GUIDELINES FOR COUNTRY ECONOMISTS FOR THE REVIEW AND EVALUATION OF TRADE POLICIES

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ABSTRACT

This paper suggests a framework and provides an outline for a systematic analysis and evaluation of a country's trade policies. It is assumed that the economist charged with this function will have at his disposal a period of up to two months to perform the analysis. This is obviously a short period, which does not allow an intensive investigation of specific issues. It definitely does not provide the capacity to construct new series of data. At best, what could be accomplished in this direction is the reorganization of available data, and some straightforward manipulation.

This paper will thus discuss exclusively trade policies. The definition of this area will include, however, the conduct of foreign exchange policies, since they are in substance inseparable, in their effects, from trade policies; one could hardly evaluate the latter without the investigation of foreign-exchange policies. Indeed, sometimes -- as in the use of multiple exchange rates for various categories of transactions -- the classification of the act as being a "trade policy" or as a "foreign-exchange rate" policy would be largely arbitrary. Other policies will be mentioned not as part of the subject of analysis, but as part of the context within which trade policies are conducted, to which attention should be paid in the evaluation.

There is no single logical scheme of evaluation of the separate aspects of trade policies. Thus, the order in which these issues will be presented in the present guidelines should not be viewed as having a necessary bearing upon the sequence by which trade policy issues should be studied. Nor, it may be mentioned, does it necessarily reflect a general ranking of importance of policy categories, or of the frequency at which policies are likely to be undertaken.
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GUIDELINES FOR COUNTRY ECONOMISTS FOR THE REVIEW AND EVALUATION OF TRADE POLICIES

1. Introduction

This paper suggests a framework and provides an outline for a systematic analysis and evaluation of a country's trade policies. It is assumed that the economist charged with this function will have at his disposal a period of about two months to perform the analysis. This is obviously a short period, which does not allow an intensive investigation of specific issues. It definitely does not provide the capacity to construct new series of data. At best, what could be accomplished in this direction is the reorganization of available data, and some straightforward manipulation.

It may moreover be expected that, depending mostly on the ease of obtaining available data, the period specified may be too short to accomplish all the work suggested in this paper. Judgement will then have to be made as to which issues should be selected for study in the individual country, the criteria for selection being, again, accessibility of data as well as relevance and importance of the issue in the country concerned. At the same time, this paper does not aspire to cover all the issues that may be appropriate subjects of evaluation. It probably touches upon most problems of common concern; but countries should be expected to face, most often, a variety of specific problems which should not be neglected.

It is also assumed that the analyst is expected to evaluate only trade policies, so that the time at his disposal is devoted fully to this issue. This paper will thus discuss exclusively trade policies. The definition of this area will include, however, the conduct of foreign exchange
policies, since they are in substance inseparable, in their effects, from
trade policies; one could hardly evaluate the latter without the investigation
of foreign-exchange policies. Indeed, sometimes -- as in the use of multiple
exchange rates for various categories of transactions -- the classification of
the act as being a "trade policy" or as a "foreign-exchange rate" policy would
be largely arbitrary. Other policies will be mentioned not as part of the
subject of analysis, but as part of the context within which trade policies
are conducted, to which attention should be paid in the evaluation.

The ultimate purpose of an evaluation of the nature proposed here,
particularly in the context of the Bank's work, is to make policy
recommendations. These must obviously be formed within an explicit or
implicit normative framework. While the specification of such framework is
not the purpose, and not within the scope of the present paper, it may be
mentioned briefly that a presumption exists that barring a few justifiable
exceptions, the opening of an economy and the conduct of free trade are
conducive to faster growth and higher welfare. Abstracting from the impact of
domestic distortions, liberalization of trade flows improves the allocational
efficiency in the economy, leading to specialization along the lines of the
economy's comparative advantage and thus to a better use of the economy's
resources. Most probably, technical efficiency too increases with the removal
of trade restrictions, in activities which would exist both with and without
protection, by the competition of world markets with local production. In
addition, the removal of an anti-export bias, which is involved in most
systems of trade restriction, would contribute to growth by the boosting of
export activities, whether this is done by removing protection from import
substitution or by granting equal protection to exports. The increase in
foreign-exchange proceeds expands the importing capacity, making it possible
to the economy to maintain a larger size of imports of intermediate inputs and
of capital goods, often indispensable ingredients in a process of expansion of
production and acceleration of the economy's growth. Finally, aside from
production gains from the removal of trade restrictions, sight should not be
lost from the consumption gains. The equalization of domestic with
international relative prices of the country's traded goods would change
consumption patterns, increasing further the community's welfare.

The guidelines suggested here would probably be most appropriate for
the analysis of instances of substantial transformation of trade policies; in
particular, where a pronounced trade liberalization has been undertaken.
Where no such developments have taken place, part of what will be discussed
here may be irrelevant.

In what follows, the main categories, or aspects, of trade policy
will be listed. In each, some general observation of the relevance and
significance of the issue will be made, in a summary way. This is meant to
serve as a reminder of conventional wisdom, rather than as a thorough analysis
or a suggestion of novel propositions. The specific issues which merit
investigation will then be listed; and the sets of data required will be
indicated. It is hoped that these guidelines will provide a useful checklist
for the analyst.

There is no single logical scheme of evaluation of the separate
aspects of trade policies. Thus, the order in which these issues will be
presented in the guidelines should not be viewed as having a necessary bearing
upon the sequence by which trade policy issues should be studied. Nor, it may
be mentioned, does it necessarily reflect a general ranking of importance of
policy categories, or of the frequency at which policies are likely to be
undertaken.
2. Review of Past Trends of Trade Policies

The purpose of this opening section is to provide a perspective, or a background, against which the performance of recent trade policies may be put. It is, for instance, an entirely different matter for a country to have its tariff levels reduced to a certain extent if this represents a break with past policies or when it is a small step in a long ongoing development -- perhaps even a smaller step than is "normal" for this country.

In describing long-term policy trends, three aspects in particular should be reviewed. Some further elaboration of the significance of these aspects will be offered in the separate sections in which they will be addressed, so that at present they will be just listed. These are:

(i) The degree to which resort has been made to quantitative restrictions (QRs) of imports, and perhaps other non-tariff barriers (NTBs), versus the use of tariffs or tariff-like, price-mechanism forms of intervention in the conduct of the country's international transactions.

(ii) The severity of import restrictions. When imports are restricted mainly by QRs, this would mean essentially the intensity of QRs; when imports are restricted by tariffs, their severity would be evaluated by absolute levels of tariffs, both nominal and effective, and by the dispersion of tariff schedules.

(iii) Discrimination between imports and exports. Beyond the dispersion of individual protection levels, an important yardstick for evaluation is the discrimination among major categories, and in particular between import-competing and exportable activities. This would indicate whether the protection system is inward-biased,
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compared with a free-trade situation, that is, biased in favor of local production of importables -- as it most often is, in particular in LDCs; whether it is "neutral" between imports and exports; or whether it has an "outward bias."

3. The Launching of Trade Liberalization

This section would be relevant to an episode in which a relatively recent clear change of policy has been announced, by means of some package intended as a reform of past policies. A description of the basic substance of such reforms, and of the context in which it is undertaken, should refer to the following points -- not all of which, naturally, would be relevant in all cases.

(i) The Nature of the Policy

What are the general announced targets of the policy?

What are its forms? Main possibilities:

A change from QRs to tariffs.

Loosening of QRs.

Reduction of protection through tariffs.

Intended policy sequences. Main aspects:

A single-stage versus a multi-stage policy.

Well-charted versus vague future steps.

Existence of numerical end targets for the policy.

Intended acceleration versus deceleration of the process.

Uniform versus discriminatory treatment of activities.

Rules of a uniform process.
(ii) Economic Circumstances When the Policy Was Introduced

Balance-of-payments position.
Debt position.
Recent export performance.
Nature of external environment:
  International prices of exports and imports and the terms of trade.
  Level of economic activity in major trading partners.
  Changes in terms and availability of long-term capital inflow.
Unusual changes in major crops due to natural circumstances.
Other exogenous shocks (e.g., war).
Employment situation.
Intensity and trend of inflation.

(iii) Political Circumstances under Which the Policy Was Introduced

Was the political structure regarded as stable?
Was the government considered to be strongly committed to the policy?
Was the policy part of a general ideological shift?
Was the policy perceived by the public to be of major importance?
Which part of the government was charged with implementation of the policy? Was it an agency strongly supporting the policy?
Was the policy influenced by other nations or by international organizations?
If so, how has that affected the timing, nature and extent of the policy?
4. Changes in Quantitative Restrictions (QRs)

A system of restriction of imports by administrative controls might, in principle, be perceived as an equivalent system of restriction through the price mechanism, namely, through tariffs. Each specific quantitative regulation may be translated into an "equivalent" tariff, which would lead to the same level of imports as with the quantitative restriction, or to the same level of protection of the domestic import-competing activity. \(^1\) A complete prohibition of an import good, too, would have its equivalence in the level of tariff which is just prohibitive.

Yet, a system of QRs has several very important drawbacks in comparison with its presumably equivalent system of regulation through tariffs. These will be mentioned here in brief.

Regulation through administrative controls is an uncertain system. Assuming that it leads to a given *average* flow of imports, the size of this flow may vary substantially over time, through the discretion of the administrators of the system. Moreover, the aggregate size of the flow of imports of a given good would be allocated differently among individual importers. This would mean, first, that the allocation is less efficient than under tariffs. And, second, that an individual importer would not be certain about his own quota even where the aggregate flow may be anticipated. In general, this would also mean that securing an import license is a long, drawn-out and time-consuming process.

As a result, the individual importer faces a high degree of uncertainty about the level of imports which he may expect, and its time

\(^1\) With perfect competition, the "equivalent" tariff would be identical for both purposes. Under monopolistic circumstances, on the other hand, "equivalence" depends on the required target.
sequence. Consequently, two opposite effects on the size of inventories would follow, both of which involve economic costs. First, importers-producers would tend to carry an excessive size of inventories, since they are highly uncertain about the rate at which inventories could be replenished. This would be true not only of inventories of raw materials but also of machinery: an anticipated need for machinery, even in the relatively far-off future, would lead to an immediate attempt to import. Interest charges on invested capital in inventories, the cost of construction of added storage capacity, and an inevitable physical wear and tear and economic obsolescence would all be components of potentially a very substantial loss.

On the other hand, inventories may often still become too low. In the extreme (yet quite common) case, inventories may be exhausted altogether, and production may be stopped or grossly interrupted due to the inaccessibility of an essential imported input.

A still further loss involved in a QR system is that incurred by "rent-seeking" activities -- real resources invested in the securing of import allocations. In a widespread QR system, the size of this loss may again be expected to be substantial. So will very often be the social cost of corruption, which is a frequent by-product of rationing and licensing.

Another loss, yet, may be involved in the inducement to import relatively expensive goods provided by a system in which, as is sometimes the case, quotas are specified in physical quantities rather than in money values.

Beyond the comparison of a QR system with its presumed "equivalent" tariff system, two further aspects, both concerned with information, should be noted. First, it is possible -- even probable -- that in many instances the government would have preferred a tariff level not equivalent to an existing QR but a lower tariff: the existence of QRs leads very often to rates of
protection which are extremely high and are not intended, but are not known
since prices are not formulated explicitly. Second, if a gradual
liberalization is planned, it makes economic sense if the future course of the
liberalization is charted in advance, and the forthcoming time schedule of
protection levels is known. This is technically easy to perform with a tariff
system, but next to impossible with a system of QRs.

For all these reasons, even the mere replacement of a QR system by
tariffs would be of the utmost importance -- perhaps the most important
ingredient of trade liberalization.

It should be mentioned, though, that the relaxation of a QR system
may involve two effects which contribute to making the system more restric-
tive, in the sense of becoming less "neutral." First, very often restrictions
will be lifted, or relaxed, from the importation of raw materials, but will be
kept intact where imports of finished goods are concerned. Since the latter
would be to a large extent competitive with home production, whereas raw
materials would most often not have close domestic substitutes, such a change
would mean added effective protection in the system, with perhaps more vari-
ance. Second, grant of the license to import controlled inputs may often
serve, under some import-entitlement scheme, as an instrument of subsidizing
exports. A reduction (or disappearance) of the value of such license would
imply lower export subsidies. In a system of protection biased towards import
substitutes and against exports -- as is the case most often -- this may mean
an increased bias.

In the following, means of evaluating changes in a QR system will be
suggested. Due to the very nature of such a system, information needed for
the evaluation would normally be sketchy, deficient, or perhaps often
inaccessible; and hard data may have to be replaced by more anecdotal
evidence.

(i) The Targets of Changes of QRs

In combination, answers to the questions posed below will indicate whether changes in QRs are part of a rational, well designed policy scheme, rather than mostly an accidental development; and if so, the attributes of such a policy scheme. These questions are:

-- Are changes in QRs undertaken in a haphazard way, or do they follow certain clear-cut rules or schedules? If so, what are they?
-- Are changes in the QRs part of a general scheme of changes in the protection system?
-- In cases of liberalization, are changes in QRs considered as a first step of overall liberalization?
-- Are they meant to be replaced precisely by equivalent tariffs, or also to allow for different levels of imports?
-- Is there a schedule of complete dismantling of QRs?
-- Is there any clear-cut distinction of categories (such as production inputs versus finished goods, goods versus services, inputs to export activities versus others, imports of capital goods versus others)?
-- In cases of increased severeness (or new imposition) of controls, could this be assigned to the target of protection, could it be explained by overall balance-of-payments difficulties?
-- Likewise, when restrictions are relaxed, could this be assigned to the alleviation of balance-of-payments constraints?

(ii) The Extent and Nature of Changes in QRs

The following aspects of changes in the QR system should be
evaluated:

- The increase or decrease of the severity of restrictions.
- The change in variance of protection levels due to changes in QRs.
- Alleviation or intensification of administrative, time- and resource-consuming, procedures.
- Impact on bias towards or against exports.
- Extent of replacement of QRs by tariffs.

The evidence would consist of the available part of the following indicators. It may be rarely expected that all, or even most, of the data listed below will indeed exist and be of sufficient reliability, and much judgement would have to be used. The evidence required consists of data on:

- Changes in estimated disparities between local and foreign prices.
- Changes in auction prices, whenever quo'as are auctioned.
- Changes in tariff levels.
- Changes in levels of effective protection.
- Changes in imports of goods subject to QRs.
- Changes in import ratios in industries subject to import competition.
- Changes in domestic production of goods competing with restricted imports.
- The proportion of domestic production for which protection is granted through absolute import prohibitions.

- Descriptive information:
5. Changes of Tariff Levels

Lowered levels of tariffs are, in general, a step towards liberalization (that is, towards making the intervention system more "neutral"); whereas an increased level of tariffs is an intensification of interference, and a retrogression. Care should be taken, however, in interpreting changes in tariff levels when a simultaneous change in QRs is involved. The replacement of QRs by tariffs may then appear as an increase in tariff levels; whereas it is, as has just been argued, a move (maybe even a crucial one) towards liberalization.

Consumption is affected by nominal tariff levels, whereas production is subject to the price impact represented by the level of effective protection. Thus, both sets of tariff data would be required for the evaluation of changes. Estimates of effective protection, moreover, may often include tariff-equivalence representation of QRs (through comparisons of domestic and foreign prices of individual goods). Thus, they may incorporate the effect of changes in both tariffs and QRs, providing a direct yardstick for evaluation. Most often, though, the required data of effective protection levels (for the relevant points of time) would not be available; and assessment would have to be based on data of nominal tariffs alone, with qualifications added by the use of any other available information. It is likely that these data would also shed some light on effective protection.
Absolute levels of effective protection, on aggregate and for individual goods, are liable to diverge substantially from levels of nominal rates of protection (the latter would be almost universally significantly lower than the former); but changes in the two are likely to be much more closely associated, at least as far as directions of change are concerned.

Nominal rates of protection are not necessarily equal to nominal tariffs: part of the tariff may often be redundant. An accurate indication of nominal protection rates would be provided by data of domestic and foreign price differentials. Reliable estimates of the latter are, however, not commonly found, and should certainly not be attempted in the course of evaluation discussed here. It may be assumed that most often data on nominal tariffs, and on changes in them, would provide a reasonably good indicator of levels of nominal protection when substantial non-tariff barriers are not pervasive.

Nominal-tariff data may also be frequently missing. But these could be constructed with relative ease. A first approximation may be gathered by the simple division of (ex post) aggregate tariff revenues by the aggregate value of imports. This, however, is an estimate which suffers from two basic deficiencies. First, it provides only one aggregate indicator, for all imports; whereas an evaluation of the protection system requires, as will be shortly pointed out, data pertaining to individual goods (even, as will be emphasized, were these goods not of specific interest in themselves). Second, even as an aggregate measure, it suffers from a weighting bias which is probably detrimental. This will be explained shortly.

There is need, thus, to estimate individual tariff rates. This could be done by either of two methods. One is similar to that mentioned for the aggregate, namely: to divide the size of (ex post) tariff revenues by the
size of the good's imports. The other method is to adopt the tariff rates as they are posted in the tariff legislation. Both methods are imperfect, though their specific deficiencies differ from each other. In the first (the proportion of tariff revenues), inconsistencies in the timing of recorded revenues and recorded imports, and differences in classification of goods in these records, are liable to lead to imprecise results. In the second method, it is assumed that tariff regulation is executed exactly as it is prescribed -- an assumption not likely to be universally correct. It ignores exceptions and particular treatments (say, exemption of imports of the government, or of certain institutions) -- unless very detailed, time-consuming work is done to incorporate such exceptions in the calculations. 2/ Similarly, it becomes more involved when tariff rates are changed (conceivably even more than once) during the period for which rates are estimated. Finally, it faces the difficulty of converting specific tariffs, which may be quite common, into ad valorem rates. In view of these imperfections, which are difficult to weigh against each other, the general rule to follow may simply be to adopt the method which seems a priori to be, in the specific case, easier to implement and less time-consuming.

The next step is to draw inferences from the individual tariff rates about the economy as a whole. This requires two operations. One is the construction of some index to represent the average level of tariff protection;

2/ On the conceptual level, it is not clear that the exceptions should indeed be recognized. They should if, and when, the average tariff rate for the good is looked for. If it is the marginal rate, the definition is ambiguous. If it could be assumed that imports subject to exceptional regulations are constrained by other, non-price measures, then the marginal rate for the economy would be the "full," exceptions-free rate. In any case, exceptions may often be worth noting in their own right, since they may explain the behavior of important economic agents.
and the other is the representation of dispersion in the tariff system.

In constructing an average level, the correct index would have been that which uses the free-trade values of imports as weights, when the extent of restriction of imports by the system is studied; and the free-trade values of domestic production when the extent of protection is assessed. \(^3/\) These values would not normally be available, so that any feasible method of construction of the indexes would yield incorrect indicators; and it is important to realize the deficiencies of the indexes that will actually be constructed.

Basically, there are two choices. One is to use actual values for weights; the other, to give equal weights to all items. The latter method involves no bias; but it yields a product which is entirely a matter of accident, with no relationship to the correct representation looked for (except where all tariff rates are quite similar to each other, in which case any weighting system would be roughly correct). The use of this weighting scheme is hence not recommended.

The alternative -- the use of actual values for weights -- yields biased results. The weighting by actual tariff-ridden import values instead of free-trade values leads to an under-estimate of the correct level of import restriction by the tariff system; whereas the use of actual rather than free-trade values of home production yields an over-estimate of the true level of protection granted by the system. But for the purpose on hand, this would not be detrimental: the evaluation of changes may be correct even though the

\(^3/\) Even these would fall short of being true representations: the true indexes would have to incorporate in the weighting, along with the values of individual items, the relevant elasticities (of demand for imports, or of supply of home production).
index is biased as a representation of absolute levels. This will be so if -- and this indeed is the procedure to follow -- the same weights are used in the comparison of different points of time. 4/ Thus initial (starting-period) values should be used (of imports or of domestic production); and emphasis should be put on the change, rather than on the absolute level in each period.

The other factor which characterizes the system is its dispersion. Indeed, it may be shown that if all protection rates are estimated incorporating the required adjustment for the difference between actual and equilibrium exchange rates, only this factor will remain (the average level of tariffs would then become zero); and it alone would indicate the degree of distortion introduced by the protection system. If tariffs are not adjusted -- and the effort involved in the adjustment of exchange rates would normally be too large to make it feasible in the present context -- average levels and dispersions will both have to be estimated. The best indicator for the degree of dispersion of the system is probably its variance, which will again have to be calculated using actual import values as weights in the weighted measure of variance. In the assessment of the change in the restrictive degree of the tariff system, thus, the indexes of average levels and of dispersion of the system will be major indicators.

Beside these synthetic representatives of the system as a whole, attention should be paid to individual sectors which look particularly important or relevant. Criteria for selection of these sectors are that they should be large -- in size of imports, production, or consumption; that their

4/ The division of the aggregate size of tariff revenues by the aggregate value of imports, which was mentioned earlier, amounts to the construction of an index in which individual tariff rates are weighted by actual import values; and the bias indicated thus applies to this measure. However, the problem does not disappear, in the use of this measure, when changes are looked at; in this measure, the implied weights shift from one period to another, so that no constant weighting scheme is used.
supply or demand elasticities may be perceived (either from available estimates or from hunches) to be sufficiently high to make protection through the price mechanism look relevant; or that they are outliers, exhibiting extraordinarily high rates of protection, hence leading to very significant distortions which deserve particular attention.

A distinction should most often be made also among large categories of goods and services, to examine the changed nature of discrimination in the system. Thus, average protection rates should be constructed separately for imports of investment versus consumption goods; of intermediate versus final goods; and for major sectoral classifications (primary production, manufacturing, services). A most important distinction to be made is between exportables and import substitutes; but this will be referred to separately under the subsequent heading.

6. Export Policies

Discrimination against exports has probably been one of the major inhibitions of economic growth. Conversely, export promotion has been a chief source of growth. From a priori reasoning and, by now, an overwhelming weight of the empirical evidence, it is clear that economies with good export performance fare much better, in their long-term growth, than economies with stagnant exports. There also seems to be little doubt that export performance is strongly related to export policies: where the government intervention policy is "neutral," and a fortiori where it is export-biased, exports grow fast; whereas a policy biased against exports indeed contracts export
expansion. 5/

Most intervention systems have tended to be biased towards import substitution, and against exports. This has been due, presumably, to three main reasons. One is a conception, erroneous but popular, that the less developed economy could replace much of its imports by domestic production with relative ease; but could not easily expand its exports (either because its supply elasticities of the relevant goods are low, or because world demand elasticities are low). Second, many intervention schemes start with the imposition of QRs due to a sudden, acute balance-of-payments problem. These restrictions inhibit imports, while not touching (directly and immediately) export activities, thus introducing necessarily a bias in favor of local production of importables. Such restrictions tend to remain in place for a long while, and in time it becomes difficult to undo their impact on the production structure. Third, import restriction and export promotion have fiscal as well as incentive aspects: when the protection of import substitutes is granted through tariffs, this is a source of government revenues (as long as tariffs are non-prohibitive); whereas promotion of exports by subsidies involves a government expenditure. Naturally, the government is generally inclined to adopt measures that increase revenues (and these may include export taxes, which further increase the anti-export bias), and reject those that increase expenditures.6/

5/ For some of the recent evidence on the relationship of growth to exports and export policies, see M. Michaely (1977); A.O. Krueger (1978); B. Balassa (1978); W.G. Tyler (1981); and G. Feder (1983).

6/ Under a QR's system, promotion of exports through an import-entitlement scheme is popular largely due to the fiscal consideration (or its absence). In essence, such a scheme means that quota profits are handed to exporters. Since these profits are in any case not realized by the government (except when import licenses are auctioned), this transfer of profits does not involve a government expenditure.
Within exports, a discrimination is most often found between "traditional" and "non-traditional" export activities — in favor of the latter. Traditional exports will often be found not just to be denied export subsidies which are granted to non-traditional exports but, instead, to be taxed, in one form or another. Here, again, the source of discrimination is both a perception (largely erroneous) of the impact of protection, and fiscal considerations. First, supply elasticities (and, often, world demand elasticities) are regarded as low for traditional exports, and relatively high for other exports. While this perception would be normally valid in the short run, it is found most often to provide misguided advice for the long run, when enough time is allowed for the physical fruition of changes in investment patterns. On the fiscal side, the relatively large size of the traditional sector tends to make the government reluctant to grant it subsidies — particularly if, combined with the former reasoning, such subsidy is perceived as simply the grant of rents to resources occupied in the traditional activities.

A trade liberalization policy, which aims to make the system more neutral, would thus most often involve the relative encouragement of export activities, compared with import substitution. Within the sector of exportables, it would often have to eliminate a bias against non-traditional exports. The evaluation of trade policies will hence have to examine export promotion policies in this light.

The evidence required for the evaluation will thus include the following:

--- Changes in export promotion schemes, and in taxes imposed on export activities: nature of ongoing methods, of terminated measures, and of newly introduced schemes.
7. **Foreign-Exchange Rates**

The rate of foreign exchange is a major determinant of absolute and relative prices of importable and exportable goods. As such, its impact on tradables is essentially similar to that of "commercial" policies in a strict sense. An evaluation of commercial policies which overlooks the foreign-exchange rate would then be inevitably incomplete, and might possibly lead to wrong conclusions. For instance, the removal of export subsidies when a devaluation is undertaken, of a larger size, would result in an increase of the price of exportables relative to the non-tradable sector; whereas the observation of export subsidies alone would yield the opposite inference.

The foreign-exchange rate is thus relevant in this context, due to
its effect on the relative price of tradable vs. non-tradable activities. It is hence not just the nominal exchange rate which is of concern, but a "real" rate. The term "real" will always be interpreted as some relative standing; but the precise meaning of the term may vary with the purpose of the assessment. There is, in other words, a variety of "real" exchange rates rather than a single meaning and definition.

A change from one period to another in the real rate will be yielded through the division of the current nominal exchange rate by the purchasing-power-parity; that is:

\[ c = \frac{R_1}{R^p} - 1, \text{ where} \]

\[ \dot{c} = \text{change in the real exchange rate}; \]

\[ R_1 = \text{current rate of exchange at the end period}; \text{ and} \]

\[ R^p_1 = \text{purchasing-power-parity rate}. \]

Different "real" rates would be derived from different definitions of \( R \) (current rate) or \( R^p \) (the purchasing-power-parity). Several such definitions, of concepts likely to be useful in the evaluation of commercial policies, will be described.

First, assuming that a single, uniform rate of exchange applies to all export and import transactions, this would be the rate represented by \( R \). The purchasing-power-parity will be the rate which would have maintained a constant relative price of tradables to non-tradables, over the period under consideration. The "real" change, then --- \( c \) --- is the change over the period
in the relative price of tradables to non-tradables. An increase in the real rate is hence the equivalent of a subsidy to tradables: it provides an added protection to both import-substituting and exporting activities vs. non-tradable activities. The purchasing-power-parity is defined, in this case as:

\[
(2) \quad \frac{R^P_1}{R^P_0} = \frac{P_{1}^h}{P_{0}^h} \frac{P_{0}^{*t}}{P_{1}^{*t}} , \text{ where}
\]

\[R^P_1 = \text{purchasing-power-parity rate of period } 1 \text{ (end period)};\]
\[R^P_0 = \text{current exchange rate at period } 0 \text{ (starting period)};\]
\[P_{1}^h = \text{local-currency price of non-tradable goods in period } 1;\]
\[P_{0}^h = \text{local-currency price of non-tradable goods in period } 0;\]
\[P_{1}^{*t} = \text{foreign-currency price of the country's tradable goods in period } 1; \text{ and}\]
\[P_{0}^{*t} = \text{foreign-currency price of the country's tradable goods in period } 0.\]

Since \(R\), the rate of exchange, is the price of foreign exchange in units of local currency, it is easy to see that a purchasing-power-parity defined in this way will leave the relative price of tradables to non-tradables unchanged from period 0 to period 1; that is, with \(R^P\) defined in this way, we get

\[\frac{P_{1}^{*t}}{P_{0}^{*t}} = \frac{P_{1}^h}{P_{0}^h}.\]

In constructing an estimate of \(R^P_1\), difficulties will exist in identifying both the numerator and denominator of the right-hand side of (2). Starting with the denominator, one should first establish the foreign-exchange prices of the country's export and imports. In most countries,
including LDC's, these estimates are likely to be found for recent years (most probably for annual changes rather than for shorter periods, such as quarterly changes). They would very often be rather crude; but may be good enough approximations for the present purpose. 7/ A serious problem would still exist when the price changes are substantially different for exports and for imports. The price indices looked for are those for tradable goods, as a whole; and an index-number problem is thus created. 8/ The price movement of the tradable sector would have to be constructed as a weighted average. Sizes of "exportables" and "importables," in domestic production, should ideally be used as proper weights. 9/ In effect, however, estimates of these magnitudes rarely exist, and could not be readily constructed. Instead, sizes of exports and imports may be used; but these, of course, would approximate "exportables" and "importables" only by accident. Another possibility is to assign, arbitrarily, equal weights to exports and imports. 10/

In cases in which no reasonably reliable estimates may be found of changes in foreign-exchange prices of exports and imports, substitutes would have to serve. One method, quite commonly used, is to construct an index by finding price changes (preferably at the wholesale level) in countries which

7/ The degree of precision required depends, of course, on the intended use of the estimate. Thus, for instance, the use of the data in question would probably be most often inadvisable for a purpose such as the estimate of overall elasticities of import demand or export supply; whereas in the present context, a larger latitude of errors may be admissible.

8/ In fact, the conceptual meaning of the estimate becomes blurred in this case. When price movements of exports and imports diverge strongly, there may be no justification for making the estimate.

9/ Here, too, elasticities should have been added to the weighting scheme.

10/ In most countries, export and import values will not be far apart, so that this arbitrary method may not be much different from the use of export and import values as weights.
are major exporters to or importers from the economy in question, assigning each such price change a weight according to the value of the bilateral trade flow concerned. This could be done with relative ease even when the ingredients of such estimate are not available beforehand.

Turning to the numerator [of the ratio in (2)], the problem is to establish an index of price change of the non-tradable sector. Rarely, if ever, will this estimate be readily available. Probably the best procedure of constructing the index required in an approximate manner will be as follows: (i) Find an index of overall price changes -- an index of consumer prices is appropriate and will be found almost universally; (ii) multiply the index of changes of foreign-exchange prices of tradables, constructed to represent the denominator in (2), by the change in the nominal rate of foreign exchange. This will yield an index of change of local-currency prices of the tradable sector; (iii) establish the weights of the two sectors -- tradables and non-tradables -- in the economy. This would necessarily be a very rough approximation, involving arbitrary assumptions. One such approximation may be the identification of services (excluding tourism) and construction with non-tradables; whereas primary production and manufacturing will represent the tradable sector. But this procedure may, though, sometimes be highly inappropriate, as in the case in which most primary production is subsistence agriculture or fishery. In such instances, a rough guess may be ventured as the only basis for the establishment of this ingredient; (iv) using these three components -- an overall (= weighted-average) index of prices, a price index of the tradable sector, and the weights of the two sectors -- the index of price changes of the non-tradable sector will then be derived as a residual.

Changes in the "real" rate, thus defined, will have to be observed
along with changes in instruments of strictly-defined "commercial" policy, in order to evaluate the relative impact on tradables vs. non-tradables. These two sets of data could be combined into a single index. Import tariffs, levies, quota profits, etc., may all be added to the formal exchange rate, to yield an effective exchange rate for imports. For instance: if the exchange rate is 4 pesos per dollar, tariffs are the only instrument of intervention in imports, and the average tariff rate -- as it has been defined earlier -- is 50%, the effective exchange rate for imports will be 6 pesos per dollar. Similarly, export subsidies of all varieties will be added to the formal exchange rate to form the effective exchange rate for exports. The weighted average of these two rates will then represent "the" effective exchange rate (applied to all tradables). \( R_1 \) and \( R_0 \), in definitions (1) and (2) above, will stand for these rates at, respectively, periods 1 (end period) and 0 (starting period). The result will, then, be the change in the "real" effective exchange rate for exports and imports.

The effective rates for exports and imports may, of course, differ substantially from each other, either because the formal exchange rates are different (in a multiple-exchange rate system) or, more often, due to differences in the quantitative representation of the respective instruments of commercial policy. When the discrepancy is very large and, in particular, when changes over the period surveyed differ substantially from each other, it is imperative to separate the two. That is, beside the aggregate estimate of the change in the real effective exchange rate for tradables, separate estimates should be made of the changes in the real exchange rates of exports and of imports. In principle, no new element is introduced into the estimating procedures.

Starting with exports: \( R_1 \) and \( R_0 \) should stand now for the
effective exchange rates in exports alone at, respectively, the end and starting periods. In the denominator of (2), the $P^*_t$'s should now show the estimated change in the (foreign exchange) price of the country's exports, rather than of tradables. The outcome will be an estimate of the "real" change in the exchange rate for exports in the following sense: it is the relative change of the price of exports, and exportables, to the price of non-tradables.

Several variants may often be useful. One is an estimate of a "real" change which shows the relative price of exports vs. local sales of exportables (rather than of non-tradables). This will indicate the relative impact on profitability of selling in the two alternative markets -- abroad and at home. For this estimate, the numerator of (2) should now represent not the price change of non-tradables, but the price change of sales in the home market. A direct estimate of such change would probably be readily available only on rare occasions. Instead, as an approximation, resort may be made to price indices of goods alone (e.g., the index of producer prices).

Another variant, also of significant importance, is the estimate of a "real" change which will show the movement of export prices relative to costs. Unlike the previous estimate, which involved relative profitability of sales in the two alternative markets, the present one deals with export profitability as such. In the numerator of (2), the index looked for now is an estimate of changes in costs. Once more, the availability of such an index would be an exception. Instead, again as an approximation, use may be made of estimates of changes of wages. If sectoral wage indices are available, they could be aggregated into one index, by assigning sectors weights according to their shares in total exports and constructing a weighted average.

For imports, such variants, or their equivalents, will probably not
be very useful on most occasions. Here, it should usually be sufficient to
count an estimate of a "real" change only in the first sense mentioned
above, namely: a representation of the change of import prices relative to
the price of non-tradables. In (2), the denominator should now stand for the
change in (foreign-exchange) prices of imports; whereas $R_1$ and $R_0$, in (1) and
(2), will be the respective effective exchange rates for imports.

A most important aspect of the evaluation is the comparison of
relative-price changes between exports and imports (rather than the
relationships of each to non-tradables). For this, however, estimates of
"real" changes would not be necessary. For comparisons of exports with imports
the data required would simply be the effective exchange rates in the two
trade flows. A comparison of changes over time of these two rates would show
if a bias inherent in commercial policies, against exports or imports, has
been weakened or intensified (or perhaps, reversed). It will thus be one of
the most important single yardsticks of the assessment of changes, over the
surveyed period, in the nature of trade policies. Similarly, effective
exchange rates (nominal, non-deflated) would be an appropriate and convenient
tool of analysis for any sectoral comparisons of commercial cum foreign-
exchange policies concerning tradable goods (such as the treatment of imports
of intermediate vs. finished goods, or of consumption vs. investment goods,
etc.).

8. The Balance-of-Payments and the Debt

While the focus of the evaluation discussed here are trade policies,
some review of the balance-of-payments is also called for: trade policies must
be evaluated in the context of, inter alia, the overall balance-of-payments
situation. Thus, for instance, a general export subsidy, or an import levy,
may look excessive and distortive in a situation in which the balance-of-payments seems sustainable and the formal real exchange rate is at an equilibrium level; whereas the same policies may be judged desirable when a long-term balance-of-payments deficit and a disequilibrium exchange rate prevail.

There are no hard and fast rules by which verdict could be reached on the sustainability of a given balance of payments. In essence, one has to pass judgement on whether existing components of this balance are likely to remain roughly intact, in the long or intermediate run, or to change significantly. This question may be subdivided into the evaluation of flows, or the components of a given balance of payments; and of the stock of the external debt. The latter's development must yield expectations of future changes in the important component of interest payments abroad; as well as of the requirements for, vs. the availability of, lending from the outside world. These questions would have to be addressed whether or not a short-term balance-of-payments equilibrium is indicated, in the sense of absence of significant changes in the country's foreign-exchange reserves.

While individual components of the balance of payments must vary substantially, in nature and importance, among countries, several common or frequent issues which should be addressed are:

-- Are the quantities of export and import flows likely to remain at their present levels, or to keep changing as indicated by recent trends, with no change in commercial policies and in the formal exchange rate? To what extent are these flows affected by recent changes in macro-economic magnitudes, and how likely are expected changes in the latter to have an impact on the trade flows?
-- Have the foreign-exchange values of the trade flows, and the balance of payments, been significantly affected by changes in foreign prices of exports and imports and in the terms of trade? What is the intermediate-term outlook for these prices, and how will it reflect on the balance of payments?

-- Has the balance of payments been affected substantially by changes in international interest rates? How is the net payment of interest to the outside world likely to be affected by exogenous changes in interest rates? (This discussion may involve the review of the composition of the external debt, which will be discussed further below).

-- Are unilateral payments to or from the outside world, and "autonomous" components of the external capital flows, viewed as stable, or are they anticipated to change in the foreseeable future (regardless of the change in the national debt, which will be discussed separately)?

The trend of change in the stock of the economy's external debt may be of crucial importance in many developing economies. An increase of the debt would have two impacts, both leading to a balance-of-payments deterioration. First, with a given interest rate, a higher stock of debt implies a higher size of interest payments abroad. Second, a higher debt level implies, inevitably, a future requirement for higher new (gross) borrowing, to maintain the given size of the debt; and, at least beyond some point, a greater reluctance of potential foreign lenders to provide such loans -- hence, a discrepancy between demand for and supply of such lending, which is an element leading to disequilibrium in the balance of payments.

In assessing the position and development of the size of external
debt, these aspects have to be evaluated. Specific questions to be addressed may be:

-- If the rate and term structure of net borrowing continue along their trends, what would be the size and structure of the national external debt in the intermediate future? What would be the implication for the requirements of gross borrowing from abroad for debt replenishment?

-- Under these circumstances, what would be the implication for the size of interest payments abroad?

-- Given the course described above, what is the future position of the country's creditworthiness; that is, the willingness of external lenders to: a. maintain the size of the debt or even b. keep increasing it at the present rate? This issue may be addressed, albeit in a very tentative manner, through the use of conventional external-debt ratios: the ratio of the stock of the debt, of annual amortization, or of annual debt servicing (amortization plus interest), to the country's annual aggregate product, to the size of its exports, or to aggregate foreign-exchange proceeds.

These considerations of current flows and of the development of the debt should be summed up in an evaluation of the balance-of-payments position and future course. While no determination of actual equilibrium levels of the foreign-exchange rate seems feasible, in this context, and none should be attempted, such an evaluation should lead to a general impression of whether the formal real exchange rate is roughly at its equilibrium level (that is, a level at which the balance-of-payments is sustainable); whether the equilibrium level of the rate is moderately different; or whether a substantial gap
between the existing and the equilibrium exchange rates is indicated. This conclusion translates immediately into an inference about the relationship of the present relative price of the tradable to non-tradable goods (at the existing formal rate of exchange) to its equilibrium level. While this would not be relevant to the evaluation of the dispersion involved in the system of commercial policies, it would have an important implication in judging the suitability, or desirability, of average levels of protection afforded to tradable activities.

9. The Attributes of Existing Protection

The preceding sections have mostly dealt with changes in trade policies. Beyond the changes, however, a certain pattern of protection is established at present. This pattern should be explored by observing its salient attributes. Most of the data on which this evaluation would be based have already been discussed since they were required for the analyses of preceding issues. Other requirements of data will be obvious from the definitions of issues.

Commercial policies must lead, indeed this is their "raison d'etre," to a protection system involving some discrimination. The attributes of the system could thus best be described by the delineation of the nature of discrimination.

Responses to the questions proposed below would describe the pattern of discrimination. Some of these issues would evidently be irrelevant in a particular country context; whereas in other instances specific circumstances may require observations which will not be covered by the proposed list of questions. These questions are:
1) Is there a general discrimination of import-substitution vs. exports?

2) Within the import-substitutes category, is there a discrimination according to:
   - The stage of production?
   - Consumer vs. capital goods?
   - Primary production vs. manufacturing?
   - Level of procession (i.e., "distance" from primary production)?
   - Regional location of production?
   - National ownership of firms?
   - Public vs. private ownership?
   - Value added in the economy?
   - Labor intensity of a sector?
   - Size of average production unit?
   - Degree of monopoly within a sector?
   - Source of supply of imports?

3) Within the exports category, is there a discrimination according to:
   - Primary-production vs. manufacturing?
   - "Traditional" vs. "non-traditional" exports?
   - Value added in the economy?
   - Labor intensity of a sector?
   - Regional location of production?
   - National ownership of firms?
   - Public vs. private ownership?
   - Size of average production unit?
   - Degree of monopoly within sector?
Existence of sectoral cartel-type international agreements?
Existence of quota restrictions by major customers?
Estimated differences in sectoral foreign-demand elasticities?

Having defined the system in this way, an attempt should be made to match it with the announced, or apparently desired, principles of the system; to see, that is, whether announced principles, good or bad, are indeed reflected in the nature of the system as it operates. Discrepancies may then be explained by factors such as:

(i) Insufficient contemplation of announced principles. Impacts on variables such as the size of employment, or regional distribution of production, may often be announced as relevant without actually being considered seriously.

(ii) Inconsistency of principles and instruments. An activity may for instance be promoted through a subsidy to invested or revolving capital, thus promoting capital intensity, when employment of labor is declared as a target. Or a uniform subsidy to gross value of production may lead to a lower effective protection the higher the value added in the activity, when the announced principle is promotion of activities with a high value added. This may be the result of relative ease of application of the method concerned, and absence of sufficient realization of its impact.

(iii) Existence of other targets for, or constraints on, instruments used. For instance, the protection involved in a tariff system may have been an accidental outcome of a tariff scheme determined primarily by revenue-raising considerations. An obvious and important example is an anti-export bias which may not be intentional but result from the wish to maximize government revenues and minimize expenditures, leading to a policy of high
Having made the delineation of the nature of the protection system, and contrasted it with announced principles, it is important then to evaluate normatively both the revealed and the announced principles: to state adherence to each of these will serve the targets of efficiency, and growth; and which, on the contrary, is liable to lead to waste and stagnation. Inferences may thus be made on the extent and nature of the losses suffered by the economy due to the inefficiencies introduced by inappropriate commercial policies; and on the degree to which announced income-distribution targets are served by commercial policies. The conclusion of this review would then be a recommendation for the future course of the country's commercial policies.

10. Other Policies

The subject-matter of the evaluation discussed here is trade policies. Yet, several other spheres of policy should be mentioned. It is not proposed to analyze these policies in a similar way to that of trade policies but, rather, to describe them in a general fashion. This would be helpful in describing the policy context within which trade policies are conducted. Three policy areas in particular will generally deserve mention. These are:

(a) **Intervention in Capital Flows.** Trade policies may have substantially different impacts on resource allocation when capital flows to the country and from it are free or are restricted; or when promotion of foreign investment does or does not exist. Hence the general scheme of regulations applying to capital inflows and outflows should be outlined. An attempt may be made, by resorting to qualitative information, to see whether these policies tend to reinforce or, on the contrary, to offset trade
policies. For instance, if a sector is discriminated against, or is favored, by trade policies, are these biases found also in the regulations concerning capital inflows?

(b) Domestic Restrictions. Policies in this sphere consist of price and quantitative restrictions in the markets for goods and for factors (labor, capital). Some of these policies may be directly related to trade policies. For instance, the quantitative restriction of imports may be accompanied by price controls on the sales of imported goods in the domestic market, which would in turn lead to rationing. A change in trade policies must, in such instances, have its reflection in changes in domestic policy instruments. In other instances, the domestic policy may be unrelated to the trade sphere (credit rationing, or rent controls, are examples on hand). In these cases, it would be interesting to examine, again, the possibility of reinforcement vs. offsetting tendencies of trade and domestic policies.

(c) Macro-economic policies. Fiscal and monetary policies determine the environment in which trade policies are undertaken, and their description is therefore important in its own right. Beyond this, demand policies and trade policies may sometimes be directly related. One obvious example has been mentioned before, when the possibility of changing tariffs due to government revenue, or budgetary, considerations was discussed. Another obvious example: Removal of trade barriers may be more difficult when domestic demand is contracted by macro-economic policies. Such inter-relationships should be pointed out as part of the evaluation of the trade-policies pattern.


Review of performance of a few key variables in the economy should
be highly useful, for the assessment of trade policies. In the general case, these would include at least the performance of exports, imports, production, and employment. Such review is important for two complementary reasons.

First, the economy's performance provides a setting in which trade policies take place: certain situations facilitate the introduction of some policies, while other situations will be conducive to other policies. Second, very often an obvious impact of policies on performance would be revealed, indicating again the desirability of one policy or another. Several examples will be suggested.

Take first, exports. Long-term stagnation of exports when a strong anti-export bias is apparent in the country's pattern of trade policies would support a contention that policies have in fact had a suppressive effect on exports; whereas a fast export growth despite the policy bias would, while not invalidating the proposition that policies have led to waste, weaken an argument for an immediate and dramatic change. Export performance may, for this purpose, be evaluated by the progress of the absolute value of aggregate exports; by the development of the share of exports in the economy's aggregate activity; and by the commodity structure of exports and its changes over the years -- the latter being assessed with a view to possible relationships with the commodity structure of trade policies.

Import performance would also provide several important indications. Aggregate imports (or, where a substantial excess of imports over exports exists, the combination of imports with exports) may be looked at as a means of judging the degree of openness of the economy. An indication would then be provided whether trade policies might have had an obvious impact on the economy's openness. For this, the ratio of imports to national product (or, alternatively, the combined ratio of imports and exports to product) may
be compared with those of other economies of similar income levels. If time is available, these ratios may be compared with those obtained from regressions in which other economic variables, beyond income level (such as the economy's size) are incorporated. Such regressions may be found, for instance, in the study by Chenery and Syrquin. 11/

The structure of imports may provide various indications. Normally, an import-substitution policy would grant protection primarily to activities producing finished goods - by and large, consumer goods. An import structure which shows a reduction over time in the weight of finished consumer goods would provide a strong presumption that the bias in trade policies has indeed been effective. An existing low ratio of imports of these goods would, moreover, indicate that the import-substitution process is largely exhausted. It is presumed that, by and large, replacement of imports by home production is much more difficult and costly when raw materials and other intermediate goods rather than finished goods are involved. Thus, even were one willing to pay the price of inefficiency and waste, import substitution could not in fact be further promoted significantly. It would also mean that since the degree of substitution between imports and home production is low, any reduction of trade imbalances which may be required would have to be provided by export expansion -- a conclusion which must reflect on the desirability of changing any anti-export bias which may be involved in trade policies.

The long-term progress of production is important as an indicator of the desirability of changes and perhaps willingness to introduce them. A trade-policy pattern which presumably involves a high degree of waste, but is

nevertheless accompanied by a relatively high growth rate, is less prone to radical changes. When, on the other hand, a long-term stagnation is evident, policy departures would be *prima facie* more justified and acceptable, even if causal connection may not be rigorously established without thorough research.

In the short run, a slack of production and a high level of unemployment would make the removal of import barriers more difficult: the resources released from import-competing activities would, in such situations, contribute to aggravate an already serious problem of unemployment. On the other hand, export promotion should, in this case, be relatively easy, even without the lowering of protection of the import-substituting sector: the availability of unemployed resources should make the expansion of export activities feasible without requiring necessarily a large-scale release of productive factors elsewhere. In a period of severe unemployment, thus, a trade policy pattern which displays an anti-export bias should best be changed by export-promotion measures, increasing the protection given to exports (assuming an unchanged formal rate of foreign exchange), without lowering simultaneously import barriers. Alternatively, the same effect could be achieved through a formal devaluation accompanied by a compensating reduction of tariffs on imports. These policies would tend to weaken the bias against exports and to promote exports relative to both importable and non-tradable goods, while leaving unchanged the price of imports relative to that of non-tradeables.

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Appendix: Primary Data Requirements and Sources

Of the following data, the compilation or construction of some series has been discussed specifically in the preceding guidelines. Several data components are mentioned here despite the presumption that they may be most often missing, since when available they would be of importance. The large majority of the specified data may, however, be expected to be most often accessible. Some of these would be found in the major international publications listed below; whereas others would inevitably require a search for national data sources. Moreover, the internationally-provided data would rarely be current: In annual publications, a lag of some 2 years would be normal. Updating would then require, again, the use of national data sources.

The major relevant international publications are:

- World Bank, *World Tables* (annual)
- I.M.F. *International Financial Statistics* (monthly with an annual supplement)
- U.N. *Yearbook of International Trade Statistics*
- UNCTAD, *Handbook of International Trade*
- U.N. *Yearbook of National Accounts Statistics*
- I.M.F. *Balance-of-Payments Statistics*

The series of data primarily required will be:

A. Income and Product

**GNP** (or **GDP**), aggregate and per capita

Consumption, aggregate and per capita
Investment

Product, gross and value added, by sector

B. Labor Force

Rate of growth of the labor force
Occupational distribution
Participation rates
Unemployment

C. Prices

Consumer prices
Wholesale (producer) prices
Prices of industrial production
Foreign-exchange prices of exports and imports, and the terms of trade
Wages, nominal and real

D. Protection

Nominal tariffs
Effective rates of protection
Export subsidies

E. Exchange Rates

Formal exchange rates
Effective exchange rates
"Real" exchange rates
F. Balance-of-Payments and Debt

Aggregate imports of goods and services
Aggregate exports of goods and services
Balance on current account
"Basic" balance
Foreign-exchange reserves
Size and composition of the external debt
Short-term debt and net liquidity position
Schedule of expected debt repayments

G. Exports and Imports

Change in the aggregate size of exports
Change in "minor" exports
Change in export structure, by major categories
Change in aggregate size of imports
Change in "competing" imports
Change in import structure, by major categories

H. Monetary and Fiscal Policy

Change in money supply
Change in the size of credit
Interest rates, nominal and price deflated
Government expenditures, nominal and real
Taxes and other compulsory payments
Composition of government revenues
Excess demand of the government
The government's share in total uses
References


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