since then. As noted above, the recent trend toward liberalization is clearer when the share of trade of the countries easing their exchange rate systems is taken into account. In 1987, countries adopting freer exchange arrangements reflected over 9 percent of developing country trade, and over 10.5 percent in 1988.

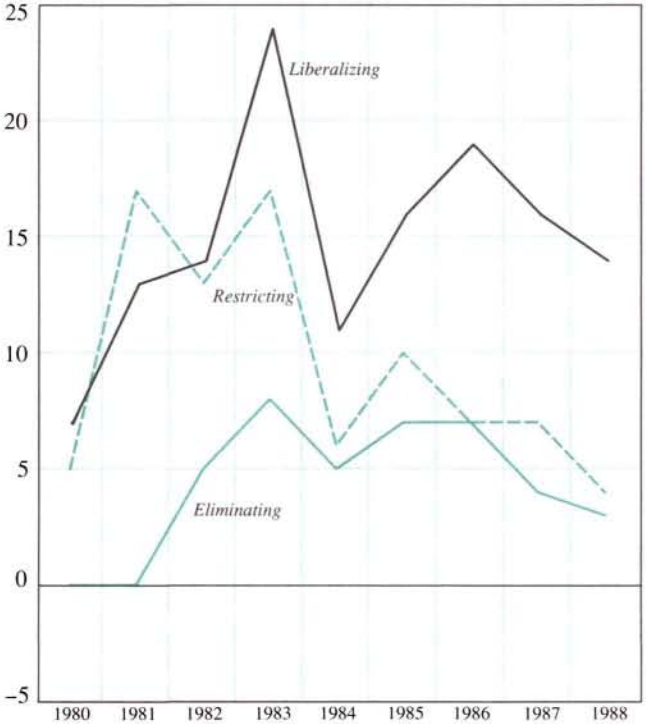
Chart 10. Fund Members With Multiple Exchange Rates, 1955–88
(In percentages)



[1]As a percent of total exports of the membership of the Fund.

Chart 11. Changes in Multiple Exchange Rates 1980–88

(In number of countries)



The countries adopting more restrictive regimes were much less important in trade, representing only about 2.75 percent in 1987 and 0.5 percent in 1988. Among the group simplifying their practices were several large developing countries, including Argentina, Brazil, and Nigeria in 1987; Paraguay, Turkey, and Venezuela joined the group in 1988 and the first quarter of 1989. All these simplifications involved the introduction of market-determined rates into the system or the extension of their coverage. Argentina introduced a more market-related rate in 1987 and expanded its scope in 1988; Brazil added a free rate for tourist transactions in 1988; Nigeria unified its official rate under an auction system in 1987; and in 1988 Venezuela expanded the coverage of its nonpreferential rates (unifying along with Paraguay in early 1989), and Turkey freed the rates in large transactions.

The significance for adjustment policies of the remaining multiple rate systems still in use has, however, risen since the early part of the decade. As noted earlier, during the 1970s about half the countries with exchange restrictions had minor but more complex practices, such as taxes or subsidies on specific exchange transactions or broken cross rates; however, during the 1980s, countries have tended to adopt dual-rate systems that affect large volumes of transactions rather than resorting to relatively minor practices. Nevertheless, the shifts to these systems have generally proven to be temporary. Although few of the countries adopting multiple exchange rates since 1983 have adopted limited and simple forms, the developing countries that have recently adopted or expanded complex forms of multiple rate systems have since relinquished them. Thus, although Bolivia, Venezuela, and Guatemala created multiple markets in 1984, Bolivia unified in 1985, Guatemala in mid-1988, and Venezuela in early 1989. In 1985 Guinea, Honduras, Zambia, and South Africa established new markets; only Honduras and South Africa still have them. Ghana and Nigeria created new markets in 1986, and Sudan and Ecuador did so in 1988.

Changes in the transactions affected by different rates reflect the sources of the payments difficulty faced by the country. After the debt crisis of 1982, Chile, Venezuela, and Zaïre channeled public service payments on debt contracted earlier via a preferential exchange rate, Guatemala followed suit in 1984, and Paraguay in 1985. Most of these rates have since been eliminated. Over the past two years, most of the adoption or expansion of multiple rates has been aimed at managing the trade account, either to meet urgent payments needs, or to stimulate exports. In 1987 Sudan established an "own-resource" scheme that permitted importers to use their own foreign exchange to finance imports of certain inputs and essential consumer goods.

Other countries simplified their systems to provide incentives to exports, moved some or all export proceeds to a free or more depreciated rate, and reduced subsidies on imports by shifting most import payments to the same rate. In 1988 Argentina and Venezuela followed this approach; Sudan included private transfers and 30 percent of export receipts in the commercial market but retained the large majority of imports and public invisibles at the official rate; and Peru shifted imports to more depreciated rates.

Some changes affected invisibles. Both Lao People's Democratic Republic and Viet Nam reduced distortions on some payments in 1988: Viet Nam shifted transactions by international organizations, and Lao People's Democratic Republic shifted aid and transactions by public enterprises to more depreciated rates. Venezuela also opened the free market to investors involved in debt-conversion schemes for financing investment in the export sector.

The multiple rates that were simplified during 1987 and 1988 were also accompanied by a fall in the spreads between the most appreciated and most depreciated levels. A lower spread can suggest less acute distortions, and, if the average rate is closer to the market rate, reflects a move toward a more appropriate exchange system. On the basis of available information, the general tendency of spreads in countries with multiple exchange markets has been to fall. Several countries, too, added new rates that were market-related; although this increased the spread, the impact was to bring average rates closer to market levels.

One characteristic of recent changes in exchange rate practices is a tendency for countries to introduce market-related rates into their exchange systems in an effort to improve their external accounts and reduce price distortions. In a number of countries, the exchange rate has been unified at a market rate, as occurred in Trinidad and Tobago and Guatemala in 1988. Several other countries have introduced or expanded the scope of a more market-related rate over the past two years. In 1987 Argentina introduced a more market-related exchange rate for transactions previously covered in the parallel markets; Sudan unified the dual exchange market at a somewhat more market-related rate; and in 1988 Brazil introduced a new free rate for tourist transactions, and Ghana introduced foreign exchange bureaus that transact in foreign exchange at freely determined rates. Other countries have expanded the scope of their market rates. In 1987 Somalia, Ghana, Nigeria, and Guinea expanded the coverage of their auction markets, and Guyana established a second foreign exchange window to bring parallel market transactions into the organized market. Several other countries expanded the categories of goods transacted at market rates in 1988, including Argentina, Venezuela, and Paraguay.

Similarly, most of the changes that aimed to discourage external flows focused mainly on the current account. In 1988 Sudan re-established a dual market (in addition to the own-resource market); the commercial market has a rate that is, in principle, market-related and covers foreign exchange inflows from private transfers and 30 percent of export proceeds. The pegged official rate (164 percent more appreciated than the commercial rate when the markets were created) is applied to the remainder of export proceeds, government loans and grants, some invisibles, and most imports. Ecuador also shifted all private transactions, investment and profit remittances, to the regulated market (where the rate was about 50 percent more appreciated than that in the free market) Ecuador also imposed further specific limits on imports.

Other countries have used specific taxes or subsidies or other administrative measures to provide more targeted incentives: in 1988 Peru increased the share of export earnings that exporters were allowed to retain to 30 percent; the Yemen Arab Republic reduced its import deposit requirements and eased import licensing; and Nicaragua reduced import taxes and eliminated differential surrender requirements for exports and invisibles.

III

Main Developments in Trade and Exchange Controls and Taxes

This chapter surveys major developments in Fund members' restrictive practices affecting international trade and financial transactions. These practices take the form of either quantitative restrictions or price-related measures that involve implicit or explicit taxes and subsidies affecting international transactions. Most of the practices are described in detail in the country-specific reports that comprise the *Annual Report on Exchange Arrangements and Exchange Restrictions (AREAER)*.

Quantitative Restrictions on Imports

Almost all Fund member countries maintain some quantitative controls on imports. Such restrictions limit the amount or value of imports through licensing procedures, the administrative allocation of foreign exchange, tied imports or countertrade, prohibitions, and other discretionary actions by the authorities to control various categories of imports. Quantitative restrictions can be targeted at specific products, countries, and even enterprises. Their sectoral and bilateral nature makes them relatively simple to apply; their distorting and discriminatory impact has led the Fund and the General Agreement on Tariffs and Trade (GATT) to strive for the elimination of such controls. For the Fund, quantitative import controls and other trade restrictions are subject to surveillance because of their implications for exchange rate policies under Article IV, Section 2, of the Articles of Agreement. Issues in regard to trade policies were reviewed recently in the Fund's Executive Board.[14]

Many of these restrictions constitute outright bans and are maintained more or less permanently for health or security reasons; restrictions on drugs and arms are obvious examples. Otherwise, the maintenance or intensification of quantitative import controls reflects the desire of governments to protect particular industries, or even enterprises, or to conserve foreign exchange reserves. Even in situations where the exchange rate is fully market-determined, the authorities may be unwilling to accept fully its resource allocation implications for specific sectors, either in the short run to smooth the necessary adjustments, or in the longer run. The nature and especially the extent of trade restrictions can alter relative prices between sectors, leading to distortions in resource allocation and influencing the market-clearing functions of exchange rate and other macroeconomic variables.

Chart 12 demonstrates divergent trends in quantitative import controls between industrial countries and developing countries in 1988. Whereas developing countries on balance have been stepping up the pace of liberalization, albeit from a considerably more restrictive base, the industrial countries have intensified their net recourse to quantitative import controls. However, in 1988 relatively few new measures were taken by industrial countries in this area. These occurred under the Uruguay Round pledge of a "standstill" on trade-restricting measures inconsistent with the GATT.

Industrial Countries

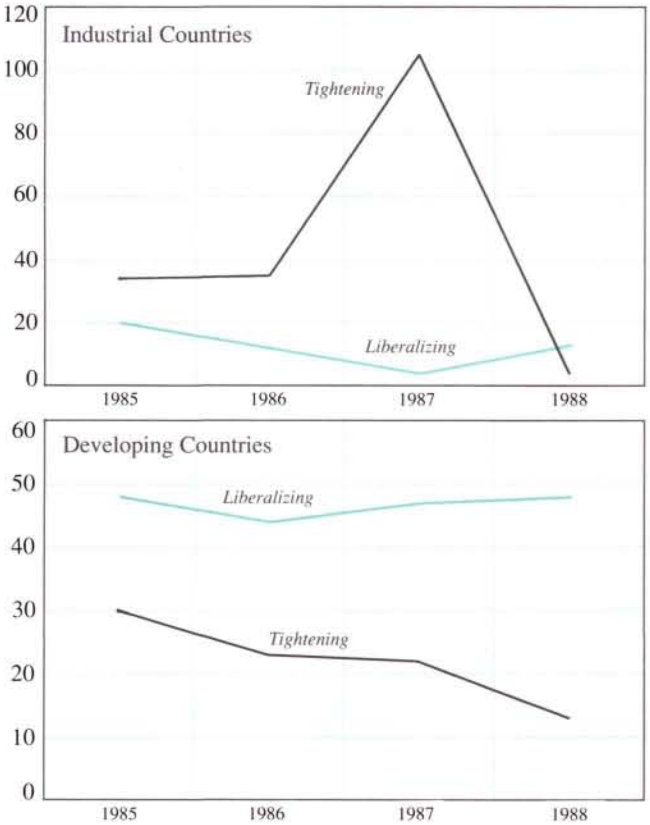
The increasing recourse to quantitative trade restrictions by industrial countries since the mid-1980s has been mainly confined to the European Communities (EC) countries and the United States. The major exceptions to the tightening of restrictions were Japan, Australia, New Zealand, and, to some extent, Canada, where a net opening up of trade prevailed. Among the controls implemented to regulate access to these countries' markets, export restraint arrangements negotiated with each supplying country on a bilateral basis have continued to replace quantitative restrictions governed by GATT rules.[15] Over the course of the 1980s, as traditional trade restrictions in the form of quotas and tariffs have been eased—in the context

[14]See Kelly and others (1988).

[15]In addition to export restraint arrangements agreed between countries, there are numerous examples of reduced or redirected exports by suppliers where significant, but unofficial, pressure has been brought to bear, usually under the threat of retaliatory litigation for alleged dumping or other illegal trade actions.

Chart 12. Quantitative Import Controls, 1985–88

(In number of measures)[1]



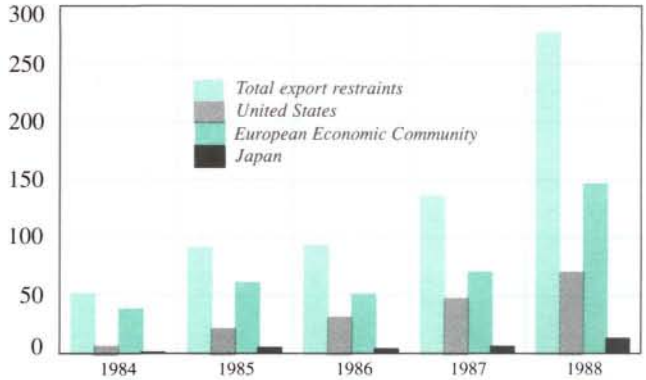
Sources: Appendix and IMF, *AREAER*, 1986, 1987, 1988.

[1]Unweighted number of measures taken by each group of countries in respective year.

of the Tokyo Round multilateral discussions and elsewhere—sector-specific and bilateral agreements to restrain trade have proliferated (Chart 13). The Uruguay Round aims to resolve long-standing problems in areas such as agriculture, textiles and clothing, and safeguards, and to agree on multilateral rules in the "new areas" of services, trade-related investment measures, and trade-related aspects of intellectual property rights. Some positive results were achieved at the midterm review of the Uruguay Round, which was begun in Montreal in December 1988 and completed in Geneva in April 1989. These included agreements on procedural issues in all negotiating groups; comprehensive guidelines for the negotiation of a framework regarding the progressive liberalization of trade in services; a short-term "freeze" by industrial countries on domestic and export support and protection levels in the agricultural sector, together with agreement that the long-term objective is to provide for substantial progressive reductions in agricultural support and protection

Chart 13. Voluntary Export Restraints, 1984–88

(Number imposed, shown by country of affected import)



sustained over an agreed period of time; the establishment of a trade surveillance mechanism for individual GATT members; and agreement on concrete liberalization measures by industrial countries in the area of tropical products.

The prevalence of voluntary export restraints (VERs) stems also from the fact that, on the face of it, they are applied "voluntarily" by exporters, so that their GATT consistency has been viewed as unclear. Even more than tariffs and quotas, their numbers and quantitative impact are difficult to assess. This is because in large measure VERs result from bilateral discussions, which, although not actually imposing, raise the threat of antidumping or countervailing duties.[16] In most of these discussions, the notions of reciprocity and "fair" trade have become underlying principles. As noted above, the EC and the United States account for a large proportion of these measures, which concern trade between them, as well as with Japan, Korea, Taiwan Province of China, and other developing countries. The number of bilateral trade negotiations and disputes between industrial countries and developing country exporters of manufactures has been on the increase in 1987 and 1988. This rise has been part of a trend that began around 1986 when, as a result of the improved competitiveness of their manufactured exports, some developing country exporters of manufactures began to capture a growing share of world trade, concentrated especially in certain industrial country markets. Outside of agriculture and textiles, specific quotas are seldom used as a major form of import control in most industrial countries. Hence, the intensification of nontariff measures in recent years has come about through recourse to VERs.

[16]Antidumping duties are levied on imports to offset the competitive advantage provided by dumping of imported goods—that is, by practicing price discrimination between exports and domestic sales of a given product. Countervailing duties are levied on imports to offset the competitive advantage provided by various forms of subsidies on imported goods.

Nontariff measures, and VERs in particular, are especially pernicious in their effects because of their lack of transparency and their distortive effects and also because they heighten uncertainty about access to exports markets other than those directly affected. In addition, VERs are applied on a discriminatory basis outside GATT control and thus undermine the fundamental most-favored-nation principle of GATT. Measurement problems in this area are particularly difficult, but the end result of tariffs and quantitative controls, including VERs, is the same: they raise the price of imported goods in a particular market relative to prices without restrictions and relative to world market prices. For instance, a recent study estimates that the net effect of VERs on steel imports to the United States has raised the price of steel sold in the United States—as U.S. producers raised their prices behind protective barriers—by 25 percent above equivalent Japanese prices on average over the period 1969–85.[17] However, since VERs are less transparent than tariffs, the *balance of payments* and *budgetary effects* are disguised. In addition, unlike tariffs where the beneficiary of the consumer welfare loss is the government budget, quantitative restrictions benefit the foreign exporter, depending upon the price elasticity of demand.

By altering the effective bilateral, sectoral terms of trade, quantitative controls act in the same manner as an exchange rate change, but in an implicit, discriminatory fashion. In fact, the increasing recourse by industrial countries to VERs stems from difficulties particular sectors have in accepting the international resource allocation effects of market-determined exchange rates and whose protests may be vociferous, or where the transitional employment effects do not seem to be tolerable. However, VERs are not "transitional" measures. Once applied, few quotas or VERs are removed—the Multifiber Arrangement, for example, has been in existence for 28 years despite significant structural adjustment in some industrial country textile sectors.

For EC countries, the focus has continued on the trade-distorting and restrictive effects of the Common Agricultural Policy. One third to one half of all agricultural imports in major EC countries are covered by quotas and monitoring arrangements.[18] In 1988 trade disputes arose over the imposition of import restrictions on apples and hormone-treated beef. The EC accounts for about half of the VERs applied by industrial countries. In 1988, 25 new known VERs were applied after an increase of 44 in the previous year. Of the total outstanding VERs in 1988, 102 were applied Community-wide, and another 44 were applied individually by one or more countries under Community auspices.

The EC is implementing a broad-ranging program to reduce regulatory barriers and liberalize trade and factor movements within the Community. With the expected abolition of internal borders in 1992, national restrictions on imports from third countries will no longer be enforceable. By the end of 1988, about 38 percent of the 279 proposals to establish the single market had been adopted. Only 50 remain to be drafted and circulated for discussion. The most significant progress has been made in removing capital controls, enhancing labor mobility, liberalizing road transport, harmonizing technical standards affecting pharmaceutical products, and reducing customs formalities.

For the United States, as noted above, most of the VERs have arisen from the pursuit, or threatened pursuit, of antidumping or countervailing duty investigations. The Omnibus Trade and Competitiveness Law of 1988, in particular, stipulates a number of action deadlines in 1989, notably May 30, by which time the U.S. Trade Representative was required to identify priority countries which are viewed as maintaining pervasive import barriers and market-distorting practices. Negotiations would then be required to eliminate all of the priority trade practices of these countries within three years.

Since 1985 Japan has implemented a series of market-opening measures for agricultural and industrial goods as well as in the service sector, with most of the measures in place well before the July 1988 deadline. Moreover, in 1988 Japan agreed to reduce trade barriers as a result of GATT panel investigations and bilateral negotiations outside the GATT. In the agricultural sector, which has traditionally been heavily protected, Japan agreed to phase out quotas on eight out of ten products found to be inconsistent with GATT rules. Japan implemented necessary changes following a finding in November 1987 of a GATT panel investigation that different tax rates applied to liquor of different quality and grade favored local products. Separate bilateral discussions with the United States and Australia also resulted in Japan's agreement to phase out its quotas on imports of beef and replace them with tariffs; and bilateral negotiations with the United States resulted in Japan's agreement to phase out its quotas on citrus fruits. Bilateral discussions have also been undertaken with the EC to ease barriers arising from standards, testing, and certification procedures in Japan, particularly on automobiles and pharmaceuticals. Certain sector-specific liberalization measures have resulted from bilateral discussions, although concerns of discrimination against third parties were raised with reference to the United States-Japan semiconductor agreement that was concluded in September 1986, as well as United States-Japan bilateral discussions on government procurement.

Among smaller industrial countries, New Zealand announced in July 1988 that import licensing requirements will be eliminated for all imports not subject to industry

[17]The Stern Group, *Rebuilding American Manufacturing in the 1990s: The Case Against Steel VRAs* (Washington, February 1989), p. 25.

[18]See Kelly and others (1988).

plans. As a result, about 80 percent of the value of total imports will be free of controls.

Developing Countries

In developing countries the import liberalization trend observed in 1986 and 1987 has continued. In 1988, 20 countries applied some 50 different liberalization measures to imports, in some cases wide-ranging ones, whereas 6 countries imposed or intensified 13 import restrictions. Although the intensity and scope of the various measures are not strictly comparable, it is notable that the movement toward net liberalization has gathered momentum; the number of tightening measures in each year has declined steadily. In this period, Bolivia, The Gambia, Guinea, Guinea-Bissau, Haiti, Nigeria, Paraguay, and Senegal have virtually eliminated import licensing. Other countries have greatly narrowed the scope of their licensing system: Burundi, Ghana, Korea, Mexico, and the Philippines. Venezuela in early 1989 adopted a plan to reduce substantially the coverage of import licensing, particularly of manufactures imports. It is significant that most of these countries have also adopted market-determined exchange rates (Bolivia, The Gambia, Ghana, Mexico, Nigeria, Paraguay, the Philippines, and Venezuela) or at least have increased the flexibility of their exchange rate systems.

In the group of Asian newly industrialized economies (NIEs), in 1988 Korea liberalized imports by foreign subsidiaries and joint ventures engaged in manufacturing and removed a total of 252 items from the list of restricted imports, including 5 agricultural products, and bans on imports of beef and frozen french fries were eliminated. Singapore abolished an import licensing requirement for air conditioners. Other developing country exporters of manufactures also continued to liberalize quantitative import controls.

For the fuel exporting developing countries, performance with respect to quantitative import controls was mixed in 1988, compared with the liberalizing trend noted in the previous year, in the face of the effects of several years of lower-than-peak oil prices. Whereas the Congo replaced the import licensing requirement for most products with an export declaration system, and Libyan Arab Jamahiriya and Tunisia lifted restrictions on certain imports, Nigeria added barley, malt, sulfate, and retreaded tires to a short list of prohibited imports and removed unprocessed timber. Syria authorized producers of ready-to-wear clothing to import outside the permitted import system and dry fruit producers to import raw materials, but withdrew authorization to import prohibited goods of a value up to LS 70,000. Ecuador, after first banning automobile imports in February 1988 and then replacing the ban with specific quotas, reinstituted the ban at end-August 1988 as well as restricting capital goods imports.

A significant number of non-fuel developing countries narrowed the range of imports subject to administrative licensing or prior authorization. The major measures were an elimination by Burundi of controls on luxury goods imports; an extension by Madagascar of the open general license system to all imports, except for a number of prohibited items and a small number still requiring prior authorization mainly for security and health reasons; and the abolition by Senegal of all quantitative restrictions, with minor exceptions.

There were a number of other significant developments. Bangladesh permitted rice imports by the private sector in 1988 and also reduced the number of items on negative and restricted lists. Benin eliminated quantitative restrictions applied to imports of products competing with domestic production and replaced them by import duties and taxes. Brazil liberalized imports of agricultural commodities. In Ghana all imports, except for five items on the negative list and those barred for nontrade reasons, were transferred to the authorized list and thus become eligible for funding through the exchange auction system. Guyana removed certain items from the prohibited import list. India added 329 intermediate and raw materials items and 99 capital goods items to open general license and lifted licensing requirements for almond imports. Malaysia abolished licensing requirements for imports from China. Maldives increased import quotas by 30 percent between April 1988 and March 1989. Tanzania allowed a portion of foreign exchange to be made available on an automatic basis for a selected positive list of priority import categories under open general license; and Zimbabwe allowed cumulative tourist travel allowances of up to US$900 to be used to import goods under open general license.

In only a small number of instances were restrictions intensified. Jordan prohibited the imports of certain items classified as luxury goods; and the Netherlands Antilles reduced quotas on 43 items to 50 percent of the c.i.f. value of 1987 imports.

Import Surcharges and Taxation

In 1988 the trend toward increased use of tariffs and other forms of import surcharges and taxation by most industrial countries observed since 1985 accelerated, and was only partly offset by an increased number of liberalizing changes.[19] In the developing countries the main changes relating to import taxation were mixed, although on balance there was some liberalization (Chart 14).

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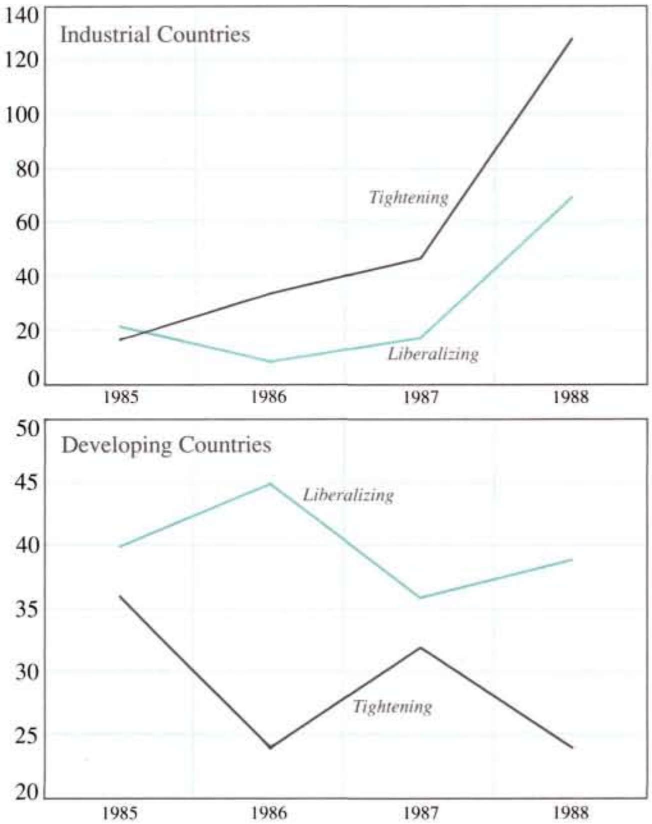
[19]An exception is Australia, which announced in May 1988 a program of general tariff reductions on manufacturing imports, with effect from July 1, 1988. Tariffs greater than 15 percent will be reduced in five stages to 15 percent by July 1, 1992 (except for passenger cars on which protection will be reduced from 57.5 percent to 35 percent by 1992, in

Chart 14. Import Surcharges and Taxation, 1985–88

(Number of measures)



Sources: Appendix and IMF, *AREAER*, 1986, 1987, 1988.

Industrial Countries

In the industrial countries successive rounds of multilateral trade negotiations have over the long run reduced most-favored-nation (MFN) tariff rates to an average of 5–6 percent on manufactured products. However, problems of tariff peaks and escalation remain, and many tariffs are not bound in the GATT, particularly on agricultural products where rates remain considerably higher.

Even though tariffs are relatively low on an average basis and no longer represent the principal form of trade restriction, significant scope remains for further progress on tariff reductions in some sectors. Under the U.S. Omnibus Trade and Competitiveness Act of 1988, for example, authority is granted to the President to proclaim tariff cuts up to an average of 50 percent under the Uruguay Round.

Since 1984, when the EC adopted the New Commercial Policy Instrument intended to counter "unfair" trade practices abroad, important changes in antidumping legislation have been introduced, which have broadened and sharpened the scope of existing rules and given rise to trade disputes with Japan and Korea. In addition, recent antidumping actions initiated by the EC have been directed against Brazil, Mexico, and the Eastern European countries. Moreover, an estimated 92 petitions for antidumping actions were filed in 1988, and restrictive measures were taken under "safeguard" provisions in 9 cases.

There were many instances of offsetting tariffs, and strains appeared to increase in the trade relations between various industrial countries, as evidenced by the number of investigations under existing legislation of alleged unfair trading practices and demands for compensation (and implementation of countervailing and antidumping duties) by domestic producers claiming to be injured by imports. In 1988 the United States launched 76 antidumping and 26 countervailing duty investigations.

The most recent available evidence suggests that there has been an increase in the number of antidumping and countervailing actions involving industrial countries, especially the EC and the United States (Chart 15).[20] Although it is difficult to quantify the impact of these actions, it seems that they have acquired greater economic and technological importance. For example, the EC decided to impose antidumping duties on 15 Japanese manufacturers of dot matrix printers whose exports to the Community were valued at $1.3 billion, or about 86 percent of the total EC printer market in 1987; and the U.S. International Trade Commission (ITC) found that 3.5 inch floppy computer disks from Japan were injuring U.S. industry and imposed countervailing duties.

As noted above for quantitative restrictions, the mere threat of legal or administrative actions can evoke restraint on the part of actual or potential exporters. The increasing resort to litigious procedures, along with administrative or legislative recourse, to protect domestic markets is therefore ominous—although, unlike administrative actions, the legal actions are subject to challenge or appeal. Such actions may have a harassment value, owing to the prolonged delays with uncertain outcome and the considerable expense involved, and lack transparency. Moreover,

the context of other more immediate liberalization measures; and for finished textiles, clothing, and footwear on which the rates have been reduced from about 55 percent to 50 percent); tariffs up to 15 percent will be phased down to 10 percent by the same target date; and the 2 percent duties have been abolished. At the same time, the Australian authorities announced a series of measures aimed at reducing government assistance and increasing trade liberalization in agriculture. New Zealand also introduced similar across-the-board phased tariff reductions for industries not subject to Industry Plans. Portugal and Spain reduced tariffs in accordance with EC accession.

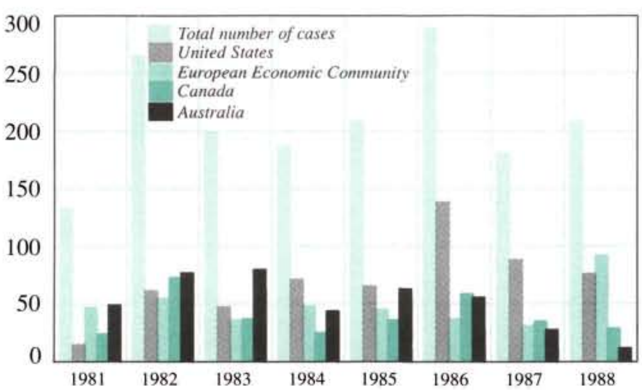
[20] Antidumping actions are undertaken when an exporter allegedly sells a product for less in the export market than in the domestic or comparable third markets; countervailing actions are used to adjust for alleged subsidies that would allow exporters to undersell unassisted domestic producers in the export market.

they are highly selective. It is therefore difficult to assess the true extent of the loss of efficiency, additional resource cost, and trade disruption provoked by these measures. What is clear is that they have become a more potent source of trade tensions because of the controversial nature of some unfair pricing practices and the expansion of certain new national antidumping regulations.

Of particular concern is the recent trend in the EC to apply its regulations to prohibit the circumvention of antidumping duties through the establishment of "screwdriver" assembly plants (see below). The U.S. Omnibus Trade and Competitiveness Act of 1988 contains a provision authorizing prevention of circumvention assembly operations in the United States or third countries. In July 1988 the EC adopted a revised version of antidumping regulations. Aside from clarifying procedures, it also strengthens certain provisions. Among the latter is an amendment designed to compel foreign exporters to include antidumping duties imposed in the price of their exports rather than absorbing the cost themselves. The Australian Parliament approved legislation in June 1988 implementing a September 1987 decision to introduce new procedures for the investigation of complaints of dumping or subsidization of goods exported to Australia. It provides specifically for the establishment of a new independent antidumping authority.

The United States imposed antidumping duties on color picture tubes from Canada, Japan, Singapore, and Korea in January 1988. Canadian potash producers reached an agreement in January 1988 with the U.S. Department of Commerce that will avoid imposition of antidumping duties, on the condition that sales to the U.S. market take place at prices judged by the Department of Commerce to reflect the costs of production. Antidumping duties were also imposed on some steel products, forklift trucks, micro disks, synthetic rubber, brass sheets, granular PTFE resin, digital readout systems, and some appliance plugs from Japan. Countervailing duties were introduced for some products from Malaysia and Argentina. The United States also imposed antidumping duties on certain imports from Italy, the Netherlands, and Venezuela.

Chart 15. Antidumping Cases Initiated, 1981–88



The United States removed several countries from preferential tariff treatment under the Generalized System of Preferences (GSP), including Bahrain, Bermuda, Brunei, Nauru, Hong Kong, Singapore, Korea, and Taiwan Province of China. While adding items to the product list, it announced that imported products valued at about $1 billion in 1987 would no longer be eligible for duty-free treatment after July 1, 1988. The MFN status of Romania and the duty-free treatment for Panamanian products were suspended by the United States in 1988.

Other industrial countries, however, expanded the coverage of their GSP schemes to the list of least-developed countries: including Austria (for Myanmar and Hungary); Japan (for Myanmar and New Caledonia); Norway (for Myanmar); Sweden (for Myanmar and Burundi, Bolivia, Burkina Faso, and Fiji); and Switzerland (for Myanmar, Kiribati, Tuvalu, and Mauritania).

The EC, while resorting mostly to VERs and administrative measures to control imports, imposed antidumping duties on a wide range of products from various countries (see Appendix). One particularly significant aspect of these cases was the application of antidumping duties to the production from manufacturers operating in the EC with close ties to companies outside the EC where more than 60 percent of parts are imported from a country against which an antidumping duty had been imposed. This was the case in 1988 for electronic scales and typewriters and photocopiers assembled by Japanese corporations in France and the United Kingdom. The Japanese authorities have requested the GATT's Council of Representatives and Antidumping Committee to examine the consistency of the EC's new regulation with the GATT and the antidumping code.

In June 1988 Australia imposed antidumping duties, based upon a preliminary ruling, on levamisole hydrochloride from Belgium, the Federal Republic of Germany, Hong Kong, China, Singapore, and Switzerland; definitive duties on woven worsted fabrics from China were confirmed in May 1988. Provisional duties were assessed for certain products from Korea, Japan, and New Zealand. Definitive duties were imposed on frozen pea imports from New Zealand in January 1988. Also in 1988, Canada assessed provisional duties on certain products from Brazil, France, Japan, Sweden, Taiwan Province of China, the United Kingdom, and the United States. Definitive duties were imposed on specific imports from Germany, Hong Kong, Japan, Malaysia, China, Korea, Singapore, and Taiwan Province of China. In January 1989, Canada and the EC reached an agreement to phase out over the next seven to ten years discriminatory Canadian pricing of European wine imports. Near the end of 1988, final determinations were made that the United States was dumping apples and sour cherries on the Canadian market. Public

hearings are being held to make an injury determination. However, countervailing duties on U.S. exports of corn to Canada were reduced substantially in response to a recommendation by the Canadian import tribunal that doing so would be in the public interest.

Developing Countries

In recent years, significant rationalization of import tariff and duty structures has been undertaken by a number of developing countries (Costa Rica, Korea, Lesotho, Malawi, Nigeria, Papua New Guinea, Senegal, Sri Lanka, Togo, and Uruguay). An important aspect of most rationalizations was the reduction in the dispersion of effective tariff rates, usually in tandem with the lowering of the average tariff rate.

As mentioned above, on balance there was some liberalization in import taxation changes in developing countries. Almost 50 percent more countries undertook import-reducing measures than raised duties, an acceleration of the pace of net liberalization relative to 1987. In addition, in a few instances, countries reformed their customs classification and administration, so that the net direction of the impact was uncertain. Among the East Asian NIEs, Korea reduced tariff rates on a wide range of items by 6.4 to 9.9 percentage points. Singapore eliminated duties on imports of refrigerators, and Taiwan Province of China implemented tariff reductions of up to 50 percent on various types of machinery and other intermediate products in October 1988.

In the group of fuel exporting developing countries, Saudi Arabia exempted a range of items from customs duties, but Trinidad and Tobago raised stamp duty rates on capital and consumer goods imports; Bahrain increased customs duties to 125 percent on alcoholic beverages and 50 percent on tobacco, and the temporary 20 percent tariff surcharge on imports competing with certain locally manufactured goods was extended for 12 months through February 1989.

Several other developing countries rationalized their customs classification systems and administration. Lesotho replaced a zero to 60 percent import surcharge system with an across-the-board 10 percent tariff rate. Madagascar's eight-bracket tariff structure was simplified, although at the same time, a temporary 30 percent surcharge was introduced, and the minimum tariff rate was raised to 5 percent for all imports. Madagascar also eliminated a 5 percent import license application fee. Malawi combined the customs duty and import levy schedules into one tariff schedule, and taxes on luxury imports were shifted to a surtax schedule applicable to both imported and domestically produced goods. Tanzania simplified the tariff rate structure and reduced the number of exemptions. Zimbabwe changed the basis of customs duty assessment to c.i.f. values.

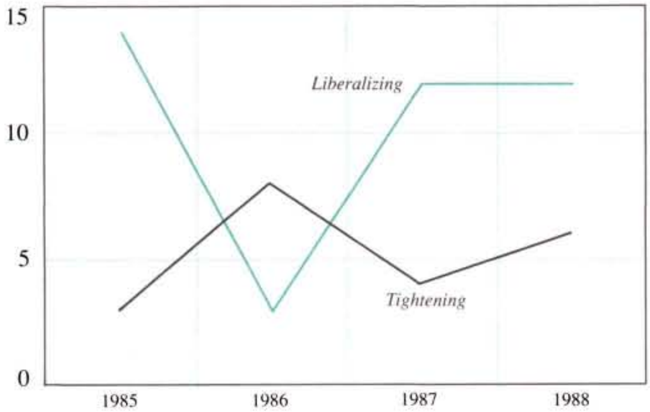
Most of the remaining modifications involved a reduction or elimination of some tariffs. Such was the case in Argentina, Brazil, Burkina Faso, China (on intermediate goods), Costa Rica, Dominica, The Gambia, India, the Lao People's Democratic Republic, and Turkey. However, four countries raised duties on some items—namely Burundi and China (consumer durable goods), Jordan (on goods classified as nonessential), and Turkey (stamp duties and import surtax). Also, in May 1988 Brazil launched an antidumping investigation of transmission chains for cycles imported from Czechoslovakia, and Mexico assessed provisional antidumping duties on Brazilian, German, Malaysian, and U.S. imports of a range of chemical products.

Other Measures Affecting Import Payments

Advance import deposits. Under advance deposit schemes, usually in local currency, the authorities require importers to deposit with the monetary authorities or commercial banks a specified proportion of the value of an import transaction. In most cases, the deposits are required at the time application is made for an import license or at the time an import letter of credit is opened. They are retained for a specified period (usually not exceeding the life of the normal import transaction) or are applied against the import payment; in some cases, the deposit rates can exceed the value of the underlying transaction. In general, deposit schemes have been introduced to reduce import demand directly and, in most cases, indirectly, by restraining liquidity creation, which has often been excessive. Moreover, such deposit schemes have been used to restrain or favor particular imports, to frustrate the effects of liberal import licensing procedures, or to finance current government expenditure.

In 1988, 22 countries maintained advance import deposit schemes (15 percent of present Fund membership), or 2 less than in 1987 (Chart 16). This compares with 27 countries in 1975, or about 20 percent of the Fund's membership at that time. On balance, when changes to existing schemes are taken into account, there was little overall change in 1988. No industrial country requires import deposits. Two countries, Bangladesh and Israel, eliminated their import deposit requirement schemes in 1988. In Madagascar an advance deposit scheme for imports of raw materials and spare parts was introduced in February, but then eliminated in May 1988. Also, in Turkey the guarantee deposit rate was raised from 7 percent to 15 percent in February, but then rescinded in May 1988. However, the advance deposit rate on imports was raised from 7 percent to 15 percent in October 1988 (this change had been reversed by May 1989). The scope

Chart 16. Advance Import Deposits: Developing Countries, 1985–88
(Number of measures)



Sources: Appendix and IMF, *AREAER*, 1986, 1987, 1988.

of advance import deposits was extended in Ecuador to public sector imports, and the rates and duration of the scheme were raised.

Other import measures. A number of developing countries made modifications in 1988 to regulations governing the terms or procedures for import payments. As in other recent years, and for other measures affecting imports, most of these changes were in the direction of liberalization (Chart 17).

Minimum financing requirements for imports were liberalized in Brazil, and reference prices for imports and minimum import values were abolished. Foreign exchange controls were liberalized for about 75 percent of imports of nonpetroleum raw materials and spare parts in Malawi. In Botswana, the threshold limit was increased for import payments not subject to exchange control formalities; Burundi raised the authorization limits for commercial bank approval of import licenses; and in Western Samoa the requirement for prior authorization by the Central Bank was abolished for a number of products. Guyana abolished import licensing requirements for imports requiring no outlay of official foreign exchange and which were for personal use, and Peru introduced several measures in 1988 that allowed some categories of importers to use their own foreign exchange to purchase certain types of imports. (However, Peru also tightened the prior authorization procedures to obtain foreign exchange for imports.) Israel allowed commercial banks to finance imports of equipment from funds available in foreign currency deposits of nonresidents. Morocco lengthened the maximum payment period for imports from 12 months to 24 months and also lifted the requirement for a visa from the Exchange Office for imports without payment. In Papua New Guinea the time limit for settlement of import payments was eliminated. Thailand allowed residents to use their credit cards abroad for import payments if they submitted an application prior to their departure.

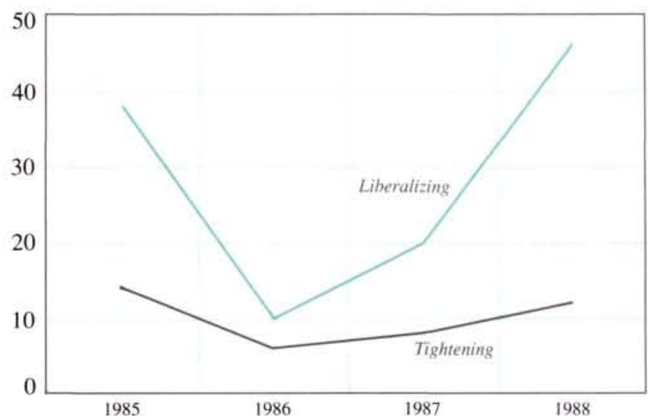
Controls on import payments or procedures were also tightened in developing countries in 1988 in several instances. In Bahrain modifications were made to government procurement requirements to give preference to goods produced in Bahrain or by Gulf Corporation Council (GCC) member countries. Zaïre introduced prior authorization for imports that did not require foreign exchange financing, and the maximum period for the surrender of export proceeds was shortened in Ecuador. In Fiji authorized banks were permitted to approve advance import payments only up to F$2,000, and a waiting period was introduced in Honduras for the granting of authorization for self-financed imports. In Thailand the required proportion of local purchases of imports of silk warp was increased from 4 percent to 5 percent.

Exports and Export Proceeds

Controls on exports during 1988 increasingly took the form of VERs made by exporters under pressure from importing countries. These were discussed in detail above, and will not be further covered here, but any overall assessment of restrictions on exports needs to take VERs into account. Apart from the export restraints, most measures taken to manage exports in recent years have been taken by developing countries.

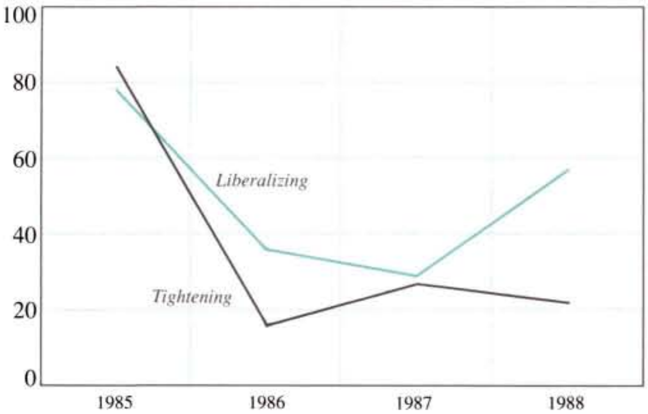
In 1988 two industrial countries liberalized export quotas in conjunction with the implemention of VERs, but changed no other export measure. Actions taken by developing countries tended to reduce controls on exports by

Chart 17. Other Import Measures: Developing Countries, 1985–88
(Number of measures)



Sources: Appendix and IMF, *AREAER*, 1986, 1987, 1988.

Chart 18. Exports and Export Proceeds: Developing Countries, 1985–88
(Number of measures)



Sources: Appendix and IMF, *AREAER*, 1986, 1987, 1988.

reducing licenses, quantitative controls, or surrender requirements. Moreover, the measures most frequently employed to manage exports were incentives, whether fiscal incentives, or special credit facilities. A few countries, notably China and India, extended controls on exports—mainly to influence the supply of exportables to the domestic market. Several other countries applied both controls and incentives on different exports, generally in an effort to raise fiscal revenues while encouraging foreign exchange earnings—these included Peru, Thailand, and Turkey.

Although VERs imposed on industrial countries had a serious restrictive impact on their exports,[21] other forms of quantitative controls were generally liberalized in these countries in 1988. Australia removed controls on exports of petroleum, petroleum goods, and defense-related goods. Japan, which also implemented VERs on cars to the United States, the EC, and Sweden, liberalized somewhat the list of goods for export to China.

Considerably more developing than developed countries used quantitative controls (other than quasi-import controls in the form of VERs) to restrict exports. China prohibited exports of certain metal, rubber, and chemical products. India increased the number of goods subject to export controls, and Thailand extended quota allocations and controls for certain textile-related exports. At the same time, however, Thailand permitted exports of coffee that had not been filled under 1987/88 quotas. Madagascar liberalized its export controls, allowing private sector exports of certain goods, eliminating restrictive regulations on exports, and abolishing export card and declaration requirements and all administrative quality controls, except for a small number of items.

All changes to licensing systems were toward greater openness in 1988. Brazil eliminated arrangements for prior control on some exports; China abolished the need for licenses on some goods; Paraguay established a one-stop system for export approvals; Nigeria permitted exports of refined petroleum products to West Africa; and Togo abolished licenses for all domestically produced manufactures.

In the face of continuing balance of payments difficulties, several developing countries resorted to the use of fiscal and other incentives to promote exports. Bangladesh extended export incentive schemes to importers of inputs into exports (indirect exporters). India allowed exporters of computer software access to foreign exchange permits to promote exports; it also allowed indirect exporters access to duty drawback and compensation schemes, and to imported inputs at world prices. Hungary eliminated a tax refund on exports settled in convertible currencies. Thailand also reduced a fee on exports of frozen duck, and Brazil abolished export taxes on some exports to the United States, but made export earnings subject to corporate income tax. A few developing countries increased their export taxes (China and Paraguay).

In some developing countries, changes were mixed, as incentives for some exports were increased and others were reduced. Peru, faced with serious payments difficulties in 1988, reduced a number of controls on export earnings to allow exporters to receive a more market-related value for their export earnings. Foreign exchange earnings from exports of textiles were allowed to be exchanged for bank certificates denominated in foreign exchange, and exporters began to receive foreign exchange certificates equivalent to 30 percent of the f.o.b. export value to pay for imports or to transfer to other export enterprises. At the same time, however, Peru determined that tax credit certificates for nontraditional exports should be denominated in domestic currency, adjusted by no less than changes in the official rate, and made export earnings subject to a 10 percent tax. Thailand increased its export bonus ratio for tapioca exports, while extending its business tax on tin and tin ore exports for another year. Although Turkey announced a gradual elimination of the tax rebate system, it also introduced incentives for the early surrender of foreign exchange earnings, increased the number of goods eligible for support premia, and raised the minimum export requirements for income tax deductions.

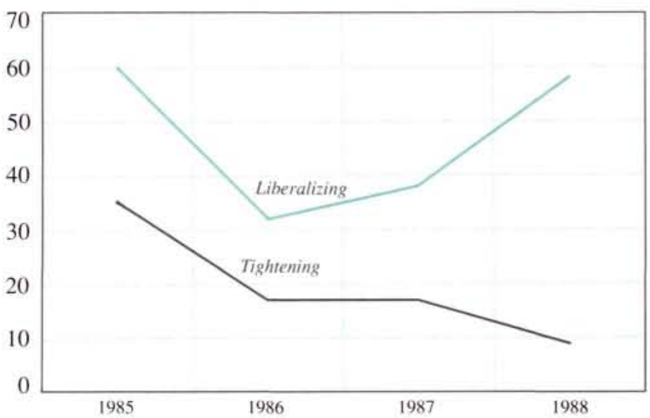
Some developing countries made greater use of credit facilities to encourage particular exports. Argentina revised its export prefinancing and financing regimes to increase incentives to obtain external finance and to control more strictly its use by exporters. Thailand allowed

[21] The VERs imposed by industrial countries, by raising the cost of imported inputs, would also have significant effects on their own exports in some cases; for example, the VER on steel imports to the United States, by raising the cost of steel used by the automobile industry, limits export markets for U.S. automobiles.

promissory notes issued by sugarcane and rice exporters to be temporarily refinanced in specified proportions. Turkey also announced the gradual introduction of two subsidized credit facilities for exporters.

The trend in other export incentives, mainly connected with treatment of foreign exchange earnings, was generally toward more liberalization. Five countries reduced incentives, one increased them, and three did both. Honduras expanded the coverage of its export incentive system of Transferable Certificates of Foreign Exchange (LECTRAs) and increased the share issued for nontraditional exporters. The Lao People's Democratic Republic allowed exporters to retain export earnings in foreign exchange deposits at the Central Bank. Madagascar increased the period for repatriating foreign exchange earnings from 30 days to 90 days from the date of shipment; Morocco permitted unauthorized delays in certain export payments and raised the maximum export commission transferable without the approval of the Exchange Office; and the Syrian Arab Republic allowed public enterprises to retain their export proceeds and allowed foreign exchange earnings to be surrendered at the promotion rate. Zaïre allowed gold exporters to retain 30 percent of their foreign exchange earnings. Both Paraguay and Thailand used other incentives to free some exports and restrict others. Paraguay made transit goods subject to registration at the Central Bank while reducing surrender prices for cotton, beef, and a variety of nontraditional export products. Thailand liberalized exports of a number of agricultural products, but set a bonus quota on tapioca exports to EC countries between September 23 and December 31. Uganda liberalized its requirements for the surrender of export proceeds. The need to surrender foreign exchange was modified to allow exporters of nontraditional goods to retain the proceeds to buy licensed imports.

Chart 19. Current Invisibles: Developing Countries, 1985–88
(Number of measures)



Sources: Appendix and IMF, *AREAER*, 1986, 1987, 1988.

Current Invisibles

Restrictions on international service transactions or the payments and transfers related to them are diverse and include a number of balance of payments categories, such as travel, medical expenses, study abroad, subscriptions, advertising, insurance transactions, transport and freight, banking, and payments for various services rendered by nonresidents. The latter include measures affecting remittances, investment income, and workers' wages. Restrictions on service transactions are maintained by only one industrial country (Iceland), but by almost two thirds of all developing countries.

In 1988 there were no measures affecting international service transactions in industrial countries, but a number of developing countries liberalized their treatment of service transactions. On balance, the liberalization trend accelerated in 1988, and relatively few countries adopted tightening measures, compared with the immediately preceding years (Fiji, Malta, and Peru). In Fiji and Peru this tightening represented a continuation of similar measures adopted in recent years, but for Malta it was a partial reversal of earlier steps. A general feature of the measures liberalizing services in 1988 was increased allowances of foreign exchange for international travel by residents, with some 20 developing countries increasing foreign exchange availability for this purpose (Algeria, Barbados, Botswana, Brazil, Greece, Guinea, Hungary, Jamaica, Korea, Madagascar, Mauritius, Morocco, Pakistan, Papua New Guinea, Poland, Sri Lanka, Tunisia, Western Samoa, the Yemen Arab Republic, and Zambia). In all cases, the liberalization in 1988 represented a continuation of measures in the immediately preceding two years, but except for Korea, stopped short of freedom for travel payments. Other liberalizing measures affected a variety of payments abroad, such as dividend and workers' remittances, expatriate transfers, rents, and, in the case of Dominica, the elimination of a tax on foreign exchange for invisibles. The overall trend represented a continuation of that observed in the previous two years, whereby over two thirds of all changes in regulations were in the direction of greater freedom for payments.

The adoption of Article VIII status in the Fund by Korea in 1988 was accompanied by the elimination of remaining restrictions on travel allowances and other bona fide (noncapital) invisibles payments. Under Article VIII of the Fund's Articles of Agreement, members assume certain obligations for the avoidance of restrictions applied through their exchange systems. In the definition of the contents of such restrictions, an important consideration is the proximity of the technique of control to the foreign exchange transaction. Because of the intangibility of services, methods of control imposed on the physical movement of goods have less applicability to services. Correspondingly, services are monitored and controlled and

taxed in many countries through the financial system. As a consequence, many service restrictions—probably the majority in the case of the developing countries—take the form of exchange restrictions subject to Fund jurisdiction under Articles VIII and XIV. Because of the financial nature of the restrictions, in many instances payments for such transactions may be made at a free market exchange rate. In this respect, a significant development in early 1989 was the introduction by Brazil and Poland of separate exchange markets for tourist transactions.

The agreement at the conclusion of the Uruguay Round of trade negotiations in 1986 to commence negotiations on liberalization of services and the recent GATT meeting in Montreal in November 1988 have focused attention on services restrictions. Despite a number of definitional problems in specifying the meaning and range of service trade, there is emerging agreement that this area of activity has become more important in recent years.

The financial character of most service restrictions also means that the payments constitute an important vehicle for illegal capital transfers. Because the liberalization of such transfers requires strong supporting measures in both the exchange rate and interest rates, a number of countries have delayed their liberalization, which has been reflected in the continuing widespread maintenance of restrictions by developing countries, as noted above. However, one technique for liberalizing invisibles while retaining capital controls has been the introduction of a so-called bona fides clause, whereby nominal limits are placed on invisible transfers beyond which the applicant must prove that the transfer is for current rather than capital purposes. Such an approach has permitted a number of countries to adopt the full obligations of the Fund's Article VIII regarding avoidance of restrictions on transactions for current international transactions, while retaining capital controls consistent with the Fund's Article VI, Section 3.

Freedom for service transactions may become increasingly more important, owing to the rapid growth of service sectors in industrial countries and, correspondingly, in certain specialized areas in developing countries. It is also clear from the form of the restrictions employed by developing and industrial countries that increasing economic organization may shift the incidence of service restrictions from the international payments system to more direct impediments. Although this falls within the realm of capital restrictions (see below), many impediments to direct investment, such as the right of establishment, indirectly affect freedom for provision of services. In some service sectors where trade can be a substitute for foreign direct investment (computer services, some forms of insurance, construction, communications, research, consulting, accounting, architectural, engineering, and legal and financial services), restrictions on capital transactions may affect invisibles trade to the extent that they make foreign direct investment unattractive or provide significant promotional incentives to encourage it. Restrictions on payments for services have hindered foreign direct investment in many developing countries. Special arrangements for relatively free treatment have been made to facilitate debt-equity swaps in a number of such countries—as a means of reducing an unsustainable debt load.

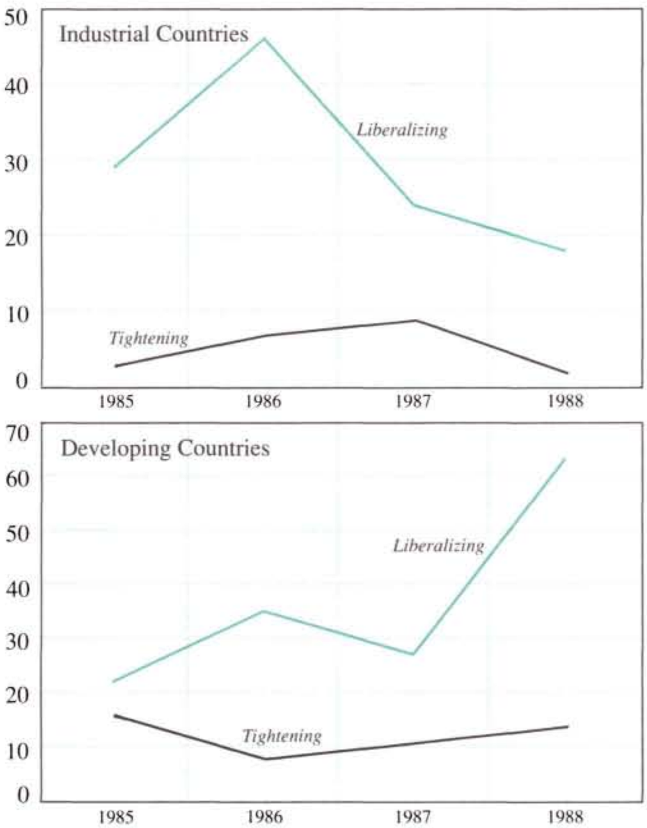
Capital Controls

The liberalization trend in international capital transactions, evident now for several years both in industrial and developing countries, continued in 1988 and even accelerated in developing countries (Chart 20).[22] This trend has also involved effective liberalization—that is, the dismantling of restrictions on capital outflows in payments-deficit countries and on capital inflows in payments-surplus countries. In the industrial countries, full liberalization of international capital transactions has become widely accepted as the appropriate goal for concerted effort at a supranational level, as external shocks have increasingly been absorbed by exchange and interest rate movements. Liberalization of international capital transactions has resulted in part from the restructuring of domestic financial systems and accompanying innovations in financial transactions, which have forced countries to open up their service sectors or risk losing competitiveness. In addition, because of technological advances, it has become more difficult for countries to impose enforceable administrative barriers to capital. An important development in 1988, with consequences for the debt situation, has been the opening up of portfolio and direct investment regulations in several major developing countries.

The EC has targeted full liberalization of international capital transactions among member countries in 1992. Under the directives of the Community, all remaining controls on short-term financial transactions unrelated to trade or direct and portfolio investments are to be lifted. In addition, bank accounts in member states would be allowed to be opened by residents of other member states. Eight countries were given two years until 1990 to comply with this policy. Of the eight, the United Kingdom, the Netherlands, and the Federal Republic of Germany have already removed all the relevant capital controls. Another four countries—Spain, Ireland, Greece, and Portugal—were given until 1992 to comply, with the possibility that the deadline for the last two countries could be extended until 1994. The EC directive was based on the "erga omnes" principle, which implies that the liberalization of capital movements would be extended not only to EC

[22] No significant changes occurred in regulations affecting procedures for the export and import of gold or for domestic transactions in gold.

Chart 20. Capital Controls, 1985–88
(Number of measures)



Sources: Appendix and IMF, *AREAER*, 1986, 1987, 1988.

residents but also on a worldwide basis. Nevertheless, this principle would not override the EC's or member countries' reciprocal condition with respect to a third country. In addition, a safeguard provision allows member states to reimpose capital controls on grounds of urgency, although subsequent approval is required from the Community. Concurrently, the Organization for Economic Cooperation and Development (OECD) completed its review of the Code of Liberalization of Capital Movements and prepared extensive amendments for adoption by its Council. Virtually all capital transactions were recommended to be subject to liberalization obligations, including the short-term operations previously excluded, such as money market operations, short-term financial credits and loans, forward operations, and swaps and options. Only mortgage and consumer credits and governments' operations on their own accounts were excluded from liberalization obligations under the proposed code.

In the group of developing countries, although the external positions in 1988 remained as difficult as in the past, changes in regulations affecting international capital transactions were overwhelmingly in the direction of liberalization. Decontrol of international capital transactions was carried out for various purposes and under different circumstances—although there has been no generalized shift to full liberalization as in industrial countries.

While the Fund's Article VI, Section 3 authorizes members to regulate capital movements without the approval of the Fund, the Fund's surveillance over exchange rate policies under Article IV, Section 3(*a*) takes into account developments with respect to capital controls. In particular, certain changes in capital controls are seen as indicative of a balance of payments problem that may prompt a Fund discussion with a member. Countries that had relied on stringent capital controls to prevent capital flight resulting from an adherence to unrealistic exchange rates found themselves in an even more precarious situation as the controls proved to be counterproductive, leading to the proliferation of parallel markets and capital flight. Some of these countries, such as Peru, Somalia, and Zaïre, have started to adopt liberalization of foreign exchange accounts and permission to repatriate capital funds without their origins having to be revealed. In addition, relaxation of capital controls in many other developing countries was a part of the package to bolster the confidence in the economy that encouraged capital inflows. In this connection, domestic securities markets were opened up, such as in Brazil and Malaysia. Capital controls have become superfluous in countries that have shifted toward more realistic exchange and interest rate policies as effective means to promote investment and restore balance in the economy. Some capital-surplus developing countries, such as Korea, liberalized outflows of capital. However, some developing countries further restricted aspects of the foreign exchange operations of banks so as to limit their exposure to exchange rate volatility, such as Malaysia, the Netherlands Antilles, and Zaïre.

Regulations on foreign exchange operations of commercial banks were relaxed in industrial countries, and changes were mixed in developing countries. In industrial countries, both Japan and Sweden continued their financial market deregulation by allowing certain financial institutions to trade spot options abroad (Japan) and by authorizing banks to grant permits for direct investment in certain areas (Sweden). In developing countries, various international commercial banking activities have been liberalized: offshore banking in Mauritius; repurchase of foreign exchange in Morocco; and acceptance of foreign currency deposits by nonresidents as well as exporting of excess foreign currency notes in Thailand. By contrast, certain foreign exchange transactions and positions were tightened in four other developing countries: a limit on swap arrangements in Malaysia; limits on net foreign asset positions in the Netherlands Antilles and Zaïre; and a higher transfer requirement on foreign exchange holdings in Turkey. In addition, foreign borrowing in Turkey was made subject to authorization as part of a general tightening of monetary control.

All changes affecting regulations on foreign exchange accounts were in the direction of liberalization in both industrial and developing countries. In industrial countries, France lifted the ceiling on the balance held by French firms. Ten developing countries (Guinea, Hungary, Israel, Jordan, Morocco, Peru, Somalia, the Syrian Arab Republic, Tunisia, and Zaïre) adopted measures in favor of holdings of foreign exchange accounts that resulted in more freedom in holding and trading of foreign exchange by residents and nonresidents.

Almost all changes concerning transfers of emigrants' funds and other transfers were in the direction of liberalization. In industrial countries, Ireland completely liberalized transfers of emigrants' assets. In developing countries, Botswana, Fiji, and Korea relaxed controls on transfers of emigrants' funds by either raising the limits or lifting the controls. However, in Lesotho, the transfers of earnings on blocked accounts of emigrants were limited.

Almost all regulations concerning portfolio and financial transactions by nonbanks were in the direction of liberalization both in industrial and developing countries. Sweden and Japan further opened up domestic markets for nonresidents to buy shares (Sweden), and to issue commercial paper (Japan). Three other industrial countries allowed residents more access to foreign capital and foreign markets. Ireland eliminated restrictions on purchases of foreign securities with maturity exceeding two years. Irish institutional investors were allowed to acquire bonds of less than two years' maturity if their use of domestic funds observed certain limits. Moreover, the controls on personal borrowing in foreign currency were relaxed, in that domestic borrowers were no longer required to show that loan proceeds, which are not subject to any limit, would be used for productive purposes. In Norway and France foreign borrowing was liberalized. In addition, check payments abroad were liberalized in France. In the opposite direction, Spain reintroduced controls on inward short-term foreign capital in order to prevent pressure on the exchange rate.

In developing countries, five larger countries introduced measures to attract portfolio investment from abroad into the domestic capital market—through participation in Brazilian mutual funds; a higher equity share in Malaysian brokerage firms; new regulations for Moroccans living abroad to invest in Morocco; a debt-conversion program in Nigeria; and an easing of foreign participation in the Turkish securities market. Two other developing countries further facilitated residents' investment abroad: higher limits were set for foreign exchange holdings for Korean securities, insurance, and investment trust firms that invested abroad; and the automatic authorization limit for outward investment was doubled in Papua New Guinea. In addition, restrictions on foreign borrowing have been relaxed in Israel and Papua New Guinea. In Botswana the measures were mixed; whereas the limit on non-resident-controlled business to borrow from local markets was relaxed, parastatals were advised to borrow from domestic sources rather than from abroad. In smaller and least-developed economies, the lack of depth of domestic capital markets has considerably lessened the impact from these measures.

All changes concerning inward direct investment were in the direction of liberalization in both industrial and developing countries. These changes involved the relaxation of regulations both on financing direct investment abroad and the provision of greater access for nonresidents' investment. In industrial countries, Ireland and Sweden relaxed restrictions on financing domestic investments abroad, and Australia relaxed the guidelines for local equity participation for foreign investments in new oil and gas projects. In the developing countries, various measures were introduced to facilitate foreign investment, such as a new joint venture law in China; a new tax credit and exemption in Dominica; a more liberal conveyance of real property in Morocco; and the liberalization of foreign investment in advertising, motion picture distribution, and insurance industries in Korea. As for outward investment, Korea raised the limit subject to automatic approval, and Brazil allowed use of the (less-depreciated) official exchange rate for certain investments abroad. As noted in earlier issues of *AREAER*, there was surprisingly little movement in recent years by developing countries to liberalize inward direct investment, and the acceleration observed in 1988 is a welcome development. Not only does it assist in countering the effects of capital flight by residents, but it also provides an important vehicle for inward transfers of technology needed to complement exchange rate and price reform measures in debtor countries. Unlike portfolio investment, the option of encouraging inward direct investments is also open to countries with inadequate capital markets.

Restrictions Leading to External Payments Arrears

The Fund's data on members' external payments arrears include arrears that have been caused by exchange restrictions on current payments or transfers, as well as arrears on financial obligations of which the obligor is the government.[23] The existence of arrears adversely affects

[23]Payments arrears evidence an exchange restriction under the Fund's Article VIII, Section 2(*a*), or Article XIV, Section 2, when the authorities of a country are responsible for undue delays in approving applications or in meeting bona fide requests for foreign exchange for payments and transfers for current international transactions as defined in Article XXX (*d*) on the basis of criteria adopted by the Fund, or distinction has been made between exchange restrictions and defaults (that is, nonpayment of debt for other reasons). Accordingly, when a government or a government entity whose financial operations form part of the central government's budgetary process fails to meet an external

the country's creditworthiness, with the result that access to normal means of international financing is frequently curtailed. A further consequence is that the cost of international credit, as well as of imported goods and services, becomes higher than would otherwise be the case for most borrowers.

In view of the particularly adverse consequences for the country maintaining arrears and for the international payments system, the elimination or substantial reduction of payments arrears in an orderly manner and without any differentiation in the settlement of arrears as between other members constitutes an important element of members' economic programs supported by the use of Fund resources.[24] Moreover, the incurrence of arrears and the policies of members giving rise to them have been subject to careful scrutiny in the context of Article IV consultations with the Fund. The Fund has also consistently followed the practice of not approving under Article VIII, Section 2(*a*) of the Fund's Articles of Agreement exchange restrictions evidenced by arrears on current international payments, except when a satisfactory program for the reduction or the elimination of arrears is in place.

After a decline by SDR 14 billion in 1985 from a peak of SDR 44 billion in 1984, external payments arrears of Fund members are estimated to have increased by SDR 7 billion in 1986 before reaching a recent low of SDR 29 billion at the end of 1987. In 1988 the amount of arrears is tentatively estimated to have increased again by SDR 10 billion, although there was a significant decline in the number of countries experiencing arrears from 55 in 1986 and 1987 to 49 in 1988.

Of the countries for which data are available, 37 experienced increases in existing arrears, 14 were able to reduce arrears, and 3 cases of arrears remained stable. Arrears were eliminated in eight countries and re-emerged in one country (the Philippines).[25] Commercial debt rescheduling of arrears declined sharply from SDR 9.2 billion in 1987 to SDR 2.7 billion in 1988, with one country (Brazil) accounting for nearly the total amount. Overall, 18 Fund members that had external payments arrears at the end of 1987 concluded multilateral debt renegotiations with official and commercial creditors in 1988 (10 of these also had arrears at the end of 1988).

Twenty-four countries in 1988 adopted adjustment programs supported by stand-by or extended arrangements and/or structural or enhanced structural adjustment arrangements from the Fund. Of these, 13 had external payments arrears at the time of program approval. Eight of the programs provided for an elimination of payments arrears in the first year, and the remaining five for a reduction and an eventual elimination during the program period, through a combination of rescheduling and cash payments. In one case, a counterpart deposit requirement in local currency was introduced as a means of providing more comprehensive information on arrears and of sterilizing the expansionary liquidity impact associated with the incurrence of external arrears.

payments obligation, the resulting arrears are considered as evidence of defaults by the government rather than exchange restrictions. Similarly, arrears incurred by governments participating in a common central bank are treated as defaults. Although these distinctions are relevant for the purposes of Articles VIII and XIV, in the context of the Fund's policies on the uses of its resources, defaults and other forms of arrears involving current and capital payments are viewed as having the same broad macroeconomic character and consequences, and are therefore treated in the same manner. All references to payments arrears in this section relate to arrears as defined in the broadest sense.

[24] A review of the implementation of Fund policies on members' external payments arrears was undertaken by the Executive Board in November 1986, the major conclusions of which were summarized in International Monetary Fund, *AREAER*, 1987. The conclusions of earlier reviews of Fund policies were summarized in International Monetary Fund, *AREAER*, 1983 and 1985.

[25] As of end-1988, the following members maintained external payments arrears: Angola, Antigua and Barbuda, Argentina, Benin, Bolivia, Burkina Faso, Burma, Central African Republic, Chad, Comoros, Congo, Costa Rica, Côte d'Ivoire, Dominican Republic, Ecuador, Egypt, Equatorial Guinea, The Gambia, Ghana, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Iraq, Liberia, Madagascar, Mauritania, Nicaragua, Nigeria, Panama, Paraguay, Peru, Philippines, Poland, St. Lucia, Sao Tome and Principe, Sierra Leone, Somalia, Sudan, Suriname, Syrian Arab Republic, Tanzania, Uganda, Viet Nam, Zaïre, and Zambia.

IV

Developments in Bilateral Arrangements, Countertrade Practices, and Regional Arrangements

This section briefly reviews members' payments and countertrade arrangements among themselves, as well as regional associations. Although bilateral payments arrangements have declined since the 1960s and now account for a small fraction of world trade, countertrade practices have become far more commonplace. In the area of regional arrangements, significant developments affecting formal regional and bilateral arrangements for trade and finance have taken place, in particular in industrial countries and South America.

Bilateral Payments Arrangements and Countertrade Practices

During the decade ending 1975, there was a significant decline in the number and importance of bilateral payments agreements, and bilateralism became a relatively unimportant feature of payments arrangements among Fund members.[26] At the end of 1975, 50 Fund members maintained 220 bilateral payments agreements, compared with the 64 members maintaining 322 such agreements at the end of 1964. The decline in the reliance on bilateral payments agreements during this period is more significant than these numbers imply, because in this same period 6 countries that were maintaining a total of 24 bilateral payments agreements joined the Fund. During the decade 1976–85, continued but slower progress was made by Fund members in reducing the number of bilateral payments agreements; the total number of Fund members maintaining bilateral payments agreements declined from 50 to 41, and the total number of agreements maintained by these members declined from 220 to 148. If the number of bilateral payments agreements that were maintained by three new Fund members is netted out, the progress toward their termination during 1976–81 is more rapid. By the end of 1981, no bilateral payments agreements were being maintained between Article VIII countries. Since 1981 the total number of these arrangements maintained by Fund members has remained virtually unchanged, reflecting the fact that the remaining agreements, most of which are maintained by Fund members with non-Fund members, are difficult to terminate without far-reaching changes in the state trading practices of non-Fund members, particularly in Eastern Europe.

The 1988 *AREAER* reported that, at the end of 1987, bilateral payments arrangements maintained between Fund members and non-Fund members totalled 69 and 72, respectively. The corresponding numbers were the same at the end of 1988, because no Fund members concluded or terminated bilateral payments arrangements with other Fund members or non-Fund members during 1988. The total number of these arrangements maintained by Fund members thus remained unchanged for two years in a row.

Detailed information on the value of trade conducted under bilateral payments arrangements is not available for most Fund members maintaining such arrangements. Indications are that the volume of trade conducted under these arrangements, most of which are maintained between developing countries and the Eastern European countries, has been declining in recent years. The annual value of trade conducted under bilateral payments arrangements is usually balanced, unless a "swing limit" is provided for temporary accumulation of imbalances above an agreed level. Exports from developing countries under bilateral payments arrangements consist primarily of agricultural commodities. However, the share of agricultural products in the total trade of developing countries has been declining in recent years as the trade structure of many of these countries has become more diversified. As a result, the relative importance of trade conducted under bilateral payments arrangements in the total world trade has probably declined. Even if it is assumed that all trade between

[26] Bilateral payments arrangements maintained between Fund members give rise to restrictive exchange practices subject to Article VIII or Article XIV of the Fund's Articles of Agreement when they involve exchange restrictions or multiple currency practices. Bilateral payments arrangements maintained between Fund members and non-Fund members involving restrictive exchange measures will also fall within the ambit of the Fund's Articles of Agreement (by virtue of Article XI) if these arrangements operate in a manner contrary to the provisions of the Articles of Agreement and the purposes of the Fund. The jurisdictional implications of bilateral payments arrangements are summarized in International Monetary Fund, *AREAER*, 1985, p. 40.

Fund members and non-Fund members maintaining bilateral payments agreements is being conducted under these arrangements, the total value of such trade was considerably less than 1 percent of the value of world trade of Fund members in 1988.

In recent years, an increasing number of countries have resorted to trading practices known as countertrade arrangements. These arrangements have taken a variety of forms, and based on the types of goods traded, the financial arrangements involved, and the length of time required to complete the transactions, countertrade arrangements have been variously described as barter, buyback, counterpurchase, and compensation. These are not internationally standardized definitions of the arrangements, and a countertrade agreement might contain more than one type of arrangement.[27] Countertrade arrangements basically involve barter or quasibarter arrangements between private firms and/or government entities, such as foreign trade organizations, under which the seller is obligated to accept specified goods or services from the buyer. Even though countertrade arrangements are for the most part carried out by private firms without official sanction, several countries have announced guidelines to be followed by individual entities while engaging in countertrade or have issued regulations making countertrade mandatory for certain international transactions. In some instances, governments have also directly engaged in countertrade activities involving agricultural commodities, military equipment, and oil.

Available information on countertrade business in Fund member countries is incomplete, especially in most of the instances where official guidelines or regulations do not exist, and an exchange or trade restriction is thus not involved. In many developing countries, private firms and/or public sector entities have entered into countertrade arrangements with private firms in the industrial, developing, and centrally planned Eastern European countries, with the objective of promoting trade in primary products (including crude oil) and manufactured goods, and in some instances, to service external debt. With the emergence and growth of countertrade practices, private and semigovernmental organizations have expanded in a number of countries to provide advice on potential countertrade opportunities, report periodically on the details of countertrade agreements known to be concluded or under negotiation, and describe difficulties that have been experienced in countertrade. Although the number of countertrade agreements reported in these publications seems to convey the impression that private and trade organizations in the industrial, developing, and the Eastern European countries are expanding countertrade activities, the published information should be interpreted with caution. As a result of growing interest in this area, the coverage of reports appears to have improved. Also, a conclusion of countertrade agreements may not necessarily lead to actual trade, because agreements are often canceled or modified, and the changes are not always reported in these publications.

The magnitude of trade conducted under countertrade arrangements is difficult to estimate for a number of reasons. Apart from the cancellation or modification of original arrangements, which is often unknown, the very nature of the trading arrangements makes it difficult to estimate the annual volume of trade. For instance, when countertrade arrangements are in the form of buyback arrangements that are linked to direct foreign investment, commodity trade takes place over several years and the annual volume of trade cannot be estimated. Also, where governments are involved in the countertrading of strategic goods and defense equipment, detailed trade data are not likely to be published. There are indications that countertrade activities peaked in 1985 and that they have since stabilized and declined somewhat, not only in terms of the number of agreements concluded but also in the average size of the agreements. In an earlier report (International Monetary Fund, *AREAER* (1986), p. 33, footnote 10), it was mentioned that at most 10 percent of world trade appeared to have been conducted under countertrade arrangements.[28] In the light of the decline in countertrade activities observed during 1986–88 when the volume of world trade is estimated to have grown by 18 percent, the share of countertrade in world trade is likely to have declined substantially since.[29]

Although the volume of trade conducted under countertrade arrangements appears to have declined in relation to world trade, the reliance on such practices continues to be seriously detrimental to the maintenance of the multilateral system of trade and payments, and is a matter of concern for the Fund.[30] Recourse to countertrade practices implies that the normal commercial methods of international trade based on international competition cannot be applied, and their use entails many of the undesirable restrictive and discriminatory practices traditionally associated with bilateralism.

[27]For a discussion of various types of countertrade arrangements, see Kyung Mo Huh, "Countertrade: Trade Without Cash?" *Finance and Development*, International Monetary Fund and World Bank (Washington), Vol. 20 (December 1983), pp. 14–16.

[28]In the late 1970s the OECD estimated that up to 15–20 percent of the trade between East European and West European countries was conducted under some form of countertrade arrangements (OECD, *East-West Trade: Recent Developments in Countertrade* (Paris, 1981)).

[29]A study prepared recently by a research firm in the United Kingdom (Produce Studies, *Third World Countertrade* (London, 1988)) concluded that, following a sharp growth in countertrade activity during the first half of the 1980s, it declined significantly. The study reported that the number of known countertrade deals involving developing countries declined from a peak of 304 in 1985, to 270 in 1986, and 272 in 1987.

[30]In September 1982 the Executive Board reviewed the Fund's policy with respect to bilateral payments and countertrade arrangements. The conclusions of that review were summarized in International Monetary Fund, *AREAER*, 1983, pp. 44–45.

The GATT has no provision dealing specifically with countertrade practices. However, a number of its important provisions, such as those on national treatment of internal taxation and regulation, antidumping and countervailing duties, quantitative restrictions, subsidies, state trading enterprises, and emergency action on imports of particular products, may involve certain aspects of countertrade practices. Altogether, their applicability has not been examined closely, and the outcome of the Uruguay Round on issues involving nontariff barriers, safeguards, subsidies and countervailing measures, trade-related investment, and trade in textiles and textile products may thereby indirectly affect countertrade practices. One aspect of these practices that may require a modification to the traditional approach of international rules on import trade is that, since products are imported and sold under countertrade arrangements in the importing country by domestic economic agents rather than by foreign suppliers, different criteria may have to be applied to enforce the international rules on trade barriers and market disruption.

Regional Arrangements

Recent important developments in regional arrangements have been in addition to the strong and increasing trends toward de facto bilateralism evident in export restraint agreements and antidumping actions noted in Section III. Major formal actions have included the conclusion of new bilateral free trade agreements between the United States and Israel (in 1985); between the United States and Canada; accords affecting trade between Argentina, Brazil, and Uruguay; countertrade arrangements (DICA) between certain Central American countries; and bilateral investment treaties negotiated in recent years between the United States and a number of other Fund members. In addition, increasing internal liberalization in certain existing regional and bilateral arrangements not matched by similar freedom for transactions with third-party countries has heightened the practical significance of regionalism and bilateralism. Further still, the increasing tendency of geographical factors to play a role in determining common negotiating positions (for example, Asian NIEs, European Free Trade Association (EFTA)/EC trade, and Latin American debtors) may also have heightened the practical impact of regionalism.

Considerable steps toward integration were taken in 1988 in the context of various regional trade arrangements such as the EC (both internally and with other countries), between the United States and Canada, between Australia and New Zealand, and among Brazil, Argentina, and Uruguay. Questions have been raised in various quarters about whether these developments signaled a shift toward bilateralism that might ultimately divide the world into a few major trading blocks, with adverse impacts on third countries. The response of countries engaged in such arrangements has been to maintain no increased restrictions that were inconsistent with multilateral commitments. Other than the arrangement between the United States and Mexico, no further new arrangements of a major regional or bilateral nature were under discussion in 1988. Minor setbacks were realized in other smaller regional arrangements such as the Caribbean Community CARICOM in the Caribbean and the Preferential Trade Area in Eastern and Southern African States (PTA) when targeted dates for tariff reductions were postponed. There were no major developments in regional cooperation on trade during 1988 in Asia and the Middle East. The regional development banks in the three developing continents—the African Development Bank (AfDB), along with the African Development Fund (AfDF) and the Nigeria Trust Fund (NTF), the Asian Development Bank (AsDB), and the Inter-American Development Bank (IDB)—each committed about $2–2.4 billion to countries in its respective region during the fiscal year 1987/88.

In the Western Hemisphere, three groups of regional arrangements experienced changes in 1988: the United States-Canada Free Trade Agreement (FTA), the United States-Mexico bilateral agreement,the Argentina-Brazil-Uruguay accords, and CARICOM

The United States-Canada FTA was the largest regional trade arrangement concluded in 1988 in terms of its size and the comprehensiveness of trade categories included. This agreement, which entered into force on January 1, 1989, provides a schedule for the elimination of all tariffs and for the reduction of nontariff barriers over ten years and contains important provisions on trade in services. Moreover, no further quantitative restrictions except those covered under the GATT can be introduced. Since neither country changed its trade policy toward third countries, no new trade barriers against third countries were created. One aim of the agreement was to signify that bilateral arrangements could still serve as a model for progress toward broad multilateral trade. However, the direct trade-creating effect of this agreement is likely to be limited, since tariffs on trade between the two countries were already at low levels. The United States also signed a bilateral framework agreement with Mexico in February 1988. Although the agreement establishes consultation mechanisms and procedures for dispute settlement in a number of areas, bilateral agreements under the framework are to be negotiated beginning in 1989.

Movements toward a free trade zone in Latin America were made in 1988 with an arrangement between Brazil and Argentina and between Argentina and Uruguay. The accords for the Brazil-Argentina Integration and Economic Cooperation Program were signed in 1988. Significant progress was achieved in trade in food processing and automotive industries, as import duties were to be eliminated in 1989 for certain automobiles between the two

countries. Similar accords were signed by Argentina with Uruguay and later, Colombia, which should enhance intra-regional trade and pave the way toward a common market in the region as targeted in 1998.

CARICOM postponed its target date to achieve full trade liberalization among its 13 countries from October 1988 to 1991, as a list of 23 products were allowed protection, subject to periodic review. The commencement of the operations of the Caribbean Export Bank was also postponed from a planned early-1988 introduction, since it encountered difficulty in obtaining foreign financing. However, progress was made as the Organization of Eastern Caribbean States (OECS), a subregional group of seven countries under CARICOM removed all trade barriers, including import licensing, and eliminated tariffs in mid-1988. In this context, Barbados and Trinidad and Tobago spearheaded the CARICOM free-trade area by removing trade barriers between each other.

The Andean Reserve Fund (ARF) reported that for the first time, its operations in Andean pesos were conducted with a nonmember. Chile became an authorized holder of Andean pesos and accepted them from an ARF member country to settle its debit balance for a four-month compensation.

The EC continued to be active in 1988 in regional trade relations, both internally and with other countries (that is, the EFTA, the ACP[31] countries, and the GCC in the Middle East, Hungary, and Morocco). Under the impetus of the Single European Market Act signed in 1986, the EC has pursued the reduction of internal regulatory barriers, harmonization of standards, and liberalization of trade and factor movements within the Community, with the goal of creating a unified internal market by the end of 1992. By the end of 1988, 126 of the 279 directives to establish the single market had been adopted, and a further 122 draft directives had been circulated for discussion. Since it is expected that national restrictions on imports from third countries will no longer be enforceable by 1992, a major question remains as to the ramifications of the EC-wide measures for third-country trade. The same question, of course, also applies a priori to all such preferential trade agreements. Since 1975 intra-EC imports have increased at an annual rate of 10.9 percent, whereas non-EC imports have risen at a much slower 7.5 percent.[32]

Internally, the EC pressed ahead with its single-market program for achieving an internal market without borders in 1992, particularly with the adoption of a new directive on capital movements in 1988. A list of nearly 300 trade barriers has been examined and about one third have been resolved. In addition, the Community agreed to examine the means to achieve economic and monetary union. Although decisions regarding the external regime after 1992 have not been made, it is hoped that the EC would continue to observe its obligations under the GATT, so that it would not increase restrictions on exports from countries outside the common market. This could involve continuing to require reciprocity from third-country trading partners and continuing restraints on imports from outside the Community on some items such as automobiles and textiles. Nevertheless, concerns were expressed by major trading partners about a reciprocity concept that might trigger restrictions and be inconsistent with OECD obligations if interpreted narrowly, particularly in areas not presently covered by the GATT and other multilateral provisions.

On trade arrangements with other countries, significant progress was made as the EC agreed with the EFTA to target an 18-nation free trading zone by 1992. The EFTA, at its Ministerial meeting of the Council in June 1988, announced a number of steps to strengthen cooperation with the EC to contribute to the development of a European economic space. A timetable for negotiating the harmonization of EC and EFTA rules concerning certain technical barriers to trade was established; specific measures were announced for increasing cooperation in the fields of public procurement, state aid, and processed agricultural products; and a list of areas on which further cooperative efforts are to be concentrated was agreed.

The EC and the ACP developing countries, under the fourth Lomé Convention discussed in 1988, would allow tariff-free entry to the EC markets for virtually all ACP commodities. Trade concessions to the 66 ACP countries were proposed to be permanent after the current Lomé Convention ends in 1990. The EC and the GCC agreements committed both sides to granting each other MFN status and to not introducing new tariffs or trade restrictions. The EC-Hungary trade agreement was the EC's first such pact with an Eastern bloc country. The agreement included, among others, elimination of the EC restrictions on more than 2,000 import items from Hungary. In addition, the EC-Morocco agreement on fishery provided for the dismantling of customs duties for Moroccan traditional exports to the EC to the extent of fixed quotas. With this agreement, the EC has completed its bilateral arrangements with all Mediterranean countries.

Also in June 1988 the EC signed a declaration of mutual recognition with the Council of Mutual Economic Assistance (COMECON). The EC was negotiating in 1988, or renegotiating, trade accords with Czechoslovakia and Romania.

In Oceania, significant progress was made in 1988 between Australia and New Zealand on trade cooperation. Under the Australian-New Zealand Closer Economic Relations Trade Agreement (ANZCERTA) liberalization of trade between the two countries would be accelerated by a dismantling of tariff and import restrictions. The scope of liberalization was enlarged to include services. In August 1988 Australia and New Zealand signed a bilateral free-trade agreement which foresees the elimination of remaining barriers to trade in goods and services by

[31] Lomé Convention between certain African, Caribbean, and Pacific states.

[32] Defining the EC in terms of its present membership for the whole period through 1987.

July 1990. Since 1975 liberalization measures under the long-standing Australia-New Zealand agreement helped to expand the growth of bilateral imports, but only at a somewhat faster pace (9.6 percent) than that of other imports (8.2 percent). Starting from January 1, 1988, import duties on trade between the two countries have been removed. The target date of full liberalization was brought forward from 1995 to July 1990. In addition, the South Pacific Regional Trade and Economic Agreement (SPARTECA), which provides free access to these two markets for the exports from the island countries in the South Pacific, is still in effect.

In Africa, despite numerous attempts by a number of regional organizations to foster trade and economic integration among countries in various subregions, only modest progress was made in 1988, with the exception of the increased activities of the regional Development Bank. The PTA, which aimed at a tariff cut by 10 percent a year until a free trade zone was realized in 2000, postponed its tariff cuts in 1988 until mid-1989. Only three members—Mauritius, Zambia, and Zimbabwe—cut tariffs by 10 percent as scheduled in October 1988. The PTA clearing house allowed domestic currencies to settle transactions among members, so that only net balances required settlement in hard currencies. Nevertheless, the full clearing mechanism has functioned well below its potential, and more than half of the trade payments arranged through the clearing house were still settled in hard currency. Moreover, the existing exchange and trade arrangements as well as the economic problems confronting member countries made it difficult for the clearing house to function properly, since members aimed for straight hard currency sales rather than going through the clearing house. In 1988 exemption to settle through the PTA was granted to Mozambique, since it was a new member, in respect of transit fees, which were important sources of hard currency to that country. Lesotho and Swaziland were exempted from mutual tariff-cutting obligations until 1992, because of their membership in the Southern African Customs Union. Traveler's checks denominated in the PTA unit of account, PTA, were introduced in the PTA region in 1988.

The Economic Community of Central African States (CEEAC) proposed to adopt procedures to protect regional traders against any new nontariff barriers. It adopted, among others, the principle of stabilizing customs duties and taxes on imports within the customs tariff bands. The six-nation Customs and Economic Union of Central African States (UDEAC) announced the Yaoundé Declaration, which pledged to integrate development of the subregion in line with the 1980 Lagos Plan of Action. A drop in economic activity and trade in the region led to a large reduction in tax and customs revenue, which adversely affected development expenditure programs. The group called for a "Marshall Plan" to help deal with the debt problem. The Bank of Central African States (BEAC) as the central bank for the region, raised interest rates by 1 percentage point in January 1988 and by 0.5 percentage point in October 1988.

The Economic Community of West African States (ECOWAS) approved a special compensation fund to compensate member states that might suffer material losses as a result of the implementation of the organization's trade liberalization scheme in 1990. The West African Monetary Union (WAMU) and its Central Bank (BCEAO) raised interest rates by 0.5–1.5 percentage points in late 1988 and expressed the need to maintain financially restrictive policies to promote economic recovery in the region, which involved tighter control over bank notes leaving the franc zone, and effective repatriation of the export proceeds. The Mano River Union experienced financial difficulties, but all three of its members affirmed their desire to settle their arrears to the Union in 1988. A monetary union and a central bank unique to the three countries have been discussed, since they belong to three different monetary zones.

The AfDB (with the AfDF and NTF) committed more than $2 billion in 1987 and expected to lend $10 billion to the region during 1987–91. In addition, it approved a $3.15 billion replenishment of the African Development Fund (AfDF) for the period 1988–90. The AfDF extends loans to the poorest countries in the region at concessional interest rates.

In the Middle East discussion continued in a number of regional meetings in 1988 on promoting economic integration and intraregional cooperation on trade and finance. The Islamic Development Bank, which mainly finances foreign trade operations and projects in the region, slowed down its activities in 1987.

In Asia there were few developments in 1988 affecting organizations responsible for promoting economic integration and intraregional trade. Buoyant economies and strong export growth meant little focus on intraregional trade. The ADB committed $2.4 billion in loans to countries in the region during the fiscal year 1987/88, mainly for development purposes.

Table 5. Organizations Regulating Exchange and Trade: Membership Lists

ARF:	Bolivia, Colombia, Ecuador, Peru, and Venezuela.
ASEAN:	Brunei, Indonesia, Malaysia, Philippines, Singapore, and Thailand.
BEAC:	Cameroon, Congo, Central African Republic, Equatorial Guinea, and Chad.
CARICOM:	Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent, and Trinidad and Tobago.
EC:	Belgium, Denmark, France, Federal Republic of Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, United Kingdom.
ECOWAS:	Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Senegal, Sierra Leone, and Togo.

Appendix

Summary Table

Summary Table. Measures Affecting Members' Exchange and Trade Systems, 1988

Member	Date	Direction	Measures
			Imports and Import Payments
			Quantitative Import Controls
Industrial countries			
Australia	4/13/88	Liberalization	Tariff quotas on passenger motor vehicles abolished.
	12/20/88	Liberalization	Embargo on sugar imports temporarily suspended.
Canada	11/30/88	Liberalization	The phased removal of quotas on ladies' and girls' footwear completed.
Iceland	1/1/88	Liberalization	Import tariff regime simplified.
	2/1/88	Liberalization	Fishing vessels deleted from restricted list.
Japan	6/20/88	Liberalization	Import liberalization program covering 1988–93 on citrus and beef agreed with the United States.
	6/24/88	Liberalization	Import liberalization program covering 1988–93 on beef agreed with Australia.
	7/21/88	Liberalization	Import liberalization programs for nine agricultural products agreed with the United States.
New Zealand	7/1/88	Liberalization	Import licensing requirement eliminated for all imports not subject to Industry Plans.
Spain	3/8/88	Tightening	Tin plates added to restricted steel product imports.
United States	1/1/88	Liberalization	Quota on imports of selected steel products (sheet, strip rods, pipes, tubes, wire) from Mexico adjusted upward by 12.4 percent.
	1/1/88	Tightening	Growth of imports of selected textiles and apparel from China limited to 3 percent a year under four-year agreement.
	1/5/88	Tightening	Growth of imports of selected textiles and apparel from Mexico limited to 6 percent a year under four-year agreement.
	1/7/88	Tightening	Canadian potash producers agreed to adjust sale prices of exports to the United States to avoid imposition of antidumping duties.
	5/20/88	Liberalization	Quota levels for imports of garments from the Dominican Republic increased under four-year agreement.
	7/22/88	Liberalization	Global quota on sugar imports increased.
	11/1/88	Liberalization	Quota on garment exports by Jamaica increased.
Developing countries—fuel exporters			
Ecuador	2/23/88	Tightening	Automobile imports prohibited.
	6/21/88	Liberalization	Ban on automobile imports lifted and replaced by specific import quotas.
	8/31/88	Tightening	Automobile imports banned and imports of capital goods restricted.
Indonesia	11/21/88	Liberalization	Restrictions on some 351 products relaxed.
Nigeria	2/9/88	Tightening	Barley, malt, aluminum sulfate, and retreaded tires added to prohibited list.
	2/9/88	Liberalization	Unmanufactured wood removed from prohibited list.
Syrian Arab Republic	4/16/88	Liberalization	Authorization granted to producers of ready-to-wear garments to import outside the permitted import system.
	6/12/88	Liberalization	Authorization granted to dry fruit producers to import raw materials.
	9/29/88	Tightening	Permission to import prohibited goods of a value of up to LS 70,000 withdrawn.
Tunisia	1/29/88	Liberalization	Administrative restrictions on certain imports removed.
Developing countries—other			
Argentina	3/25/88	Liberalization	Quantitative restrictions on petrochemical and iron and steel products reduced.
	6/6/88	Liberalization	Quantitative restrictions on a range of agricultural machinery and equipment eliminated.
	9/21/88	Liberalization	Import controls abolished on 2,400 items, covering capital goods, textiles other than garments, chemicals and petroleum products, and tobacco; production coverage of controls reduced to 18 percent.

Summary Table *(continued)*. Measures Affecting Members' Exchange and Trade Systems, 1988

Member	Date	Direction	Measures
Bangladesh	3/16/88	Liberalization	Import of rice by the private sector permitted.
	4/6/88	Liberalization	Interim import policy order 1988/89 reduced negative and restricted lists.
	7/1/88	Liberalization	Import policy order 1988/89 reduced negative and restricted lists.
Brazil	5/4/88	Liberalization	Imports of agricultural commodities liberalized.
Burundi	4/1/88	Liberalization	Controls on luxury goods eliminated.
Colombia	8/3/88	Liberalization	Essential industries allowed to import certain products needed for operation under a six-month licensing regime.
Congo	5/28/88	Liberalization	Import licenses abolished, except for 13 products, and replaced by ex post declarations.
Dominican Republic	4/29/88	Tightening	Imports of automobiles and luxury goods prohibited for one year.
El Salvador	1/1/88	Liberalization	Number of prohibited import items reduced to 106.
	6/1/88	Liberalization	Number of prohibited items reduced to 28.
Guyana	8/31/88	Liberalization	Certain items removed from prohibited import list.
India	4/1/88	Liberalization	A total of 329 items of intermediate and raw material items added to OGL.
	4/1/88	Liberalization	A total of 99 capital goods items added to OGL.
	4/1/88	Tightening	Number of items of intermediate raw materials on the restricted and permissible list increased to 816.
	4/1/88	Tightening	Number of machine tools on OGL reduced to 157.
Jordan	11/7/88	Tightening	Imports of certain products prohibited.
Korea	1/7/88	Liberalization	Imports by foreign subsidiaries and joint ventures engaged in manufacturing liberalized.
	4/1/88	Liberalization	A total of 142 items (net) from list of restricted imports removed.
	5/12/88	Liberalization	Five agricultural products from list of restricted imports removed.
	7/1/88	Liberalization	A total of 46 items from list of restricted imports removed.
	7/7/88	Liberalization	Prohibition on beef imports replaced by quota.
	8/12/88	Liberalization	Prohibition on imports of frozen french fries removed.
	12/2/88	Liberalization	A total of 59 items from list of restricted imports removed.
Madagascar	2/1/88	Liberalization	(1) OGL system introduced for raw materials and spare parts; and (2) number of prohibited items and items requiring prior authorizations reduced to 94 customs nomenclature categories.
	7/1/88	Liberalization	OGL system extended to imports of all goods.
	8/5/88	Liberalization	Number of prohibited items and items requiring prior authorizations reduced to 88 customs nomenclature categories, mainly for security and health reasons.
Malaysia	1/13/88	Liberalization	Licensing requirements for imports from China abolished.
Maldives	4/1/88	Liberalization	Import quota for April 1988/March 1989 increased by 30 percent.
Mali	6/30/88	Liberalization	Quotas on ten products removed.
Morocco	10/31/88	Liberalization	Some 130 items transferred from List B to List A.
Nepal	1/1/88	Liberalization	OGL system expanded.
	3/8/88	Liberalization	Limit on imports of gold by Pakistani nationals to be used for production of jewelry for export increased.
Netherlands Antilles	1/1/88	Tightening	Quotas on 43 items reduced to 50 percent of the c.i.f. value of 1987 imports.
Pakistan	7/1/88	Liberalization	1988/89 import policy order liberalized imports of a number of items and increased cash value ceilings on other products.
	10/29/88	Liberalization	Imports of typewriter ribbons liberalized.
	11/23/88	Liberalization	Imports of computer software liberalized.
	11/28/88	Tightening	Imports of medicine containing benzidine banned.
	12/12/88	Liberalization	Imports of ball bearings liberalized.
Sierra Leone	5/23/88	Liberalization	Unnumbered import licensing facility reintroduced de facto.
	11/25/88	Tightening	Imports of cigarettes prohibited.
Singapore	4/1/88	Liberalization	Import licensing requirement for air conditioners abolished.
Sri Lanka	5/20/88	Liberalization	Imports of precious and semiprecious stones and imitation jewelry for domestic use permitted.

Summary Table *(continued)*. Measures Affecting Members' Exchange and Trade Systems, 1988

Member	Date	Direction	Measures
Tanzania	2/1/88	Liberalization	Portion of foreign exchange made available on a nonadministrative basis for a selected positive list of priority import categories under OGL.
Thailand	6/10/88	Liberalization	Imports of 5,377 units of two-wheel walking tractors and 705 units of used four-wheel tractors permitted until end of the year.
	9/28/88	Extension	Imports of 150,000 metric tons of soybean in the 1988/89 season permitted; required ratio of local purchases to imports set at 1:2.
Togo	3/1/88	Liberalization	Quotas on most imports abolished.
Turkey	1/16/88	Liberalization	Number of items subject to licensing cut from 110 to 33.
	12/28/88	Tightening	Number of items subject to licensing raised from 33 to 49.
Zimbabwe	6/1/88	Tightening	Cumulative tourist travel allowances of husband and wife allowed to be used to import goods on OGL reduced from Z$3,000 to Z$900.
			Import Surcharges and Import Taxation
Industrial countries			
Australia	4/13/88	Liberalization	Tariffs on passenger motor vehicles reduced.
	5/25/88	Liberalization	Generalized tariff reductions announced.
	7/1/88	Liberalization	Tariffs on imports from New Zealand eliminated.
Canada	6/6/88	Liberalization	Antidumping duties on soda ash imports from the United States terminated.
	6/30/88	Liberalization	Antidumping duties on countertop microwave ovens from Japan, the Republic of Korea, and Singapore terminated.
	7/27/88	Liberalization	Antidumping duties on stainless steel plate and sheet from Japan and South Africa terminated.
	7/27/88	Liberalization	Antidumping duties on stainless steel plate from Belgium, France, the Federal Republic of Germany, Italy, Sweden, and the United Kingdom terminated.
	7/29/88	Tightening	Definitive antidumping duties imposed on barbed wire from Poland.
	8/22/88	Liberalization	Antidumping duties on hand saw blades from the United States terminated.
	8/23/88	Liberalization	Antidumping duties on ladies' handbags from the Republic of Korea, Hong Kong, and Taiwan Province of China terminated.
	12/6/88	Liberalization	Antidumping duties on porcelain insulators from Japan and the United States terminated.
	12/7/88	Liberalization	Antidumping duties on camping tents from China terminated.
	12/8/88	Liberalization	Antidumping duties on abrasion-resistant steel pipe from the United States terminated.
	12/15/88	Tightening	Provisional antidumping duties imposed on padded clothes hangers from the United States and Taiwan Province of China.
	12/29/88	Tightening	Provisional antidumping duties imposed on polyphase induction motors (above 200 hp) from Brazil, France, Japan, Sweden, Taiwan Province of China, the United Kingdom, and the United States.
	12/29/88	Tightening	Provisional countervailing duties imposed on polyphase induction motors (above 200 hp) from Brazil.
Iceland	1/1/88	Liberalization	Import tariff regime simplified.
Japan	4/1/88	Liberalization	Tariff rates on certain industrial products and processed food products reduced.
	8/1/88	Liberalization	Tariff rate on crude oil and petroleum products reduced.
New Zealand	7/1/88	Liberalization	Across-the-board phased tariff reductions for industries not subject to Industry Plans implemented.
	1/1/88	Liberalization	Most tariffs on imports of goods from Australia eliminated.
Spain	1/1/88	Liberalization	Tariff reductions in accordance with EC accession implemented.
	10/1/88	Liberalization	Tariff reduction in accordance with EC accession implemented.
United States	1/30/88	Tightening	Antidumping duties imposed on imports of color picture tubes from Canada, Japan, Singapore, and the Republic of Korea.
	3/8/88	Tightening	Antidumping duties imposed on imports of stainless steel butt-weld pipe fittings from Japan.
	3/11/88	Tightening	Duty-free treatment for imports from Panama abolished.
	5/3/88	Tightening	Antidumping duties imposed on imports of small- to medium-capacity internal combustion forklift trucks from Japan.

Summary Table *(continued)*. Measures Affecting Members' Exchange and Trade Systems, 1988

Member	Date	Direction	Measures
	6/16/88	Tightening	Antidumping duties imposed on imports of butadiene-acrylonitrile-copolymer synthetic rubber from Japan.
	7/3/88	Tightening	MFN provisions of trade agreement with Romania suspended.
	7/26/88	Tightening	Antidumping duties imposed on imports of brass sheet and strip from Japan and the Netherlands.
	8/5/88	Tightening	Countervailing and antidumping duties imposed on imports of electrical conductor aluminum redraw rods from Venezuela.
	8/9/88	Tightening	Antidumping duties imposed on imports of granular polytetra-fluoroethylene resin from Japan.
	8/22/88	Tightening	Exceptions to sanctions against Panama to permit the payment of import duties allowed.
	10/30/88	Tightening	Sanctions in the form of 100 percent tariffs on $39 million of imports from Brazil in retaliation for alleged lack of patent protection by Brazil imposed.
	10/31/88	Liberalization	Intention to accede to the Harmonized Tariff Schedule on 1/1/89 announced.
	12/6/88	Liberalization	Tariff protection for red cedar shakes and shingles for an additional two-and-a-half years introduced at lower rate.
	12/21/88	Liberalization	Retaliatory tariffs on pasta imports from the EC eliminated.
EEC countries			
	1/4/88	Liberalization	Countervailing charge on fresh lemons originating in Spain (except the Canary Islands) eliminated (Regulation 7/88).
	1/11/88	Liberalization	Countervailing charge on tangerines originating in Morocco eliminated (Regulation 68/88).
	1/18/88	Tightening	Definitive antidumping duties imposed on imports of electronic typewriters originating in Japan (Regulation 154/88).
	1/20/88	Tightening	Provisional antidumping duties imposed on imports of certain iron and steel coils originating in Algeria, Mexico, and Yugoslavia (Regulation 163/88/ECSC). (Regulation 979/88/ECSC modified these duties.)
	1/25/88	Tightening	Provisional antidumping duties imposed on imports of certain iron and steel sheets and plates originating in Yugoslavia (Regulation 229/88/ECSC). (Regulation 980/88/ECSC modified these duties.)
	1/25/88	Tightening	Countervailing charge imposed on imports of fresh tangerines originating in Turkey (Regulation 204/88).
	1/26/88	Tightening	Countervailing charge imposed on fresh lemons originating in Morocco (Regulation 216/88).
	1/26/88	Tightening	Countervailing charge imposed on artichokes originating in Egypt (Regulation 215/88).
	1/26/88	Tightening	Countervailing charge imposed on artichokes originating in Spain (except the Canary Islands) (Regulation 214/88).
	2/3/88	Liberalization	Countervailing charge on imports of fresh tangerines originating in Turkey eliminated (Regulation 324/88).
	2/4/88	Tightening	Provisional antidumping duties imposed on imports of potassium permanganate originating in China (Regulation 360/88).
	2/8/88	Tightening	Countervailing charge imposed on artichokes originating in Egypt (Regulation 362/88).
	2/22/88	Liberalization	Countervailing charge on artichokes originating in Egypt eliminated (Regulation 482/88).
	2/23/88	Liberalization	Antidumping duties on imports of polyester yarn from the United States expired (88/C/72/05).
	2/24/88	Tightening	Countervailing charge imposed on cucumbers originating in Spain (except the Canary Islands) (Regulation 496/88).
	3/15/88	Tightening	Provisional antidumping duties imposed on imports of oxalic acid originating in Taiwan Province of China and the Republic of Korea (Regulation 699/88).
	3/23/88	Tightening	Countervailing charge imposed on fresh lemons originating in Spain (except the Canary Islands) (Regulation 764/88).
	3/29/88	Tightening	Countervailing charge imposed on artichokes originating in Spain (except the Canary Islands) (Regulation 836/88).

Summary Table *(continued)*. Measures Affecting Members' Exchange and Trade Systems, 1988

Member	Date	Direction	Measures
	4/5/88	Tightening	Countervailing charge imposed on fresh lemons originating in Spain (except the Canary Islands) (Regulation 903/88).
	4/6/88	Tightening	Countervailing charge imposed on tomatoes originating in Spain (except the Canary Islands) (Regulation 915/88).
	4/6/88	Tightening	Countervailing charge imposed on tomatoes originating in Morocco (Regulation 916/88).
	4/7/88	Tightening	Countervailing charge imposed on tomatoes originating in the Canary Islands (Regulation 927/88).
	4/7/88	Tightening	Countervailing charge imposed on cucumbers originating in Poland (Regulation 928/88).
	4/11/88	Liberalization	Countervailing charge on artichokes originating in Spain (except the Canary Islands) eliminated (Regulation 955/88).
	4/11/88	Liberalization	Countervailing charge on fresh lemons originating in Spain (except the Canary Islands) eliminated (Regulation 956/88).
	4/14/88	Tightening	Countervailing charge imposed on fresh lemons originating in Spain (except the Canary Islands) (Regulation 985/88).
	4/14/88	Tightening	Countervailing charge imposed on tomatoes originating in Spain (except the Canary Islands) (Regulation 986/88).
	4/14/88	Tightening	Countervailing charge imposed on artichokes originating in Spain (except the Canary Islands) (Regulation 987/88).
	4/14/88	Tightening	Countervailing charge imposed on tomatoes originating in the Canary Islands (Regulation 988/88).
	4/15/88	Tightening	Countervailing charge imposed on imports of tomatoes originating in Turkey (Regulation 1003/88).
	4/15/88	Liberalization	Antidumping duties on imports of zinc-coated steel sheets from the German Democratic Republic expired (88/C/131/03).
	4/15/88	Liberalization	Antidumping duties on imports of sheets and plates of iron and steel from the German Democratic Republic expired (88/C/131/03).
	4/18/88	Tightening	Antidumping duties on certain electronic scales assembled in the EEC extended (Regulation 1021/88).
	4/19/88	Liberalization	Countervailing charge on tomatoes originating in Morocco eliminated (Regulation 1028/88).
	4/20/88	Liberalization	Antidumping duties on imports of orthoxylene from Puerto Rico and the United States expired (88/C/72/05).
	4/20/88	Liberalization	Antidumping duties on imports of paraxylene from Puerto Rico, the United States, and the American Virgin Islands expired (88/C/72/05).
	4/25/88	Tightening	Definitive antidumping duties imposed on imports of roller chains for cycles originating in China (Regulation 1198/88).
	5/3/88	Liberalization	Countervailing charge on fresh lemons originating in Spain (except the Canary Islands) eliminated (Regulation 1213/88).
	5/4/88	Tightening	Countervailing charge imposed on tomatoes originating in Spain (except the Canary Islands) (Regulation 1224/88).
	5/5/88	Tightening	Countervailing charge imposed on tomatoes originating in Morocco (Regulation 1240/88).
	5/6/88	Tightening	Countervailing charge imposed on fresh lemons originating in Spain (except the Canary Islands) (Regulation 1258/88).
	5/6/88	Tightening	Countervailing charge imposed on zucchini originating in Spain (except the Canary Islands) (Regulation 1259/88).
	5/10/88	Tightening	Countervailing charge imposed on fresh lemons originating in Cyprus (Regulation 1275/88).
	5/10/88	Tightening	Countervailing charge imposed on fresh lemons originating in Israel (Regulation 1276/88).
	5/10/88	Liberalization	Countervailing charge on tomatoes originating in Spain (except the Canary Islands) eliminated (Regulation 1278/88).
	5/11/88	Tightening	Provisional antidumping duties on imports of certain iron and steel sheets and plates originating in Yugoslavia extended (Regulation 1321/88/ECSC).

Summary Table *(continued)*. Measures Affecting Members' Exchange and Trade Systems, 1988

Member	Date	Direction	Measures
	5/11/88	Tightening	Provisional antidumping duties on imports of certain iron and steel coils, originating in Algerian, Mexico, and Yugoslavia extended. (Regulation 1322/88/ECSC).
	5/16/88	Tightening	Countervailing charge imposed on tomatoes originating in Morocco (Regulation 1325/88).
	5/16/88	Liberalization	Countervailing charge on zucchini originating in Spain (except the Canary Islands) eliminated (Regulation 1234/88).
	5/16/88	Liberalization	Countervailing charge on fresh lemons originating in Spain (except the Canary Islands) eliminated (Regulation 1323/88).
	5/17/88	Tightening	Countervailing charge imposed on imports of tomatoes originating in Turkey (Regulation 1341/88).
	5/17/88	Tightening	Provisional antidumping duties imposed on imports of serial-impact-dot-matrix printers originating in Japan (Regulation 1418/88).
	5/19/88	Tightening	Countervailing charge imposed on tomatoes originating in Romania (Regulation 1373/88).
	5/19/88	Tightening	Countervailing charge imposed on cucumbers originating in Poland (Regulation 1372/88).
	5/19/88	Tightening	Countervailing charge imposed on fresh lemons originating in Spain (except the Canary Islands) (Regulation 1371/88).
	5/19/88	Tightening	Countervailing charge imposed on zucchini originating in Spain (except the Canary Islands) (Regulation 1370/88).
	5/20/88	Tightening	Countervailing charge imposed on fresh lemons originating in Cyprus (Regulation 1392/88).
	5/24/88	Tightening	Countervailing charge imposed on tomatoes originating in Poland (Regulation 1409/88).
	5/24/88	Liberalization	Countervailing charge on zucchini originating in Spain (except the Canary Islands) eliminated (Regulation 1410/88).
	5/24/88	Liberalization	Countervailing charge on fresh lemons originating in Spain (except the Canary Islands) eliminated (Regulation 1408/88).
	5/25/88	Tightening	Countervailing charge imposed on fresh lemons originating in Israel (Regulation 1419/88).
	5/30/88	Tightening	Countervailing charge imposed on fresh lemons originating in Cyprus (Regulation 1486/88).
	5/30/88	Tightening	Countervailing charge imposed on cucumbers originating in Poland (Regulation 1487/88).
	5/30/88	Liberalization	Countervailing charge on tomatoes originating in Morocco eliminated (Regulation 1488/88).
	5/30/88	Liberalization	Countervailing charge on tomatoes originating in Romania eliminated (Regulation 1490/88).
	5/31/88	Tightening	Definitive antidumping duties imposed on imports of potassium permanganate originating in China (Regulation 1531/88).
	6/2/88	Liberalization	Countervailing charge on tomatoes originating in Poland eliminated (Regulation 1536/88).
	6/3/88	Tightening	Countervailing charge imposed on apricots originating in Spain (except the Canary Islands) (Regulation 1553/88).
	6/3/88	Tightening	Countervailing charge imposed on fresh lemons originating in Spain (except the Canary Islands) (Regulation 1554/88).
	6/6/88	Tightening	Countervailing charge imposed on apricots originating in Tunisia (Regulation 1560/88).
	6/10/88	Tightening	Countervailing charge imposed on fresh lemons originating in Spain (except the Canary Islands) (Regulation 1627/88).
	6/10/88	Tightening	Countervailing charge imposed on apricots originating in Spain (except the Canary Islands) (Regulation 1628/88).
	6/10/88	Liberalization	Antidumping duties on imports of hexamethylenetetramin from the German Democratic Republic and the U.S.S.R. expired (88/C/307/02).
	6/14/88	Tightening	Provisional antidumping duties imposed on imports of polyester yarn originating in Mexico, the Republic of Korea, Taiwan Province of China, and Turkey (Regulation 1695/88).

Summary Table *(continued)*. Measures Affecting Members' Exchange and Trade Systems, 1988

Member	Date	Direction	Measures
	6/14/88	Tightening	Provisional antidumping duties imposed on imports of synthetic fibers of polyesters originating in Mexico, Romania, Taiwan Province of China, Turkey, the United States, and Yugoslavia (Regulation 1696/88).
	6/15/88	Tightening	Countervailing charge imposed on peaches including nectarines originating in Spain (except the Canary Islands) (Regulation 1679/88).
	6/15/88	Tightening	Countervailing charge imposed on fresh lemons originating in Spain (except the Canary Islands) (Regulation 1680/88).
	6/20/88	Liberalization	Countervailing charge on fresh lemons originating in Spain (except the Canary Islands) eliminated (Regulation 1726/88).
	6/21/88	Tightening	Provisional antidumping duties imposed on imports of paracetamol originating in China (Regulation 1745/88).
	6/21/88	Tightening	Countervailing charge imposed on tomatoes originating in Spain (except the Canary Islands) (Regulation 1746/88).
	6/21/88	Tightening	Countervailing charge on peaches including nectarines originating in Spain (except the Canary Islands) eliminated (Regulation 1747/88).
	6/22/88	Liberalization	Countervailing charge on apricots originating in Spain (except the Canary Islands) eliminated (Regulation 1760/88).
	6/23/88	Liberalization	Antidumping duties on bisphenol imported from the United States expired (88/C/307/02).
	6/30/88	Liberalization	Countervailing charge on tomatoes originating in Spain (except the Canary Islands) eliminated (Regulation 1899/88).
	7/4/88	Tightening	Countervailing charge imposed on fresh lemons originating in Argentina (Regulation 1965/88).
	7/5/88	Introduction	Provisional antidumping duty imposed on imports of serial-impact-fully-formed character printers originating in Japan (Regulation 2005/88).
	7/7/88	Tightening	Countervailing charge imposed on cherries originating in Hungary (Regulation 2011/88).
	7/8/88	Tightening	Countervailing charge imposed on fresh lemons originating in Argentina (Regulation 2042/88).
	7/8/88	Tightening	Countervailing charge imposed on tomatoes originating in Poland (Regulation 2043/88).
	7/11/88	Tightening	Definitive antidumping duties imposed on imports of oxalic acid originating in Taiwan Province of China and the Republic of Korea (Regulation 2089/88).
	7/12/88	Tightening	Countervailing charge imposed on fresh lemons originating in Spain (except the Canary Islands) (Regulation 2073/88).
	7/18/88	Tightening	Countervailing charge imposed on fresh lemons originating in Spain (except the Canary Islands) (Regulation 2139/88).
	7/18/88	Tightening	Countervailing charge imposed on eggplants originating in Spain (except the Canary Islands) (Regulation 2141/88).
	7/18/88	Tightening	Definitive antidumping duties imposed on imports of certain iron and steel sheets and plates originating in Yugoslavia (Regulation 2131/88/ECSC).
	7/18/88	Tightening	Definitive antidumping duties imposed on imports of certain iron or steel coils originating in Algeria, Mexico, and Yugoslavia (Regulation 2131/88/ECSC).
	7/18/88	Liberalization	Countervailing charge on cherries originating in Hungary eliminated (Regulation 2140/88).
	7/19/88	Liberalization	Countervailing charge on tomatoes originating in Poland eliminated (Regulation 2151/88).
	7/20/88	Tightening	Provisional antidumping duties imposed on imports of certain iron and steel sections originating in Yugoslavia and Turkey (Regulation 2158/88/ECSC).
	7/29/88	Tightening	Provisional antidumping duties imposed on imports of copper sulphate originating in Bulgaria and the U.S.S.R. (Regulation 2386/88).
	7/31/88	Liberalization	Antidumping duties on iron and steel sheets and plates, hot rolled (A/S) imported from Brazil suspended (88/C/307/02).
	8/4/88	Tightening	Countervailing charge imposed on table grapes originating in Chile (Regulation 2460/88).
	8/6/88	Liberalization	Antidumping duties on steel coils for re-rolling imported from Brazil and Venezuela suspended (88/C/307/02).

Summary Table *(continued)*. Measures Affecting Members' Exchange and Trade Systems, 1988

Member	Date	Direction	Measures
	8/10/88	Tightening	Countervailing charge imposed on certain varieties of plums originating in Yugoslavia (Regulation 2518/88).
	8/16/88	Liberalization	Countervailing charge on table grapes originating in Chile eliminated (Regulation 2556/88).
	8/21/88	Liberalization	Antidumping duties on barium chloride imported from China and the German Democratic Republic expired (88/C/307/02).
	8/22/88	Liberalization	Countervailing charge on fresh lemons originating in Spain (except the Canary Islands) eliminated (Regulation 2612/88).
	8/24/88	Tightening	Provisional antidumping duties imposed on imports of urea originating in Austria, Hungary, Malaysia, Romania, the United States, and Venezuela (Regulation 2623/88).
	8/26/88	Tightening	Provisional antidumping duties imposed on certain imports of video cassette recorders originating in Japan and the Republic of Korea (Regulation 2684/88).
	8/26/88	Tightening	Countervailing charge imposed on certain varieties of plums originating in Yugoslavia (Regulation 2662/88).
	8/26/88	Tightening	Countervailing charge imposed on table grapes originating in Cyprus (Regulation 2663/88).
	8/29/88	Tightening	Countervailing charge imposed on tomatoes originating in Portugal (Regulation 2676/88).
	8/31/88	Liberalization	Antidumping duties on certain electronic scales assembled in the EEC repealed (Regulation 2735/88).
	9/5/88	Tightening	Countervailing charge imposed on imports of fresh lemons originating in Turkey (Regulation 2763/88).
	9/7/88	Tightening	Countervailing charge imposed on certain varieties of plums originating in Spain (except the Canary Islands) (Regulation 2783/88).
	9/7/88	Liberalization	Countervailing charge on table grapes originating in Cyprus eliminated (Regulation 2785/88).
	9/8/88	Liberalization	Countervailing charge on the import of certain varieties of plums originating in Spain (except the Canary Islands) repealed (Regulation 2795/88).
	9/12/88	Liberalization	Countervailing charge on imports of fresh lemons originating in Turkey eliminated (Regulation 2814/88).
	9/19/88	Tightening	Countervailing charge imposed on fresh lemons originating in Spain (except the Canary Islands) (Regulation 2887/88).
	9/20/88	Tightening	Countervailing charge imposed on tomatoes originating in Portugal (Regulation 2899/88).
	9/20/88	Liberalization	Countervailing charge on tomatoes originating in Portugal eliminated (Regulation 2899/88).
	9/21/88	Tightening	Countervailing charge imposed on fresh lemons originating in Turkey (Regulation 2911/88).
	9/23/88	Tightening	Provisional antidumping duties on imports of serial-impact-dot-matrix printers originating in Japan extended (Regulation 2943/88).
	9/29/88	Tightening	Provisional antidumping duties imposed on imports of paint, distemper, varnish, and similar brushes originating in China (Regulation 3052/88).
	10/5/88	Tightening	Countervailing charge imposed on apples originating in Australia (Regulation 3078/88).
	10/6/88	Tightening	Countervailing charge imposed on apples originating in Portugal (Regulation 3089/88).
	10/10/88	Liberalization	Countervailing charge on imports of fresh lemons originating in Turkey eliminated (Regulation 3120/88).
	10/14/88	Tightening	Provisional antidumping duties on imports of polyester fibers originating in Mexico, Romania, Taiwan Province of China, Turkey, the United States, and Yugoslavia extended (Regulation 3170/88).
	10/14/88	Tightening	Provisional antidumping duties on imports of polyester yarn originating in Mexico, the Republic of Korea, Taiwan Province of China, and Turkey extended (Regulation 3171/88).
	10/14/88	Tightening	Provisional antidumping duties on imports of paracetamol originating in China extended (Regulation 3172/88).

Summary Table *(continued)*. Measures Affecting Members' Exchange and Trade Systems, 1988

Member	Date	Direction	Measures
	10/17/88	Tightening	Antidumping duties extended on certain plain paper photocopiers assembled in the EEC extended (Regulation 3205/88).
	10/17/88	Tightening	Countervailing charge imposed on tomatoes originating in Spain (except the Canary Islands) (Regulation 3186/88).
	10/17/88	Tightening	Countervailing charge imposed on tomatoes originating in Romania (Regulation 3187/88).
	10/18/88	Tightening	Countervailing charge imposed on tomatoes originating in Poland (Regulation 3203/88).
	10/19/88	Liberalization	Countervailing charge on apples originating in Portugal eliminated (Regulation 3214/88).
	10/20/88	Tightening	Countervailing charge imposed on cucumbers originating in Spain (except the Canary Islands) (Regulation 3233/88).
	10/27/88	Liberalization	Countervailing charge on tomatoes originating in Poland eliminated (Regulation 3339/88).
	10/27/88	Liberalization	Antidumping duties on lithium hydroxide imported from the U.S.S.R. and the United States expired (88/C/307/22).
	10/28/88	Liberalization	Countervailing charge on tomatoes originating in Romania eliminated (Regulation 3374/88).
	11/4/88	Tightening	Provisional antidumping duties on imports of serial-impact-fully-formed character printers originating in Japan extended (Regulation 3451/88).
	11/14/88	Liberalization	Countervailing charge on apples originating in Australia eliminated (Regulation 3534/88).
	11/17/88	Tightening	Countervailing charge imposed on fresh lemons originating in Spain (except the Canary Islands) (Regulation 3581/88).
	11/17/88	Tightening	Countervailing charge imposed on tomatoes originating in Spain (except the Canary Islands) (Regulation 3582/88).
	11/18/88	Tightening	Countervailing charge imposed on fresh lemons originating in Cyprus (Regulation 3603/88).
	11/18/88	Tightening	Definitive antidumping duties imposed on imports of certain iron or steel sections originating in Yugoslavia and Turkey (Regulation 3599/88/ECSC).
	11/23/88	Tightening	Countervailing charge imposed on tomatoes originating in Morocco (Regulation 3649/88).
	11/23/88	Liberalization	Countervailing charge on fresh lemons originating in Spain (except the Canary Islands) eliminated (Regulation 3650/88).
	11/23/88	Tightening	Definitive antidumping duties imposed on dot-matrix printers originating in Japan (Regulation 3651/88).
	11/24/88	Liberalization	Countervailing charge on fresh lemons originating in Cyprus eliminated (Regulation 3671/88).
	11/25/88	Tightening	Countervailing charge imposed on artichokes originating in Spain (except the Canary Islands) (Regulation 3690/88).
	11/28/88	Tightening	Provisional antidumping duties on imports of copper sulphate originating in Bulgaria and the U.S.S.R. extended for two months (Regulation 3720/88).
	12/1/88	Liberalization	Countervailing charge on artichokes originating in Spain (except the Canary Islands) eliminated (Regulation 3766/88).
	12/5/88	Tightening	Countervailing charge imposed on fresh tangerines originating in Morocco (Regulation 3796/88).
	12/7/88	Tightening	Countervailing charge imposed on fresh tangerines originating in Spain (except the Canary Islands) (Regulation 3821/88).
	12/7/88	Tightening	Countervailing charge imposed on fresh lemons originating in Turkey (Regulation 3820/88).
	12/12/88	Liberalization	Countervailing charge on tangerines originating in Spain (except the Canary Islands) eliminated (Regulation 3855/88).
	12/12/88	Tightening	Definitive antidumping duties imposed on imports of paracetamol originating in China (Regulation 3923/88).
	12/12/88	Tightening	Definitive antidumping duties imposed on imports of polyester yarn originating in the Republic of Korea, Mexico, Taiwan Province of China, and Turkey (Regulation 3905/88).

Summary Table *(continued)*. Measures Affecting Members' Exchange and Trade Systems, 1988

Member	Date	Direction	Measures
	12/16/88	Tightening	Definitive antidumping duties imposed on imports of synthetic fibers of polyesters originating in Mexico, Romania, Taiwan Province of China, Turkey, the United States, and Yugoslavia (Regulation 3946/88).
	12/19/88	Tightening	Provisional antidumping duties on imports of urea originating in Austria, Hungary, Malaysia, Romania, the United States, and Venezuela extended (Regulation 4018/88).
	12/19/88	Tightening	Provisional antidumping duties on imports of certain video cassette recorders originating in Japan and the Republic of Korea extended (Regulation 4019/88).
	12/23/88	Tightening	Provisional antidumping duties imposed on imports of video cassettes and video tape reels originating in the Republic of Korea and Hong Kong (Regulation 4062/88).
Developing countries—fuel exporters			
Bahrain	1/1/88	Tightening	Customs duties on alcoholic beverages and tobacco raised to 125 percent and 50 percent.
	3/1/88	Extension	Temporary 20 percent protective tariffs on imports of 11 locally manufactured goods extended for further 12 months through end of February 1989.
Indonesia	11/21/88	Tightening	Tariff rates on 72 products increased.
	11/21/88	Liberalization	Tariff rates on 86 products reduced.
Saudi Arabia	1/2/88	Tightening	Minimum customs tariff rate raised to 12 percent and the number of duty-free imports reduced.
	9/6/88	Liberalization	Exemption from customs duty granted to 44 items.
Developing countries—other			
Argentina	3/25/88	Liberalization	Customs duties on petrochemical and iron and steel products reduced.
	4/18/88	Liberalization	Duties on a number of agrochemical products reduced.
	6/6/88	Liberalization	Customs duties eliminated on some agricultural machinery and equipment and set in range of 10–38 percent for others.
	10/21/88	Liberalization	Tariff band for most imports narrowed to 0–40 percent, maximum tariff rate reduced from 115 percent to 40 percent, and special surcharge on electronic goods reduced. Fifteen percent special import surcharge abolished.
Bolivia	4/1/88	Liberalization	Tariffs on capital goods reduced to 10 percent; tariffs on other goods to be reduced by 1 percentage point each quarter until tariff level unified at 10 percent by end-1990.
	12/29/88	Tightening	Planned reduction in tariffs on noncapital goods suspended.
Brazil	6/17/88	Liberalization	New tariff schedule introduced.
Burundi	4/1/88	Tightening	Tariffs on luxury goods introduced.
	10/6/88	Liberalization	Duty drawback procedures for exporters simplified.
Chile	1/5/88	Liberalization	Customs tariff rates reduced uniformly from 20 percent to 15 percent.
	5/13/88	Liberalization	Import duty drawback scheme extended.
	10/8/88	Tightening	Minimum customs reference prices established for certain imports.
	11/9/88	Tightening	Minimum customs reference prices established for certain imports.
China, People's Republic of	2/2/88	Liberalization	Customs duties on imports of certain machine tool parts and components lowered from 12 percent to 9 percent.
	2/2/88	Tightening	Import duties on such items as air conditioners, refrigerators, washing machines, electronic music instruments, textile machinery, and complete machine tools raised.
	5/5/88	Liberalization	Customs duties on some 23 items, including intermediate products used in production of farm chemicals and unfinished precious stones lowered.
	7/1/88	Tightening	Customs duties on farm items and aluminum sheets, cans, and containers raised.
	9/9/88	Liberalization	Customs duties on ply layers for plywood reduced.
	9/9/88	Tightening	Customs duties on film, color television sets, and tape recorders raised.
	9/15/88	Tightening	Surcharge of 40 percent levied on imports by Beijing-based government organizations and businesses of such goods as automobiles, motorcycles, television sets, refrigerators, washing machines, air conditioners, and cameras.
Colombia	3/4/88	Liberalization	Tariff preferences granted to certain imports from Argentina.
	4/21/88	Liberalization	Import tariffs on capital goods reduced; tariff dispersion narrowed.
	5/19/88	Tightening	Surcharge levied on certain goods brought in by travelers.

Summary Table *(continued)*. Measures Affecting Members' Exchange and Trade Systems, 1988

Member	Date	Direction	Measures
	9/23/88	Liberalization	Import tariffs on capital goods reduced.
	10/3/88	Liberalization	Tariff preferences granted to certain imports from Uruguay.
Dominica	7/1/88	Liberalization	Customs service charge reduced.
Dominican Republic	2/8/88	Tightening	Reference exchange rate used for customs valuation purposes modified.
Egypt	3/21/88	Tightening	Exchange rate for customs valuation purposes to be officially determined periodically.
Gambia, The	7/1/88	Liberalization	Import tax of 6 percent of the c.i.f. value abolished.
Greece	1/1/88	Liberalization	Regulatory tax on imported goods reduced.
Hungary	4/1/88	Liberalization	Customs clearance and statistical fees reduced.
India	4/1/88	Liberalization	Import duties on 99 capital goods items reduced.
Jordan	8/13/88	Tightening	Import tariffs on certain products raised.
	8/13/88	Liberalization	Import tariffs on certain products reduced.
	8/13/88	Liberalization	Import tariffs on certain products exempted.
	11/6/88	Tightening	Import tariffs on certain products raised.
Korea	1/1/88	Liberalization	Tariff quotas for 356 items established by lowering their rates by average of 9.9 percentage points.
	2/24/88	Liberalization	Tariff quotas for 117 items established by lowering their rates by average of 7.5 percentage points.
	7/1/88	Liberalization	Tariff rates for 691 items reduced by average of 8.5 percentage points.
	11/22/88	Liberalization	Tariff rates for 1,071 items reduced by average of 6.4 percentage points.
Lesotho	8/12/88	Tightening	Zero percent to 60 percent surcharge system replaced by across-the-board 10 percent system.
Madagascar	1/1/88	Liberalization	Simplified eight-bracket tariff structure introduced. Temporary 30 percent surcharge introduced.
	4/1/88	Tightening	Minimum tariff rate raised to 5 percent for all imports, except those exempted in accordance with international treaties.
	7/1/88	Liberalization	Five percent import license application fees eliminated.
Malawi	4/1/88	Liberalization	Customs duty and import levy schedules combined into one tariff schedule, and taxes on luxury imports shifted from old duty schedule to surtax schedule, which applies to both imported and domestically produced manufactured goods.
Nicaragua	2/15/88	Liberalization	All exchange taxes on imports eliminated.
Singapore	4/1/88	Liberalization	Import duty on refrigerators eliminated.
South Africa	8/15/88	Tightening	Varying import surcharges ranging from 15 percent to 60 percent replaced uniform rate.
Sri Lanka	8/31/88	Tightening	Stamp duty on import letters of credit raised from 2 percent to 3 percent.
Sudan	10/1/88	Tightening	Defense tax on nonessential imports (that is, all imports except petroleum and petroleum products, wheat and wheat flour, pharmaceuticals, fertilizers, insecticides, and selected industrial inputs) raised from 5 percent to 10 percent.
Tanzania	7/1/88	Liberalization	Exemptions from customs tariffs reduced and rate structure simplified.
Thailand	5/31/88	Liberalization	Import duties on steel rods and billets reduced from 25 percent to 20 percent and 15 percent, respectively, to be effective until 12/15/88; duties reduced further on June 14 to 15 percent and 10 percent, respectively, also to be effective until 12/15/88.
Trinidad and Tobago	1/2/88	Tightening	Stamp duty rates on capital and consumer goods raised.
Turkey	1/1/88	Liberalization	Tariffs on imports from EC cut.
	1/16/88	Liberalization	Tariffs over 50 percent cut to 50 percent or less.
	1/16/88	Tightening	Number of items subject to premium payments raised from 577 to 787.
	7/23/88	Tightening	Surcharge raised from 4 percent to 8 percent.
	10/5/88	Tightening	Premium payments and stamp duties raised from 6 percent to 10 percent.
Zimbabwe	1/1/88	Liberalization	Basis of customs tariffs changed to c.i.f. value.

Advance Import Deposits

Developing countries—fuel exporters			
Ecuador	2/23/88	Tightening	Rates and duration of advance import deposits raised.

Summary Table *(continued)*. Measures Affecting Members' Exchange and Trade Systems, 1988

Member	Date	Direction	Measures
	3/24/88	Liberalization	Advance import deposits on essential goods phased out.
	7/1/88	Tightening	Phasing-out of advance import deposits on essential goods suspended and rate raised.
	8/31/88	Tightening	Advance import deposits extended to public sector imports.
Developing countries—other			
Bangladesh	7/1/88	Liberalization	Import letter of credit margin requirement of Bangladesh Bank eliminated.
	7/5/88	Liberalization	Advance foreign exchange deposit requirement of Bangladesh Bank eliminated.
El Salvador	2/1/88	Liberalization	Twenty percent guarantee deposit requirement abolished.
	2/1/88	Liberalization	Rate of advance import deposits lowered to 75 percent.
	6/1/88	Liberalization	Rate of advance import deposits lowered to 50 percent.
	9/1/88	Liberalization	Rate of advance import deposits lowered to 25 percent.
	12/31/88	Liberalization	Advance import deposit requirements abolished.
Israel	1/1/88	Liberalization	Import deposit requirement eliminated.
Madagascar	2/1/88	Tightening	Prior import deposits for import of raw materials and spare parts introduced.
	5/10/88	Liberalization	Prior import deposits for import of raw materials and spare parts eliminated.
Turkey	2/4/88	Tightening	Guarantee deposit rate raised from 7 percent to 15 percent.
	5/1/88	Liberalization	Guarantee deposit rate reduced from 15 percent to 7 percent.
	10/5/88	Tightening	Advance deposit rate raised from 7 percent to 15 percent.
Yemen Arab Republic	1/9/88	Liberalization	Margin deposits reduced from a range of 40–100 percent to a range of 25–50 percent.
			Other Import Measures
Industrial countries			
Australia	9/1/88	Liberalization	Antidumping procedures amended.
Italy	1/20/88	Liberalization	Compulsory foreign financing of advance import payments abolished.
	8/20/88	Liberalization	Some 80 items originating in state trading countries subject to import quotas permitted to be marketed without restriction.
Japan	4/22/88	Liberalization	Cooperative research between Japanese users and U.S. makers of semiconductors and microchips agreed.
United States	8/23/88	Tightening	Three-year ban on sale of goods manufactured by Toshiba Company of Japan imposed.
	11/15/88	Liberalization	Controls on shipments to Finland of certain products intended for re-export from Finland to China removed.
	12/21/88	Liberalization	MFN status for China renewed (53 FR 51217) renewed.
	12/29/88	Liberalization	Mexico reinstated as eligible to export beef, mutton, pork, and goat products to the United States.
EEC countries			
	1/1/88	Tightening	Certain petroleum products refined in Turkey subjected to Community import surveillance (Council Regulation (EEC) 4175/87, 12/21/87).
	1/1/88	Tightening	Imports of certain cotton and wool textile products originating in Malta subjected to ceiling and Community import surveillance (Council Regulation (EEC) 4166/87, 12/21/87).
	1/1/88	Tightening	Imports of goods falling under the ECSC Treaty originating in Yugoslavia (that is, certain iron and steel products) subjected to ceiling and Community import surveillance (87/612/ECSC).
	7/1/88	Tightening	Imports of dessert apples originating in New Zealand subjected to licensing (Regulation No. 1934/88).
Developing countries—fuel exporters			
Bahrain	1/1/88	Tightening	Government procurements required to give preference to goods produced in Bahrain or within Gulf Cooperation Council (GCC) member countries if prices of these goods are within specified margins of the prices of imported substitutes.
Ecuador	8/31/88	Tightening	Surrender requirement period for export proceeds shortened.
Mexico	4/1/88	Tightening	Advance payment for imports exceeding $10,000 restricted to 20 percent of import value.

Summary Table *(continued)*. Measures Affecting Members' Exchange and Trade Systems, 1988

Member	Date	Direction	Measures
Saudi Arabia	11/21/88	Liberalization	Import eligibility for some 301 products relaxed.
Trinidad and Tobago	1/2/88	Liberalization	Foreign exchange (trade certificates) allocation system made more flexible.
Developing countries—other			
Barbados	3/17/88	Tightening	Certain vegetable oils subjected to import licensing requirements.
	3/17/88	Liberalization	Import licensing requirements for soybean oil, coconut oil, and corn oil abolished.
	4/12/88	Tightening	Gift wrapping papers subjected to import licensing requirements.
Botswana	3/21/88	Liberalization	Limit up to which exchange control formalities not required in respect of payment for imports increased.
Brazil	5/25/88	Liberalization	Minimum financing requirements liberalized.
	7/22/88	Liberalization	Reference prices for imports and minimum import values abolished.
	11/30/88	Liberalization	Minimum financing requirements liberalized.
Burundi	4/1/88	Liberalization	Ceiling on import licenses commercial banks are authorized to approve raised.
Chile	6/22/88	Liberalization	Imports valued at less than $5,000 exempted from 120-day minimum financing requirement.
	12/31/88	Liberalization	Imports valued at less than $20,000 exempted from 120-day minimum financing requirement.
Colombia	3/3/88	Liberalization	Lists of goods freely importable and subject to prior licensing modified.
Fiji	4/1/88	Tightening	Authorized banks permitted to approve advance import payments only up to F$2,000.
Gambia, The	7/1/88	Liberalization	Imports subject to a national sales tax of 10 percent.
Guyana	6/1/88	Liberalization	Import licensing requirements for "no-foreign currency" imports for personal use abolished.
	9/1/88	Liberalization	Import licenses for "no-foreign currency" imports granted automatically.
	10/1/88	Liberalization	Import licensing requirements for goods originating from Caribbean Common Market (CARICOM) countries abolished.
Honduras	8/1/88	Liberalization	Limit on amount of foreign exchange commercial banks allowed to provide against CETRAs raised.
	9/1/88	Liberalization	Commercial banks allowed to intermediate sale of CETRAs.
	11/10/88	Tightening	Limit on amount of foreign exchange commercial banks allowed to provide against CETRAs reduced.
	11/10/88	Tightening	Waiting period for granting authorization for self-financed imports introduced.
Israel	7/1/88	Liberalization	Commercial banks allowed to finance imports of equipment from funds available in foreign currency deposits of nonresidents.
Korea	1/1/88	Liberalization	Eight items removed from import surveillance list.
Madagascar	9/1/88	Liberalization	Preferential treatment for basic import needs of exporting firms introduced.
Malawi	2/1/88	Liberalization	Procedure for allocating foreign exchange for about 25 percent of imports of non-petroleum raw materials and spare parts liberalized.
	8/8/88	Liberalization	Procedure for allocating foreign exchange for additional 50 percent of imports of nonpetroleum raw materials and spare parts liberalized.
	9/22/88	Liberalization	Wheat flour, cement, and pencils removed from items requiring specific import licenses.
Maldives	4/1/88	Liberalization	Number of licensed importers increased.
Mauritania	6/1/88	Liberalization	Import licensing requirement for small enterprises replaced by foreign exchange authorization by Central Bank.
Mauritius	2/22/88	Liberalization	Customs administration reform and international standardization of goods classification introduced.
	7/1/88	Liberalization	Limit on import payments requiring prior approval eliminated for most imports.
Morocco	2/29/88	Liberalization	Payment period for imports lengthened from a maximum of 12 months to 24 months.
	5/4/88	Liberalization	Imports without payment exempted from a visa requirement from the Exchange Office.
Peru	9/17/88	Tightening	Sale of foreign exchange in advance for payment of imports with external financing prohibited.
Philippines	4/25/88	Liberalization	Prior approval requirement for some 129 products abolished.

Summary Table *(continued)*. Measures Affecting Members' Exchange and Trade Systems, 1988

Member	Date	Direction	Measures
	11/10/88	Liberalization	Minimum repayment terms for OA/DA imports reduced.
	12/22/88	Liberalization	Prior approval requirement for some 94 products abolished.
Poland	5/10/88	Liberalization	Targeted auctions introduced to broaden the scope for noncentral financing of imports; retention rates under ROD system began to be simplified and scope for use of foreign exchange retained under ROD accounts broadened.
Sri Lanka	7/11/88	Liberalization	Licensing requirements for imports of machinery for plastics and automatic filling and packing industry abolished.
	8/5/88	Liberalization	Letters of credit for imports of maize permitted to be established.
Sudan	10/25/88	Tightening	Some categories of imports transacted in the official market.
	12/1/88	Liberalization	Twenty-two categories made eligible to import using either commercial bank market resources or own resources.
	7/1/88	Liberalization	System of import licensing simplified.
Thailand	1/6/88	Liberalization	Imports of kraft paper and corrugated paperboard permitted.
	1/8/88	Liberalization	Imports of soybean oil permitted 3/31/88.
	3/4/88	Liberalization	Imports of 5,000 tons of palm oil permitted.
	3/15/88	Liberalization	Credit card holders in Thailand permitted to use credit cards abroad for import payments by submitting an application prior to their departure.
	5/24/88	Liberalization	Imports of steel rods permitted.
	6/7/88	Liberalization	Imports of sodium borate, sodium biborate, sodium tetraborate, sodium pyborate, borax, boric acid, boraid acid, orthoborid acid, and borofax permitted.
	8/31/88	Tightening	Proportion of required local purchases to imports of silk warp increased from 4 percent to 5 percent.
Uruguay	11/9/88	Liberalization	Import procedures for fruits and vegetables simplified.
Western Samoa	12/1/88	Liberalization	Central bank approval requirement abolished for a number of products.
Yemen Arab Republic	1/1/88	Liberalization	Nonpetroleum exporters allowed to use 100 percent (instead of 50 percent) of export earnings to finance imports.
Zaïre	5/31/88	Tightening	Prior permission required for "imports without foreign exchange."

Exports and Export Proceeds

Quantitative Restrictions and Controls on Exports

Member	Date	Direction	Measures
Industrial countries			
Australia	1/1/88	Liberalization	Controls on exports of petroleum and petroleum products lifted.
	6/14/88	Liberalization	Controls on exports of defense-related goods relaxed.
Japan	4/1/88	Extention	Voluntary restraints on exports of passenger cars to the United States extended.
	7/20/88	Liberalization	Voluntary quota on exports of passenger cars and trucks to the EC increased by 3.5 percent.
	8/1/88	Tightening	Voluntary restraints introduced on exports of passenger cars and trucks to Sweden.
	12/3/88	Liberalization	Sixteen items added to list of products allowed to be exported to China.
New Zealand	9/16/88	Tightening	New Zealand agreed to limit beef exports to the United States in 1988.
Developing countries—fuel exporters			
Indonesia	7/1/88	Tightening	Exports of semiprocessed rattan prohibited.
	9/20/88	Tightening	Exports of chipwood and low-price sawn timber prohibited.
Nigeria	1/29/88	Liberalization	Exports of refined petroleum products to West African countries permitted.
Developing countries—other			
China, People's Republic of	12/20/88	Tightening	Effective 1/1/89, exports of copper, copper-based alloys, aluminum and aluminum-based alloys, platinum, yellow phosphorous and nickel and nickel-based alloys, rubber, certain chemicals, and metal products prohibited.
India	4/1/88	Liberalization	Number of products subject to export controls reduced to 172.
Madagascar	1/18/88	Liberalization	(1) Exports of pepper and cloves by private sector exporters allowed; (2) export card and export declaration requirements abolished; and (3) domestic trade in export crops fully liberalized.

Summary Table *(continued)*. Measures Affecting Members' Exchange and Trade Systems, 1988

Member	Date	Direction	Measures
	6/2/88	Liberalization	Exports of coffee by private sector exporters allowed for the period 5/88–5/89.
	9/1/88	Liberalization	(1) Exports of all agricultural products, with the exception of vanilla, allowed at prices negotiated freely between exporters and foreign buyers; (2) all administrative controls on quality of export goods, except for the following four products, eliminated: vanilla, coffee, shellfish, and meat; and (3) certificate of quality required for cloves exports until end-December 1988.
Pakistan	7/1/88	Liberalization	Controls on private sector exports of cotton and Basmati rice liberalized.
	7/5/88	Liberalization	Limits on export of trade samples raised.
Thailand	1/1/88	Extension	Quota allocations for thread, cloth, and garments changed.
	7/21/88	Tightening	Exports of luggage made of silk blend and noncotton vegetable fiber subjected to approval.
	7/26/88	Liberalization	Coffee exports unfilled under 1987/88 quotas permitted during 10/88–9/89. Exporters owing these quotas required to deposit B 10,000 for each ton not yet exported, with deposits being redeemable when requirement is fulfilled.

Export Licensing

Member	Date	Direction	Measures
Industrial countries			
United States	3/10/88	Liberalization	Licensing controls on exports of certain jig grinders removed.
Developing countries—other			
Brazil	5/19/88	Liberalization	Prior control on exports of some products eliminated.
China, People's Republic of	7/1/88	Liberalization	Export licensing requirement on some items abolished.
Paraguay	3/9/88	Liberalization	System of "one-stop" export approval (*ventanilla unica*) established.
Poland	7/1/88	Liberalization	System of export licensing simplified.
Sri Lanka	1/1/88	Liberalization	Export licensing requirement for coconuts and coconut products abolished.
	1/14/88	Liberalization	Export licensing requirement for rubber abolished.
Togo	3/14/88	Liberalization	Export licensing requirement for domestically produced manufactured goods abolished.

Fiscal and Other Incentives

Member	Date	Direction	Measures
Developing countries—other			
Bangladesh	7/1/88	Extension	Export policy order 1988/89 extended export incentives.
	7/1/88	Extension	Export Performance Benefit Scheme extended.
	9/5/88	Extension	Export Performance Benefit Scheme extended.
Greece	1/1/88	Liberalization	Certain export subsidies reduced.
	1/1/88	Liberalization	Certain export subsidies eliminated.
Honduras	6/23/88	Liberalization	Coverage of CETRAs expanded.
	8/20/88	Liberalization	Percentage of proportion of CETRAs issued for nontraditional exports increased.
Hungary	1/1/88	Liberalization	Tax refund on exports settled in convertible currencies terminated.
India	4/1/88	Liberalization	Exporters of computer software made eligible for issues of blanket foreign exchange permits for export promotion purposes.
	4/1/88	Liberalization	Access to exporters of fiscal and other incentives related to the cost of imported inputs extended.
Nepal	1/1/88	Liberalization	Bonded warehouse facility and duty drawback system for garment industry expanded.
Nicaragua	2/15/88	Liberalization	Guaranteed producer prices for traditional export products eliminated.
Peru	2/24/88	Liberalization	Foreign exchange earnings from exports of textiles made of cotton, wool, and alpaca permitted to be exchanged into bank certificates denominated in foreign exchange.
	4/28/88	Tightening	Tax credit certificates for nontraditional exports (CERTEX) to be denominated in domestic currency but to be adjusted by no less than changes in the controlled exchange rate (MUC) rate.
	6/17/88	Liberalization	Exporters of traditional mining and fish products to receive Foreign Exchange Certificates (CLDs) equivalent to 10 percent of f.o.b. value of exports. Certificates may be used by exporter for payment of imports of inputs, spare parts, and capital equipment, or be transferred to other export enterprises; if not used within 90 calendar days, CLDs would be redeemed at exchange rate prevailing at the issuing date.

Summary Table *(continued)*. Measures Affecting Members' Exchange and Trade Systems, 1988

Member	Date	Direction	Measures
	7/23/88	Liberalization	All exporters to receive CLDs for the equivalent of 10 percent of their foreign exchange earnings.
	11/22/88	Liberalization	All exporters to receive CLDs for the equivalent of 30 percent of their export earnings.
	11/22/88	Tightening	Export earnings subject to taxes of 10 percent or 3 percent.
Poland	1/1/88	Liberalization	Export subsidy system simplified to provide for uniform subsidy rates of 20 percent for agricultural exports to the nonruble area and 50 percent for those to the ruble area.
	7/1/88	Liberalization	Export subsidy system further simplified to provide for uniform rates of subsidies (ranging from 5 percent to 25 percent) for nonagricultural exports to the nonruble area.
Thailand	4/8/88	Liberalization	Export bonus ratio changed from 1:1 to 1.3:1 for exports of tapioca products to non-EC and EC member countries.
	5/31/88	Extension	Reduction of business tax on tin and tin ore exports to 1 percent of gross receipts extended for another year.
Turkey	3/1/88	Tightening	Incentives for early surrender of foreign exchange earnings introduced.
	4/5/88	Liberalization	Gradual elimination of tax rebate system announced.
	7/1/88	Liberalization	Export subsidy system further simplified to provide for uniform rates of subsidies (ranging from 5 percent to 25 percent) for nonagricultural exports to the nonruble area.
	7/26/88	Tightening	Number of goods eligible for support premia increased.
	10/5/88	Tightening	Minimum export requirements for income tax deductions raised.
			Export Taxation
Developing countries—other			
Brazil	2/10/88	Tightening	Export earnings subjected to corporate income tax.
	2/11/88	Liberalization	Export tax on some exports to the United States abolished.
China, People's Republic of	7/8/88	Tightening	Export duties introduced on copper and aluminum and a number of products made from these materials.
	9/20/88	Tightening	Export taxes levied on phosphorous, some petrochemicals, iron, lead, and zinc.
	10/26/88	Tightening	Export duties on raw silk and some silk products raised.
Dominican Republic	1/26/88	Tightening	Graduated tax rates applied to coffee exports.
Paraguay	2/8/88	Tightening	Tax of $15 a bag levied on coffee in transit.
Thailand	7/19/88	Liberalization	Export fee on frozen duck reduced.
			Special Credit Facilities
Developing countries—other			
Argentina	6/3/88	Tightening	Export prefinancing and financing regimes revised to increase incentives to obtain external finance and to impose stricter control on use of export finance.
Thailand	4/11/88	Tightening	Promissory notes issued by sugarcane exporters to be temporarily refinanced by the Bank of Thailand in specified proportions.
	5/27/88	Tightening	Promissory notes issued by rice exporters to be temporarily refinanced by the Bank of Thailand in specified proportions.
Turkey	4/5/88	Tightening	Gradual introduction of two subsidized credit facilities for exporters announced.
			Other Incentives
Industrial countries			
Italy	1/20/88	Liberalization	Foreign currency financing requirement for deferred export settlement abolished.
United States	7/15/88	Liberalization	Agreement reached with Japan on phasing-out of Japan's import quotas on beef (in three years) and on oranges and orange juice (in four years).
	8/12/88	Liberalization	Agreement reached with Japan on Japan's import quotas on 11 categories of processed food products (to become effective on 4/1/90).
Developing countries—fuel exporters			
Syrian Arab Republic	1/28/88	Liberalization	Public sector enterprises permitted to retain export proceeds.

Summary Table *(continued)*. Measures Affecting Members' Exchange and Trade Systems, 1988

Member	Date	Direction	Measures
	10/31/88	Liberalization	Conversion rate used for surrender requirement changed to promotion rate.
Developing countries—other			
Chile	4/9/88	Liberalization	Repatriation period for export proceeds held as swaps or foreign exchange deposits in the domestic banking system extended.
Jordan	11/27/88	Liberalization	Exporters allowed to retain 50 percent of proceeds and use them for imports of inputs.
Madagascar	1/18/88	Liberalization	Maximum period for repatriation of foreign exchange changed to 90 days from the date of shipment of goods.
Morocco	3/23/88	Liberalization	Delays in certain export payments permitted without the authorization of the Exchange Office.
	3/28/88	Liberalization	Export commissions up to a maximum of 5 percent became transferable without the approval of the Exchange Office.
Mozambique	1/1/88	Liberalization	Range of retention for traditional exports reduced from 30–100 percent to 30–70 percent.
	7/27/88	Liberalization	Maximum export commissions not requiring the approval of the Exchange Office raised from 5 percent to 10 percent.
Nicaragua	2/15/88	Liberalization	All differential surrender requirements for the proceeds from nontraditional exports (except industrial exports) eliminated.
Pakistan	7/1/88	Liberalization	Certain minimum export prices abolished.
Paraguay	2/8/88	Tightening	Merchandise in transit subjected to registration at the Central Bank.
	3/7/88	Liberalization	Surrender price for cotton reduced from $950 to $600 per ton.
	7/28/88	Liberalization	Surrender price for beef reduced from 22 to 10 percent of actual world prices.
	11/17/88	Liberalization	Surrender price for a variety of nontraditional export products reduced to 10 percent of actual world prices.
Sri Lanka	1/27/88	Liberalization	Minimum export prices for spices and allied products abolished.
Sudan	10/25/88	Liberalization	All export proceeds to be distributed between official market and commercial bank market in the proportion of 70 percent and 30 percent, respectively.
	10/31/88	Liberalization	Minimum export prices abolished except for certain basic export commodities.
Thailand	4/22/88	Liberalization	Exports of maize, grain sorghum, green beans, kapok, wool, salt, and castor seed liberalized by permitting members of Thai Maize and Produce Traders Association to export.
	6/23/88	Extension	The bonus quota of tapioca exports to EC countries from 9/23/88 to 12/31/88 set at 500,000 tons.
Zaïre	9/1/88	Introduction	Gold exporters allowed to retain 30 percent of their foreign exchange receipts.
			State Trading
Developing countries—other			
Bangladesh	7/19/88	Tightening	Barter protocol signed with China.
China, People's Republic of	3/13/88	Liberalization	Control over Foreign Trade Corporations decentralized. Additional enterprises given the right to engage directly in foreign trade.
	3/13/88	Liberalization	Foreign exchange retention quotas for enterprises in several industrial sectors (light industry, arts and crafts, clothing, and machinery) and in some regions (Hainan Island and special economic zones) liberalized.
India	4/1/88	Liberalization	A total of 26 items allowed to be imported by private sector.
Mali	10/31/88	Liberalization	Somiex abolished.
Togo	6/30/88	Liberalization	Import Monopoly of Société Nationale de Commerce (SONACOM) for rice sugar, alcohol, cigarettes, tobacco products, and milk abolished.
			Current Invisibles
			Foreign Exchange Allocations for Travel, Medical Expenses, or Studying Abroad
Industrial countries			
Italy	6/13/88	Liberalization	Payments for travel abroad liberalized as follows: (1) unlimited use of credit cards; (2) Italian bank notes up to Lit 1 million; (3) foreign exchange and external lire without limit but subject to certain conditions; and (4) checks drawn on domestic lire accounts without limit but subject to certain conditions.

Summary Table *(continued)*. Measures Affecting Members' Exchange and Trade Systems, 1988

Member	Date	Direction	Measures
Developing countries—fuel exporters			
Tunisia	6/15/88	Liberalization	Authorized banks allowed to supply foreign exchange for official travel.
Developing countries—other			
Barbados	11/10/88	Liberalization	Foreign exchange travel allowance for tourist and business travel and for education allowance abroad increased.
Brazil	9/9/88	Tightening	Limits on exchange allowances for travel to Central and South America reduced.
	9/28/88	Liberalization	Limits on exchange allowances for travel to Central and South America increased.
	12/1/88	Liberalization	Limits on exchange allowances for travel to all destinations increased.
Botswana	3/21/88	Liberalization	Basic travel allowances (other than vacation) increased.
	3/21/88	Liberalization	Basic overseas study and vacation travel allowances increased.
	3/21/88	Liberalization	Amount of unutilized foreign currency travel allowances resident may retain for future travel requirements increased.
	3/21/88	Liberalization	Commercial banks authorized to provide unlimited amounts to meet medical expenses abroad, subject to certain conditions.
Chile	3/16/88	Tightening	Eighty percent of travel allowances for trips to neighboring countries to be allocated in nontransferable money orders.
Greece	1/1/88	Liberalization	Allowance for travel to EC countries increased.
	6/22/88	Liberalization	Allowance for travel abroad increased.
Guinea	1/2/88	Liberalization	Foreign exchange allocation for tourist travel increased.
Hungary	1/1/88	Liberalization	Additional travel allowances granted to persons who have exhausted three-year allowance.
	1/1/88	Liberalization	Regulations on allowances for travel to Council for Mutual Economic Assistance (CMEA) countries liberalized.
	7/19/88	Liberalization	Travel allowance for adults and children and allowance for purchase of railway tickets and fuel increased.
India	4/11/88	Liberalization	Surrender period for foreign exchange brought back to India by a resident returning from abroad increased to a maximum of 90 days.
Jamaica	8/8/88	Liberalization	Annual allowance for nonbusiness travel increased.
Korea	11/1/88	Liberalization	Automatic purchase of up to $5,000 of foreign exchange by residents, in addition to $5,000 travel allocation authorized (amounts beyond these limits available for bona fide travel).
Madagascar	7/1/88	Liberalization	Foreign exchange allowance for business travel increased to $100 a person a day, subject to a maximum of $1,500 a trip and a limit of two trips a year.
Malta	1/1/88	Tightening	Annual travel allowances reduced.
Mauritius	7/1/88	Liberalization	Credit cards allowed to pay for travel expenses under certain conditions.
Morocco	1/26/88	Liberalization	Regulations liberalizing the purchase of and reimbursement for tickets for foreign travel introduced.
Pakistan	4/21/88	Liberalization	Allowances for study abroad increased.
	5/4/88	Liberalization	Use of credit cards permitted for business travel.
	7/21/88	Liberalization	Allowances for private travel to Bangladesh increased.
	8/31/88	Liberalization	Business travelers allowed to settle credit card bills by encashing foreign exchange bearer certificates (FEBCs).
Papua New Guinea	1/5/88	Liberalization	Foreign exchange allocation for tourist and business travel doubled.
Peru	3/10/88	Tightening	Sales of tickets for travel abroad on credit suspended.
	10/31/88	Liberalization	Payments authorization requirement abolished.
Poland	12/1/88	Liberalization	Resident travelers allowed to take $500 out of country without official permission.
Sri Lanka	3/16/88	Liberalization	Air tickets permitted to be purchased by nationals even if basic passage entitlements already utilized.
	5/16/88	Liberalization	Passage tickets may be issued for travel abroad to nonnationals with payment in foreign currency.
	9/28/88	Liberalization	Basic and business travel allowances increased.
Western Samoa	12/1/88	Liberalization	Limits on foreign exchange allowances for travel increased.

Summary Table *(continued)*. Measures Affecting Members' Exchange and Trade Systems, 1988

Member	Date	Direction	Measures
Yemen Arab Republic	1/9/88	Liberalization	Limits on sales of foreign exchange to travelers raised.
	1/9/88	Liberalization	Limits on sales of foreign exchange for medical treatment abroad raised.
	1/15/88	Liberalization	Requirement that visitors must convert a specified amount of foreign exchange upon arrival abolished.
Zambia	10/17/88	Liberalization	Allowance for business travel increased.
			Outward Transfers or Payments for Services Rendered by Nonresidents
Developing countries—other			
Botswana	3/21/88	Liberalization	Limit up to which authorized dealers may approve payments of dividends and branch or partnership profits to nonresident directors and companies increased.
	3/21/88	Liberalization	Basic terminal allowance of a departing temporary resident increased.
Chile	5/17/88	Liberalization	Premia of up to $50,000 for insurance contracted in Chile allowed to be paid without prior authorization of the Central Bank.
Dominica	7/1/88	Liberalization	Tax on sales of foreign exchange for invisibles payments abolished.
Fiji	7/18/88	Tightening	Transfers of rent abroad made subject to Reserve Bank approval.
Guinea	1/2/88	Liberalization	Transfers abroad of salaries by expatriate workers authorized up to a limit of 50 percent of base earnings.
Jamaica	8/8/88	Liberalization	Annual allowances for remittances from emigrant property income, for family maintenance, and cash gifts increased.
Korea	11/1/88	Liberalization	Limit on overseas remittances abroad for weddings and funerals increased to $2,000. Expenditures by businesses for commissions, payments to foreign experts, and operations abroad liberalized.
Mauritius	7/1/88	Liberalization	Commercial banks authorized to provide foreign exchange for invisibles payments relating to all imports.
Morocco	2/17/88	Liberalization	Moroccan enterprises allowed to settle expenses of nonresident foreigners in dirhams.
Pakistan	10/23/88	Liberalization	Commission to foreign importers increased.
Peru	8/7/88	Tightening	Prohibition of profit remittances abroad and private external debt servicing extended until end-1988.
			Import and Export of Foreign and Domestic Currency Notes, and Holdings of Foreign Currency Domestically
Industrial countries			
Iceland	6/1/88	Liberalization	Amount of domestic bank notes residents and nonresidents take out and bring in increased to ISK 14,000.
Italy	4/14/88	Liberalization	Limit on Italian bank note imports abolished.
	6/13/88	Liberalization	Italian residents allowed to export Lit 1 million in Italian bank notes.
Developing countries—other			
Botswana	3/21/88	Liberalization	Amount of Botswana currency notes and coins that may be exported by a traveler increased.
	3/21/88	Liberalization	Amount of foreign currency bank notes and coins that may be exported by a traveler increased.
	3/21/88	Liberalization	Amount in foreign exchange facilities that may be issued to nonresident travelers in exchange for pula notes increased.
Korea	3/25/88	Liberalization	Residents permitted to retain up to $5,000 in foreign currency.
	3/26/88	Tightening	Nonresidents prohibited from converting more than $20,000 of foreign currency into won on each visit.
	9/1/88	Tightening	Limit on conversion of foreign exchange to won by nonresidents lowered to $10,000 per visit.
	11/1/88	Liberalization	Limit on export of Korean currency notes raised to W 2 million.
Morocco	3/8/88	Liberalization	Visitors entitled to bring in foreign currency without limit and to repurchase foreign currency with dirhams.
	3/10/88	Liberalization	Exporters entitled to bring in foreign bank notes without declaring them at customs.

Summary Table *(continued)*. Measures Affecting Members' Exchange and Trade Systems, 1988

Member	Date	Direction	Measures
	1/28/88	Liberalization	Customs declarations no longer required for the importation of foreign exchange by Moroccans.
	3/21/88	Liberalization	Foreign currency accounts permitted to be credited without foreign bank notes customs declaration.
Western Samoa	12/1/88	Liberalization	Limit on export of foreign currency by travelers increased.
Zambia	5/19/88	Tightening	Foreign exchange received by authorized dealers required to be sold to Bank of Zambia.
			Capital Controls
			Commercial Banks' International Transactions
Industrial countries			
Italy	10/1/88	Liberalization	Commercial banks' activity in foreign exchange liberalized as follows: (1) banks no longer required to balance their foreign exchange position daily against the lira, and allowed to keep unbalanced position not exceeding 5 percent of their total foreign currency assets as of December 1987; (2) the ceiling on forward operations against lire with spot cover increased by 50 percent for each authorized bank; (3) banks allowed to provide forward cover to residents also in respect of financial transactions; (4) banks allowed to write currency options, subject to certain prudential requirements; (5) banks free to extend loans in foreign currency to residents; and (6) banks allowed to lend lire to nonresidents to extend lira loans abroad up to the amount of lira deposits received from nonresidents.
Japan	3/22/88	Liberalization	Spot option trading abroad by certain financial institutions allowed.
Developing countries—fuel exporters			
Indonesia	10/27/88	Liberalization	Reserve requirement ratio for foreign currency deposits reduced.
Developing countries—other			
Egypt	2/14/88	Liberalization	Commercial banks allowed to use up to 10 percent of foreign exchange receipts a month to settle private debt service obligations falling due after 2/11/88.
Malaysia	9/12/88	Tightening	Limit of M$5 million a transaction imposed on swap arrangements.
Morocco	8/2/88	Liberalization	Banks permitted to repurchase foreign exchange from the Bank Al-Maghrib under certain circumstances.
Netherlands Antilles	4/1/88	Tightening	Maximum net foreign assets position of commercial banks as a percentage of domestic assets reduced.
Panama	3/4/88	Tightening	A bank holiday declared.
	3/22/88	Liberalization	All general license banks with significant offshore operations permitted to request additional international license to continue their offshore operations during bank holiday.
	3/22/88	Liberalization	Checks and money orders drawn against demand deposits (at general license banks) payable to the National Treasury permitted to be cashed without restriction.
	4/18/88	Liberalization	All general license banks allowed to reopen, but only to receive deposits.
	5/9/88	Liberalization	All general license banks allowed to resume all normal banking activities with the following restrictions: withdrawals permitted up to 25 percent of the balance as of 3/3/88, with a maximum of B 10,000; withdrawals from savings deposits limited to a maximum of B 50 a month; and time deposits frozen.
	7/7/88	Liberalization	Demand deposits permitted to be withdrawn up to 40 percent of the balance as of 3/3/88, with a maximum of B 20,000.
	7/18/88	Liberalization	Demand deposits permitted to be withdrawn up to 50 percent of the balance as of 3/3/88, with a maximum of B 50,000.
	8/15/88	Liberalization	Restrictions on 50 percent of interbank deposit balances removed.
	1/1/89	Liberalization	All restrictions on demand deposit withdrawals abolished.
Sri Lanka	5/5/88	Liberalization	Authorized dealers permitted to purchase foreign currency in amounts up to £1,000 or its equivalent without permit.
Thailand	5/6/88	Liberalization	Authorized banks permitted to accept foreign notes and coins up to equivalent of $5,000 for deposit in a foreign currency account in favor of a person in transit or a person entering Thailand temporarily.
	6/9/88	Liberalization	Authorized banks permitted to export foreign notes in surplus of normal banking operations for deposit abroad without Bank of Thailand approval.

Summary Table *(continued)*. Measures Affecting Members' Exchange and Trade Systems, 1988

Member	Date	Direction	Measures
Turkey	2/9/88	Tightening	Transfer requirement on foreign exchange holdings raised.
Zaïre	2/19/88	Tightening	Ceilings placed on banks' net foreign asset positions.
Zambia	2/19/88	Tightening	Ceilings placed on banks' net foreign asset positions.
			Nonresidents' Accounts and Residents' Foreign Exchange Accounts
Industrial countries			
France	6/1/88	Liberalization	(1) All remaining restrictions on foreign borrowing by French enterprises, previously subject to authorization for amounts exceeding F 50 million, abolished; and (2) ceiling on amount of foreign currency that French companies with international operations may hold abroad removed.
Italy	1/20/88	Liberalization	Maximum holding periods for funds credited to foreign exchange accounts lengthened.
	10/1/88	Liberalization	Nonbank residents not required to have authorization to acquire assets and liabilities abroad, with certain exceptions, provided transactions conducted through banks authorized by the Bank of Italy to deal in foreign exchange and foreign securities acquired abroad kept in deposit with banks.
Japan	1/29/88	Liberalization	Issuance of commercial papers by nonresidents in Japanese markets allowed.
Spain	5/10/88	Liberalization	Exporters allowed to maintain foreign exchange accounts credited with 25 percent of export proceeds.
Developing countries—fuel exporters			
Syrian Arab Republic	10/30/88	Liberalization	Fifty percent of funds held in accounts of embassies and international organizations permitted to be converted at promotion rate.
Tunisia	8/18/88	Liberalization	International trading companies allowed to operate nonresident foreign accounts in convertible dinar and convertible currencies.
Developing countries—other			
Botswana	3/21/99	Liberalization	Limit up to which authorized dealers may approve emigration allowances for permanent residents increased.
Dominican Republic	5/12/88	Liberalization	Commercial banks permitted to offer time and savings deposits with minimum balances and interest rate limits.
	5/13/88	Tightening	Exchange deposit accounts abolished.
	5/20/88	Liberalization	Accounts denominated in U.S. dollars permitted to be opened in mortgage banks and savings and loan associations.
Fiji	9/1/88	Liberalization	Controls on transfers of emigrant funds liberalized.
Guinea	1/2/88	Liberalization	Residents and nonresidents permitted to open accounts in convertible Guinean francs.
Hungary	1/1/88	Liberalization	Limit on income in convertible currencies earned by residents from specified activities that can be deposited in foreign currency accounts increased.
	1/1/88	Liberalization	Interest earnings on foreign currency accounts permitted.
	3/31/88	Liberalization	Three-month time period requirement during which residents must declare convertible currency holdings originating from unspecified sources abolished.
Israel	2/4/88	Tightening	Immigrants allowed to hold assets abroad and maintain free foreign currency accounts in Israel for 30 years.
	2/4/88	Liberalization	Immigrants and returning Israelis allowed to bring back foreign currency into unrestricted accounts after 12 months or more after initial conversion.
Jordan	6/6/88	Tightening	Commercial banks prohibited from extending dinar loans against foreign currency deposits.
	7/2/88	Liberalization	Jordanian nationals working abroad allowed to maintain deposits in foreign currencies without limit and use balances without restrictions.
Korea	3/25/88	Liberalization	Foreign exchange allowances for emigrants raised to $200,000 a household or $300,000 for emigration for business purposes.
Lesotho	8/12/88	Tightening	Transfers of earnings on blocked accounts of emigrants limited to M 300,000 a year.
Mauritania	9/1/88	Liberalization	Convertible accounts permitted to be credited with 15 percent of export proceeds repatriated by the fisheries sector.
Mauritius	7/1/88	Liberalization	Emigrant allowance increased.
Morocco	5/2/88	Liberalization	Nonresident Moroccans permitted to open and maintain convertible dirham accounts.

Summary Table *(continued)*. Measures Affecting Members' Exchange and Trade Systems, 1988

Member	Date	Direction	Measures
Peru	9/23/88	Liberalization	Central Reserve Bank permitted to authorize opening and maintenance of deposits in foreign exchange.
	9/29/88	Liberalization	Financial system authorized to receive and maintain checking and time deposits in foreign exchange. Deposits to be exempted from reserve requirements. Financial system would not extend credit based on these accounts, but may sell foreign exchange for tourism abroad and "own-funds" imports.
Poland	7/1/88	Liberalization	Declaration requirement for sources of funds for accounts "A" abolished.
Portugal	11/30/88	Liberalization	Regulations on nonresident demand accounts in escudos liberalized.
Somalia	8/7/88	Liberalization	Holders of foreign exchange accounts allowed to trade in foreign exchange at rates negotiated freely among them.
South Africa	2/23/88	Liberalization	Authorized dealers permitted to release to immigrants through financial rand medium assets of up to R 100,000 a family during first three years of residence.
	8/15/88	Tightening	Transfer abroad of income earned by emigrants through medium of commercial rand limited to R 300,000 a calendar year and excess amount to be credited to financial rand account.
Sri Lanka	5/5/88	Liberalization	Authorized dealers permitted to open and maintain nonresident foreign currency accounts for Sri Lankan nationals employed abroad and for nonnationals of Sri Lankan origin resident abroad.
Zaïre	6/3/88	Liberalization	Eligibility limitations for foreign exchange accounts liberalized.
			Portfolio Investment
Industrial countries			
Denmark	10/1/88	Liberalization	All restrictions on inward and outward capital transfers abolished.
Finland	8/1/88	Liberalization	(1) Ceiling on direct investment, purchases of foreign securities, and real estate raised to Fmk 0.3 million; and (2) nonfinancial enterprises no longer required permission for direct investment abroad.
Iceland	3/10/88	Tightening	Tax rates on foreign borrowing raised.
	5/20/88	Liberalization	Basis of borrowing for capital goods imports changed from contract to f.o.b. import value.
Norway	12/5/88	Liberalization	Restrictions on long-term foreign borrowing by commercial enterprises liberalized.
Spain	6/14/88	Tightening	Minimum maturity period of foreign currency borrowing not subject to authorization raised from one to three years.
Sweden	2/12/88	Liberalization	Restrictions on sales of shares to foreigners lifted.
Developing countries—other			
Botswana	3/21/88	Liberalization	Initial tranche of local financial support that a non-resident-controlled business entity may borrow in Botswana increased.
	3/21/88	Tightening	Parastatals advised that they should not borrow from outside Botswana unless equivalent facilities not available domestically.
Brazil	7/28/88	Introduction	Regulations on foreign capital participation in mutual funds introduced.
Chile	3/8/88	Liberalization	Mortgage debtors allowed to engage in debt conversions under Article XVIII of Foreign Exchange Laws.
Greece	11/23/88	Liberalization	Residents allowed to purchase securities issued by EC or European Investment Bank within limit.
Israel	9/15/88	Liberalization	Three percent levy on foreign exchange loans abolished.
Korea	3/19/88	Liberalization	Limit on foreign exchange holdings for investment in foreign securities by Korean securities firms raised; insurance and investment trust firms authorized to hold up to $10 million.
Morocco	3/1/88	Liberalization	New types of foreign investment allowed in Morocco.
	6/13/88	Liberalization	New regulations regarding investment by Moroccans living abroad announced.
Papua New Guinea	1/1/88	Liberalization	Annual limit for investment abroad increased by 50 percent.
	1/1/88	Liberalization	Moratorium period on foreign loans reduced to one year after disbursement.
Peru	6/29/88	Liberalization	Any person or entity permitted to repatriate capital without revealing origin of funds.
Turkey	7/20/88	Liberalization	Restrictions on foreign participation in domestic securities market eased.
Viet Nam	10/21/88	Liberalization	Residents permitted to borrow abroad for working capital purposes, subject to reporting requirements.

Summary Table *(concluded)*. Measures Affecting Members' Exchange and Trade Systems, 1988

Member	Date	Direction	Measures
			Direct Investment
Industrial countries			
Australia	1/22/88	Liberalization	Guidelines for local equity participation in new oil and gas projects exceeding $A 10 million waived.
France	9/24/88	Liberalization	Prior authorization requirement for new direct investments in France by non-EC residents eliminated.
Spain	12/19/88	Liberalization	Direct investments abroad in companies engaged in portfolio and real estate investment activities permitted.
	12/19/88	Liberalization	Ceilings on real estate investment abroad abolished.
Sweden	2/12/88	Liberalization	Restrictions on financing of direct investment lifted.
	6/1/88	Liberalization	Banks authorized to grant permits for direct investment in certain areas.
Developing countries—fuel exporters			
Nigeria	7/5/88	Liberalization	Guidelines on an external debt-conversion program for Nigeria published.
Developing countries—other			
Brazil	11/30/88	Liberalization	Investment abroad by Brazilian enterprises at official exchange rate allowed under certain conditions.
China, People's Republic of	4/13/88	Liberalization	New Chinese-foreign cooperative joint ventures law adopted.
Dominica	1/1/88	Liberalization	Investment tax credit of 10 percent introduced.
	1/1/88	Liberalization	Reinvested profits exempted from withholding tax on profits.
Greece	11/23/88	Liberalization	Direct investments in EC by residents liberalized.
	11/23/88	Liberalization	Real estate investment by emigrants in EC countries permitted.
India	7/1/88	Liberalization	Period during which foreign companies that transfer technology to Indian companies without taking an equity position can receive royalty payments extended.
Korea	1/7/88	Liberalization	Foreign investment in advertising, motion picture distribution, and insurance industries liberalized.
	10/19/88	Liberalization	Foreign subsidiaries and joint ventures authorized to import and distribute all products except for 12 restricted items.
	11/1/88	Liberalization	Limit for overseas investments subject to automatic approval raised.
Malaysia	7/19/88	Liberalization	Foreign stock brokerage firms allowed to increase their equity share in local brokerage firms from 30 percent to 49 percent.
Morocco	3/1/88	Liberalization	New types of foreign investments allowed in Morocco.

Note: The following abbreviations are used throughout: GSP (Generalized System of Preferences); EC (European Communities); EEC (European Economic Community); OGL (open general license); MFN (most-favored nation); CETRA (Transferable Certificate of Foreign Exchange); ECSC (European Coal and Steel Community.