

L.5.2

RFD 625

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Division of International Finance

REVIEW OF FOREIGN DEVELOPMENTS

July 17, 1967

Robert F. Emery and Henry F. Lee

Economic Trends in Asia in 1966

24 pages

This paper reflects the personal opinion of the author and must not be interpreted as representing the opinion of the Board of Governors.

July 17, 1967.

Economic Trends in Asia in 1966

Summary

This paper focuses primarily on the countries of Free Asia, excluding Japan. Reference to Asian countries should be taken as excluding Japan unless Japan's inclusion is specifically stated. The economic performance of the Asian countries in 1966 as measured by growth of real GNP ranged from an impressive 12 per cent for Korea to a negative 2 per cent for Burma. Over half of the countries for which data are available had rates of increase of 5 per cent or better. The average rate of growth for these same countries was also high during the 1960-66 period.

In six out of 14 countries, consumer prices rose almost 10 per cent or more. In addition, there was an acceleration in the rate of inflation in 1966 as compared to the trend in 1960-65. Fortunately, no other country matched Indonesia in 1966 with her 635 per cent increase in prices. The inflationary pressures, however, did contribute to a depreciation of some currencies in free foreign exchange markets. This was particularly true of the currencies of India, Vietnam, Indonesia, Pakistan and Ceylon.

Export performance in 1966 varied even more markedly than growth of GNP from country to country. The largest increase in exports was recorded by Korea, with a rise over the previous year of 43 per cent. Taiwan had a very respectable 19 per cent gain, followed by Hong Kong, Pakistan and Singapore. Several countries--India, Indonesia, Ceylon, Burma, Cambodia, and Vietnam--had declines in export earnings. This was enough to keep the rate of export growth for the area down to a modest 4 per cent, which was below the rate of growth in 1965. Although exports of a few of the smaller countries have grown rapidly for several years, the sluggish performance of some of the large countries has held down export growth for the area as a whole, excluding Japan. The result is that Japanese exports in 1966 exceeded the exports of all the other Asian countries combined. In 1960, Japanese exports were equal to about half of the total exports for the rest of Asia.

The U. S. trade position vis-a-vis the Asian area continued to deteriorate. Between 1964 and 1966, the U. S. trade surplus with the area was cut two-thirds, or from \$1.5 billion to \$500 million. This reflects a rapid rise in U. S. imports and only a moderate rise in U. S. exports. In addition, the United States appears to have lost its traditional trade surplus with Japan. In 1964, the surplus was \$240 million, but last year the United States had a \$600 million deficit in its trade with Japan.

The U. S. share of total Asian imports also declined moderately in the last two years, when the ratio dropped from 27.8 per cent to 26.6 per cent. The only real gains in this period have been in U. S. exports to India, which are heavily dependent on the U. S. aid program, and to Thailand and Vietnam where U. S. exports have expanded in conjunction with military operations.

Despite their poorer trade performance in 1966, the Asian countries increased their international reserves last year by \$462 million. This is a 13 per cent increase in contrast to the 10 per cent rise (equivalent to \$335 million) in 1965. Out of 15 countries, eight registered gains in international reserves last year. These included heavy recipients of U. S. aid such as Vietnam, and, indirectly, Korea. These reserve gains were reflected in a rise in U. S. short-term dollar liabilities to the area. U. S. short-term liabilities to Japan, however, fell \$316 million last year, while U. S. long-term liabilities to Japan increased \$187 million. Disbursements of U. S. non-military aid to Asia were \$1.8 billion last year, down about \$70 million from the 1965 level.

GNP Gains Substantial for Five Countries

As is often the case with economic trends in Asia, it is difficult to generalize for the entire area. The problem is complicated further in the case of GNP data since about half of the countries either lack such data, or the existing data are out of date or too unreliable. The more reliable, available data, however, are summarized in Table 1, with countries ranked by their rate of growth.

In general, those countries that have had relatively high rates of growth since 1960 also tended to have relatively substantial increases in real GNP in 1966. Taiwan, Korea and Thailand, for example, had increases of 7.5, 11.9 and 8.9 per cent, respectively, in 1966. Malaysia and Pakistan have also had relatively high growth rates. India and Ceylon, on the other hand, continued to grow at the slower rates of 3.0 and 1.6 per cent, while Burma's GNP fell 2 per cent.

It is perhaps significant that there have been very great differences in the type of economic policies pursued by the countries with high growth rates and those that have lagged behind. The top four countries--Taiwan, Korea, Thailand and Malaysia--are heavily market-oriented, while Burma, Ceylon and India have placed more stress on allocating resources by government directive, if not by direct governmental ownership.

Table 1. Selected Asian Countries Ranked by Rate of Growth: 1960-66
(GNP in millions of U. S. dollars and per capita GNP
in U. S. dollars; both in constant 1965 prices)

	% Change in GNP: 1965-66	Average Annual Change (%) 1960-66	1960	1961	1962	1963	1964	1965	1966
China (Taiwan): GNP	7.5	9.7	1,747	1,883	2,019	2,217	2,515	2,828	3,040
:per capita GNP	4.5	6.8	157	165	171	183	202	221	231
Korea: GNP	11.9	7.9	2,064	2,166	2,254	2,464	2,683	2,901	3,246
:per capita GNP	9.2	5.0	84	85	86	92	97	102	112
Thailand: GNP	8.9	7.3	2,748	2,865	3,019	3,319	3,619	3,854	4,197
:per capita GNP	4.8	4.1	102	103	105	112	119	123	128
Malaysia: GNP	5.5	6.1	2,116	2,204	2,347	2,495	2,654	2,866	3,025
:per capita GNP	2.3	3.1	261	263	272	280	290	305	312
Pakistan: GNP ^{1/}	4.8	5.5	8,470	8,993	9,325	10,135	10,650	11,160	11,700
:per capita GNP ^{1/}	2.0	2.9	83	86	87	93	95	97	99
Philippines: GNP	5.0	4.8	4,108	4,347	4,499	4,737	4,931	5,198	5,457
:per capita GNP	1.6	1.4	150	154	154	157	158	161	163
India: GNP ^{2/}	3.0	3.8	42,360	43,940	45,090	47,770	51,320	49,220	50,700 ^{4/}
:per capita GNP ^{2/}	1.0	1.6	97	99	98	102	107	101	102 ^{4/}
Ceylon: GNP	1.6	2.7	1,407	1,449	1,499	1,530	1,593	1,625	1,651
:per capita GNP	- 0.7	0.3	142	143	144	144	145	145	144
Burma: GNP ^{3/}	- 2.0	2.0	1,531	1,539	1,606	1,735	1,689	1,760	1,725
:per capita GNP ^{3/}	- 4.0	- 0.1	68	68	69	73	70	71	68

1/ Fiscal year beginning July 1. 2/ Fiscal year beginning April 1. 3/ Fiscal year ending September 30.
4/ Revised by the Federal Reserve on the basis of more recent data.

SOURCE: Gross National Product: Growth Rates and Trend Data by Region and Country, U. S. Agency for International Development, Washington, D. C., March 31, 1967.

Despite some substantial difference among countries in their rate of population growth, the faster growing countries also enjoyed the highest rates of growth^{of} per capita GNP. In 1966, these ranged from a gain of 9 per cent in Korea to a decline of 4 per cent in Burma. Since 1960, however, Taiwan has had the highest rate of increase in per capita GNP.

Prices Rise Slightly Faster

The data indicate that in most countries prices increased more rapidly in 1966 than on average during 1960-65. Prices increased faster in nine countries and slowed down in five.

To facilitate an analysis of the 15 countries, the countries have been somewhat arbitrarily grouped into three categories in Table 2, and listed according to the rate of increase in prices in 1966. The three categories are: relatively stable, mild inflation and inflation. The "relatively stable" countries with price increases of 5 per cent or less in 1966 are Ceylon, Malaysia, Singapore, Taiwan, Hong Kong and Thailand. The countries with "mild inflation," i.e., 5 to 10 per cent, include Japan, the Philippines and Pakistan. Five countries fall into the "inflation" category, i.e., rates over 10 per cent, and these are India, Laos, Korea, Vietnam and Indonesia. In the case of Cambodia, where many prices are controlled, price data are not available for 1966.

Most of the countries which enjoy higher real GNP growth rates also enjoy lower price increases. For example, during 1960 to 1966, prices in Taiwan increased only 2 per cent per year, while real GNP increased almost 10 per cent per year. In Thailand and Malaysia, price increases have been only 1-2 per cent a year, while GNP has increased 6-7 per cent a year. In India, however, prices increased 7 per cent a year while real GNP increased only 3.8 per cent a year in the same period. As usual, there are exceptions. Korean prices increased 15 per cent a year, while real GNP increased 7.5 per cent a year. In Ceylon, prices increased 1.3 per cent a year, but GNP increased only 3 per cent a year. Despite these exceptions, the data indicate that many of the countries with high growth rates also have had relatively stable prices.

Table 2. Asia: Cost of Living Indexes
1958=100

	1960	1961	1962	1963	1964	1965	1966				Annual Compound	
							II	III	IV	% Change 1960-5	% Change 1965-6	
<u>Relatively Stable</u>												
Ceylon	98	101	101	105	107	107	107	106	107	+ 2%	0%	
Malaysia	100	99	100	104	103	100	100	100	101	+ 1%	+ 1%	
Singapore ^{1/}	100	101	102	105	106	107	107	107	108 ^{2/}	+ 1%	+ 1%	
Taiwan	133	138	142	143	144	145	148	148	153	+ 2%	+ 2%	
Hong Kong	104	105	103	105	109	109	110	111	111	+ 1%	+ 3%	
Thailand	101	104	105	106	107	107	104	107	108	+ 1%	+ 5%	
<u>Mild Inflation</u>												
Japan	104	113	118	126	132	140	147	149	151	+ 6%	+ 6%	
Philippines	104	106	113	122	133	132	133	140	143	+ 5%	+ 8%	
Pakistan	113	115	113	116	124	130	121	127	130	+ 3%	+ 10%	
<u>Inflation</u>												
India ^{3/}	104	108	112	119	138	145	150	163	166	+ 7%	+ 14%	
Laos ^{4/}	121	117	145	325	507	571	612	644	699	+ 36%	+ 14%	
Korea	113	118	138	177	214	235	240	252	269	+ 16%	+ 16%	
Vietnam ^{5/}	102	107	110	117	123	166	187	207 ^{5/}	269	+ 10%	+ 61%	
Indonesia ^{6/}	230	380	976	2,226	5,234	36,347	267,276	87,704	137,894	+275%	+635%	
Cambodia	112	120	123	130	133	138	n.a.	n.a.	n.a.	+ 4%	n.a.	

^{1/} Monthly Digest of Statistics, Singapore, 1960=100. ^{2/} November 1966. ^{3/} Devaluation of 36.5 per cent on June 6, 1966. ^{4/} Consumer Price Index for Laotian families in Vientiane: 1959=100. ^{5/} Devaluation of 50 per cent on June 19, 1966. ^{6/} Year ending February, 1958=100. Quarterly data for 1966 are for last month in quarter.

NOTE: Yearly data are for December. Quarterly data represent averages. Data for Cambodia and Hong Kong represent annual averages.

SOURCES: International Financial Statistics, International Monetary Fund; Economic Bulletin for Asia and the Far East, U. N., September 1966; and Special Supplement No. 4 to the Hong Kong Government Gazette, Hong Kong Government, March 3, 1967.

Free Market Exchange Rates Reflect Domestic Inflation

In general, those countries that had substantial increases in prices also experienced a depreciation of their currency in free foreign exchange markets. Exchange rate quotations in Hong Kong shown in Table 3 indicate that during 1966, on a December-to-December basis, there was a depreciation in the currencies of India, Vietnam, Indonesia, Pakistan and Ceylon. All of these countries except Ceylon had price increases of 10 per cent or higher in 1966.

The quotations for the currency of other countries, such as Thailand, the Philippines, Malaysia and Taiwan remained relatively stable, both in 1966 and in earlier years. These countries have had reasonably stable prices and relatively high rates of growth of real GNP.

In addition, the discounts from the official rate in December 1966 for the currencies of these four countries were all within 4 per cent of official parity. The discount on the Korean won, not shown in the table, was 2 per cent in December 1966. The discounts on all the other currencies from their official rates shown in the table ranged from 22 to 79 per cent in December 1966.

The quotations for the currency of a few countries, which had depreciated substantially in the past, changed relatively little in 1966 on a December-to-December basis, or even appreciated. These countries include Afghanistan, Laos, Cambodia and Burma. In some cases, this apparent stability may prove to be only temporary. The moderate appreciation of the Laotian kip and Cambodian riel may be related to a demand for these currencies by certain parties in connection with the military activities in Vietnam.

As shown in Table 3, a number of countries in South and Southeast Asia find their currencies selling at rather substantial discounts in free markets. The Indian rupee was at a discount of 22 per cent on December 31, 1966, which was an improvement over the 55 per cent discount prevailing prior to the devaluation in June 1966. Vietnam also had a devaluation in June 1966, which greatly reduced the free market discount, but it remained at 34 per cent at year end. The largest discounts are for Burma's kyat and Ceylon's rupee, neither of which has been devalued since 1949. On the free market, the kyat is valued at only about a fifth of the official parity. The Pakistan rupee also is discounted substantially in the free market, but Pakistan was one of the countries that had a healthy export increase in 1966. This is in large part attributable to the bonus voucher scheme, which gives many exporters the advantage of a more depreciated rate of exchange.

Table 3. Asia: Selected Free Market Exchange Rates in Hong Kong^{1/}
(Units of Currency per U. S. Dollar)

Period	Thailand: Baht	Philippines: Peso	Malaysia: Dollar	Taiwan: NT Dollar	India: Rupee	Vietnam: Piaster	Indonesia: Rupiah	Afghanistan: Afghani	Pakistan: Rupee	Laos: Kip	Ceylon: Rupee	Burma: Kyat
Official ^{3/}	20.80	3.90	3.06	40.00	7.5	118	95	45	4.76	240	35	4.76
1961: Dec.	21.46	4.52	3.07	44.05	6.56	97	270	45	7.57	n.a.	65	8.35
1962: Dec.	21.14	3.94	3.08	46.95	6.17	90	917	56	7.04	143	78	9.52
1963: Dec.	21.60	3.93	3.09	43.08	6.90	127	1,216	51	7.82	441	95	10.89
1964: Dec.	21.06	3.90	3.10	45.63	8.05	138	5,747	66	8.83	575 ^{4/}	113	16.47
1965: Dec.	20.91	3.94 ^{5/}	3.08	42.41	8.93	163	35 ^{6/}	74	7.78	571	88	11.42
1966:												
March	20.74	3.91	3.08	41.10	10.41	162	54	80	8.31	572	83	11.71
June	20.73	3.91	3.09	41.36	11.64 ^{7/}	175 ^{8/}	115	78	8.94	581	86	12.42
Sept.	20.62	3.92	3.10	41.32	11.11	175	116	75	8.62	546	84	13.33
Dec.	20.35	3.92	3.09	41.72	9.61	171	143	74	8.15	455	77	13.67
Discount ^{2/}	-2% ^{10/}	.5%	1%	4%	22%	31%	34%	39%	42%	47%	55%	65%
79%												

^{1/} Monthly average selling rate. ^{2/} Approximately the end of the month. Devaluation March 23, 1963, changed exchange rate from 20 to 45 afghanis per U. S. dollar. Bazaar rate in Kabul. ^{3/} Rate on December 31, 1966. Quasi-official rate in Indonesia. ^{4/} Devaluation January 1, 1964, changed exchange rate from 80 kips to 240 kips per U. S. dollar. ^{5/} Devaluation November 5, 1965, changed exchange rate from 2 pesos to 3.90 pesos per U. S. dollar. ^{6/} In December 1965, a new rupiah equal to 1,000 old rupiah was introduced. The rate of the dollar represents 95 rupiah to quasi-official rate established in early 1967. ^{7/} Devaluation June 6, 1966, changed exchange rate from 4.7619 rupees to 7.5 rupees per U. S. dollar. ^{8/} Devaluation June 19, 1966, changed exchange rate from 60 piasters to 118 piasters per U. S. dollar. ^{9/} From official rate. ^{10/} Negative sign indicates percentage premiums for the currency.

n. a. = not available.

SOURCE: Reports of the U. S. Consulate General in Hong Kong on open market exchange rates.

Slightly Poorer Trade Performance Widens Trade Deficit

The overall Asian trade performance, excluding Japan, was not quite as good in 1966 as in 1965. As indicated in Table 4, exports rose only 4 per cent as against 5 per cent a year earlier, and imports increased 6 per cent in contrast to a 5 per cent rise in 1965. As a result, the trade deficit widened from \$3.2 billion in 1965 to \$3.5 billion in 1966.

The low overall rate of export growth is an average of some very striking export increases and some equally striking declines. As indicated in Table 4, the countries with the highest export growth rates in 1966 were Korea (43 per cent), Taiwan (19 per cent), Japan (16 per cent), Hong Kong (16 per cent), Pakistan (14 per cent) and Thailand (9 per cent). It is interesting to note that in 1965 Japan had only about half the volume of exports as the rest of Asia, but by 1966 Japanese exports exceeded for the first time all other Asian exports.

The countries with sharp declines in exports included Cambodia (31 per cent), Burma (14 per cent), Indonesia (14 per cent) and Ceylon (13 per cent).

Burma's exports have been declining steadily for four years, and imports were off 36 per cent last year. A substantial part of Burma's problem related to the low price for rice paid by the government rice-buying monopoly, which has had the effect of discouraging rice production. Cambodian exports fell 31 per cent last year, partly for the same reason as in Burma--low government procurement prices for rice--and also because of possible smuggling of rice to the Viet Cong. Ceylonese exports fell 13 per cent last year, partly because of declines in both the prices and volume of tea and rubber exports. Imports rose 37 per cent, however, as foreign aid donor countries extended about \$50 million in new assistance. Indian imports declined substantially in the second half of last year, mainly reflecting the June devaluation of the rupee. However, the devaluation did not produce the anticipated rise in exports, probably because of the impact of higher export taxes on a number of items. Korea is an example of a country where devaluation has helped boost exports. Since the adoption of a more realistic exchange rate in 1964, Korean exports have expanded more rapidly than those of any other Asian country. Korea has leapfrogged from 17th to 12th place in the export ranking of Asian countries in terms of the dollar value of exports.

Table 4. Asia: Exports and Imports by Country
(In millions of U. S. dollars)

	1966-65						1965		1966	
	1960	1961	1962	1963	1964	1965	1966	% change	Jan.- June	July- Dec.
<u>Afghanistan</u> ^{1/}										
Exports	50	53	59	69	71	70	74 ^E	+ 6%	36	38
Imports	49	49	59	60	67	57	58 ^E	+ 2%	25	21
Balance	1	4	0	9	4	13	16 ^E		11	17
									5	n.a.
<u>Brunei</u>										
Exports	88	78	65	60	61	65	72 ^E	+ 11%	31	34
Imports	22	19	16	21	31	36	54 ^E	+ 50%	17	19
Balance	66	59	49	39	30	29	18 ^E		14	15
									9	n.a.
<u>Burma</u>										
Exports	226	222	265	271	239	224	193	- 14%	114	110
Imports	260	216	219	234	272	247	159	- 36%	126	121
Balance	- 34	6	46	37	- 33	- 23	34		- 12	- 11
									32	2
<u>Cambodia</u>										
Exports	70	63	54	89	88	105	72 ^E	- 31%	56	49
Imports	95	97	102	107	82	103	109 ^E	+ 6%	48	55
Balance	- 25	- 34	- 48	- 18	6	2	- 37 ^E		8	- 6
									- 32	- 5 ^E
<u>Ceylon</u>										
Exports	385	364	380	363	394	409	357	- 13%	199	210
Imports	412	358	349	313	415	310	426	+ 37%	167	143
Balance	- 27	6	31	50	- 21	99	- 69		32	67
									194	163
<u>Hong Kong</u>										
Exports	689	688	768	873	1,012	1,143	1,324	+ 16%	547	596
Imports	1,026	1,045	1,165	1,297	1,496	1,569	1,767	+ 13%	786	783
Balance	- 337	- 357	- 397	- 424	- 484	- 426	- 443		- 239	- 187
									- 209	- 234
<u>India</u>										
Exports	1,331	1,387	1,403	1,631	1,749	1,687	1,608	- 5%	817	870
Imports	2,327	2,277	2,361	2,477	2,876	2,907	2,747	- 6%	1,434	1,473
Balance	- 996	- 890	- 958	- 846	- 1,127	- 1,220	- 1,139		- 617	- 603
									824	784
									1,476	1,271
									- 652	- 487

Table 4. (cont.)

	1966 - 65						1966		1965		1966	
	1960	1961	1962	1963	1964	1965	1966	% change	Jan.- June	July- Dec.	Jan.- June	July- Dec.
<u>Indonesia</u>												
Exports	840	784	682	696	739	700 ^E	600 ^E	- 14%	363 ^E	337	336	264 ^E
Imports	574	794	647	502	621	675 ^E	550 ^E	- 19%	338 ^E	337	244	306 ^E
Balance	266	- 10	35	194	118	25	50 ^E		25 ^E	0	92	- 42 ^E
<u>Korea</u>												
Exports	33	41	55	87	119	175	250	+ 43%	71	104	117	133
Imports	344	316	422	560	404	463	737	+ 59%	195	255	300	437
Balance	- 311	- 275	- 367	- 473	- 285	- 288	- 487		- 124	- 151	- 183	- 304
<u>Laos</u>												
Exports	1	1	1	1	1	1	1 ^E	0	.5	.5	.5	.5
Imports	13	17	24	29	25	33	43	+ 30%	16	17	20	23
Balance	- 12	- 16	- 23	- 28	- 24	- 32	- 42		- 15	- 16	- 19	- 22
<u>Malaysia</u>												
Exports	1,189	1,060	1,068	1,096	1,105	1,236	1,270 ^E	+ 3%	586	650	605	665 ^E
Imports	905	924	1,008	1,058	1,047	1,096	1,102 ^E	+ 1%	540	556	533	569 ^E
Balance	284	136	60	38	58	140	168 ^E		46	94	72	96 ^E
<u>Pakistan</u>												
Exports	393	400	423	462	493	528	601	+ 14%	261	267	304	297
Imports	654	642	738	889	998	1,043	900	- 14%	578	465	419	481
Balance	- 261	- 242	- 315	- 427	- 505	- 515	- 299		- 317	- 198	- 115	- 184
<u>Philippines</u>												
Exports	560	500	556	727	742	768	831	+ 8%	362	406	431	400
Imports	663	678	655	687	868	894	942	+ 5%	433	461	432	510
Balance	- 103	- 178	- 99	- 40	- 126	- 126	- 111		- 71	- 55	- 1	- 110
<u>Singapore</u>												
Exports	1,136	1,081	1,116	1,135	903	981	1,102	+ 12%	470	511	532	570
Imports	1,332	1,295	1,318	1,398	1,136	1,244	1,328	+ 7%	618	626	647	681
Balance	- 196	- 214	- 202	- 263	- 233	- 263	- 226		- 148	- 115	- 115	- 111
<u>Taiwan</u>												
Exports	164	196	218	332	433	450	536	+ 19%	229	221	249	287
Imports	297	322	304	362	428	556	622	+ 12%	258	298	281	341
Balance	- 133	- 126	- 86	- 30	5	- 106	- 86		- 29	- 77	- 32	- 54

Table 4. (cont.)

	1966 - 65					1965			1966			
	1960	1961	1962	1963	1964	1965	1966	% change	Jan.- June	July- Dec.	Jan.- June	July- Dec.
<u>Thailand</u>												
Exports	408	477	458	466	593	622	675P	+ 9%	301	321	379	296P
Imports	453	485	546	610	680	772	1,063P	+ 38%	362	410	513	550P
Balance	- 45	- 8	- 88	- 144	- 87	- 150	- 388P		- 61	- 89	- 134	- 254P
<u>Vietnam</u>												
Exports	86	71	57	77	48	35	22E	- 37%	17	18	11E	11E
Imports	240	255	265	286	298	370	480E	+ 30%	170	200	194E	286E
Balance	- 154	- 184	- 208	- 209	- 250	- 335	- 458		- 153	- 182	- 183E	- 275E
<u>SUBTOTAL</u>												
Exports	7,649	7,466	7,628	8,435	8,790	9,199E	9,588E	+ 4%	4,461E	4,743	4,771E	n.a.
Imports	9,666	9,789	10,198	10,890	11,744	12,375E	13,087E	+ 6%	6,111E	6,240	6,250E	n.a.
Balance	-2,017	-2,323	-2,570	-2,455	-2,954	-3,176E	-3,499E		-1,650E	-1,497	-1,479	n.a.
<u>Japan</u>												
Exports	4,055	4,236	4,917	5,453	6,674	8,452	9,777	+ 16%	3,930	4,522	4,433	5,344
Imports	4,491	5,811	5,637	6,737	7,938	8,170	9,523	+ 17%	4,146	4,024	4,634	4,889
Balance	- 436	-1,575	- 720	-1,284	-1,264	- 282	- 254		- 216	498	- 201	455
<u>GRAND TOTAL</u>												
Exports	11,704	11,702	12,545	13,888	15,464	17,651	19,365E	+ 10%	8,391E	9,265	9,204E	n.a.
Imports	14,157	15,600	15,835	17,627	19,682	20,545	22,610E	+ 10%	10,257E	10,264	10,884E	n.a.
Balance	-2,453	-3,898	-3,290	-3,739	-4,218	-2,894	-3,245E		-1,866E	- 999	-1,680E	n.a.

E = Estimate.

P = Preliminary.

1/ Year beginning March 22; months ending approximately the 21st.

NOTE: Exports are f.o.b.; imports c.i.f.

SOURCES: International Financial Statistics, International Monetary Fund, Washington, D. C., and Economic Bulletin for Asia and the Far East, United Nations, New York.

Export Price Trends

The prices of seven of the ten major commodities exported by Asian countries reached the highest level in five years in 1965. (See Table 5). Three of these, jute, burlap and rice, continued to rise in 1966, but the price rise was reversed for copra, coconut oil, tea and tin. Sugar, hemp and rubber prices continued the decline which had begun several years earlier. However, the Philippines profited from higher sugar prices since all of the Philippines' sugar exports go to the United States, where prices rose in spite of a decline in the world market price of sugar.

Major rubber exporters, such as Malaysia and Ceylon, were able to increase their foreign exchange earnings from rubber exports last year, despite a moderate decline in rubber prices.

Rice export prices were generally higher last year because of lower rice production in many countries. Decreased output was due mainly to adverse weather conditions, and pricing policies which were not conducive to increased production. Because of higher prices, Thailand increased its earnings from rice exports even though the volume exported was lower. Taiwan had a sharp drop in the volume of its rice exports, but thanks to higher prices, earnings from rice were down only \$11 million. In Burma there was a sharp drop in both the value and volume of rice exports, mainly because of lower domestic production.

Adverse weather conditions in India and Pakistan contributed to lower jute production and an 11 per cent rise in jute prices in 1966. This price rise helped Pakistan maintain its earnings from jute exports in 1966 at about the same level as a year earlier, despite a drop in the volume of jute exports. Higher prices for burlap helped India reduce the rate of decline in its export earnings from burlap as export volume dropped substantially.

Fluctuations in export prices can both stimulate and depress export earnings, but they are clearly not the sole determinants of how well any given country performs. For example, Taiwan's earnings from sugar exports plummeted from \$128 million to about \$50 million from 1964 to 1966, as the price of sugar declined by half. In spite of this decline in the value of the country's largest single export, total export earnings rose 24 per cent between 1964 and 1966, as Taiwan benefited from substantial export diversification. Malaysia has been able to increase the volume of rubber exports quite substantially in recent years, offsetting lower prices. Malaysia also benefited from sharply rising tin prices during much of the time rubber prices were falling.

Table 5. Prices of Selected Asian Exports
(In U.S. dollars per unit)

	1960	1961	1962	1963	1964	1965	1966	I	II	III	IV	Per Cent		
												1965	1966	
<u>Jute-Short ton</u>														
Pakistani (N.Y.)	365	464	353	309	346	347	384	385	386	374	374	0	+11	+11
<u>Burlap-100 yards</u>														
Indian (Calcutta)	10.61	12.12	12.01	10.57	10.18	12.50	14.37 ^E	14.26	14.48	13.58	14.39	+23	+15	+15
<u>Sugar-100 pounds</u>														
Philippines (Manila)	5.31	5.57	5.64	7.32	5.85	5.42	5.94	5.72	5.85	6.05	6.17	-7	+10	+10
Caribbean (N.Y. for exp)	3.10	2.91	2.98	8.50	5.89	2.12	1.92	2.29	1.97	1.68	1.49	-64	-9	-9
<u>Rice-100 pounds</u>														
Burmese(Rangoon)	4.04	4.12	4.16	4.29	4.56	4.70	n.a.	4.70	4.70	4.70	n.a.	+3	n.a.	n.a.
Thai(Bangkok)	5.60	6.12	6.92	6.52	6.00	6.15	7.23	6.87	7.25	7.59	7.21	+3	+18	+18
<u>Copra-100 pounds</u>														
Phil. (Manila)	8.17	6.39	6.24	6.99	7.24	8.15	6.46	7.21	6.21	6.18	6.26	+13	-21	-21
Ceylonese(Colombo)	9.51	7.33	7.35	8.50	8.57	10.71	9.48	10.60	10.22	8.67	8.41	+25	-11	-11
<u>Coconut Oil-100 pounds</u>														
Phil. (Manila)	14.33	11.10	10.12	11.46	12.41	14.21	11.40	12.87	11.01	10.70	10.93	+15	-20	-20
Ceylonese(Colombo)	12.67	9.92	9.72	11.36	12.14	14.95	12.57	14.06	13.45	12.14	10.64	+23	-16	-16
<u>Hemp-100 pounds</u>														
Phil. (Manila)	19.41	15.77	12.05	12.15	13.23	11.92	9.52	9.98	9.76	9.32	9.02	-10	-20	-20
<u>Tea-100 pounds</u>														
Ceylon-Indian(N.Y.)	58.40	48.80	51.70	53.10	53.00	54.00	48.20	52.00	48.77	46.80	45.30	+2	-11	-11
Ceylonese(Colombo)	51.28	49.29	48.49	46.14	46.39	47.76	43.35	48.47	41.90	41.55	41.49	+3	-9	-9
<u>Rubber-100 pounds</u>														
Malaysian(Sing.)	35.31	27.29	25.56	23.66	22.26	22.90	21.35	22.91	21.96	20.46	20.22	+3	-7	-7
Ceylonese(Colombo)	34.23	25.83	23.94	22.26	20.71	21.44	20.16	21.84	20.79	19.25	18.76	+4	-6	-6
<u>Tin-100 pounds</u>														
Malaysian(Sing.)	96.5	110.0	109.7	111.6	151.8	172.2	158.4	170.5	161.9	151.7	148.8	+13	-8	-8

Note: Annual and quarterly data are averages. Monthly data vary, e.g. mid-month, or end-of-month, or monthly averages.
E= Estimated.

Source: International Financial Statistics, International Monetary Fund, Washington.

U. S. Trade with Asia

U. S. exports to Asia, including Japan, rose 10 per cent in 1966, which was only slightly less than the increase in global U. S. exports. (See Table 6). Our sales to Japan rose 14 per cent, while our exports to the rest of Asia went up by 7 per cent. This reflects the fact that Japan's total imports rose more rapidly than those of the rest of Asia. Despite these export gains, our share of the Asian market, including Japan, did not increase in 1966. As indicated in Table 7, the U. S. share of the Asian market rose moderately between 1962 and 1964 from 26.6 per cent to 27.8 per cent. In 1965 our share fell back to 27.0 per cent and preliminary data indicate a further easing to 26.6 per cent in 1966.

These data are based mainly on U. S. commercial trade and there are indications that when the U. S. "Special Category" exports (i.e., military-related commodities) are included, the decline in the U. S. share of the Asian market in 1965 and 1966 was less. Unfortunately there are substantial discontinuities in the country data on Special Category commodities, rendering it difficult to make market-share comparisons. Consequently, the data compiled by the U. S. Department of Commerce from official country sources have been used in Table 7 in order to make comparisons in the commercial area.

The countries besides Japan which have taken significantly increased amounts of U. S. exports in recent years are Hong Kong, Korea, Vietnam and Thailand. Our exports to those four countries rose 32 per cent in 1966 to a total of over \$1 billion. This was mainly the result of a surge in the total imports of these countries, rather than the result of an increase in our market share. Complete data are not yet available, but the partial data in Table 7 indicate that our market share in these four countries declined very slightly in 1965, and also declined for three of the four countries in 1966. Military-related exports to Thailand, however, rose sharply in 1966 and this resulted in a sharp increase in our market share there. (Thailand includes in its import data military-related goods. If military-related imports are excluded, then the U. S. share rose from 15.5 per cent to 16.6 per cent comparing the first nine months of 1965 with the same period in 1966.) There was no increase in U. S. aid disbursements to Korea in 1966, so our aid was not a factor in the rise in our sales to Korea. However, Korea did profit to some extent from increased demand for goods and services associated with the defense of Southeast Asia. It is nevertheless important to note that direct sales to Vietnam were not a factor in Korea's sensational export rise last year. Korea increased her exports to the United States by 58 per cent, but her small exports to Vietnam actually declined slightly.

Table 6. U. S.-Asian Trade
(In millions of U. S. dollars)

	<u>1961</u>	<u>1962</u>	<u>1963</u>	(old <u>1/</u> basis) <u>1964</u>	(new <u>2/</u> basis) <u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1965/</u> <u>1964</u>	<u>1966/</u> <u>1965</u>
<u>Afghanistan</u>									
U.S. Exports	18.0	6.0	13.3	15.9	15.9	13.8	13.7	- 13%	- 1%
U.S. Imports	<u>12.0</u>	<u>14.4</u>	<u>15.8</u>	<u>10.2</u>	<u>10.1</u>	<u>12.0</u>	<u>13.8</u>	+ 19%	+ 15%
Balance	6.0	- 8.4	- 2.5	5.7	5.8	1.8	- 0.1		
<u>Burma</u>									
U.S. Exports	7.2	7.2	11.8	16.4	16.4	13.6	23.6	- 17%	+ 74%
U.S. Imports	<u>1.2</u>	<u>1.2</u>	<u>1.1</u>	<u>0.8</u>	<u>0.8</u>	<u>1.3</u>	<u>2.8</u>	+ 63%	+115%
Balance	6.0	6.0	10.7	15.6	15.6	12.3	20.8		
<u>Cambodia</u>									
U.S. Exports	10.8	10.8	9.1	2.6	2.8	1.7	1.8	- 39%	+ 6%
U.S. Imports	<u>2.4</u>	<u>4.8</u>	<u>6.2</u>	<u>4.4</u>	<u>4.4</u>	<u>2.1</u>	<u>1.2</u>	- 52%	- 43%
Balance	8.4	6.0	2.9	- 1.8	- 1.6	- 0.4	0.6		
<u>Ceylon</u>									
U.S. Exports	14.4	13.2	13.5	9.4	9.4	10.0	16.0	+ 6%	+ 60%
U.S. Imports	<u>31.2</u>	<u>33.6</u>	<u>34.6</u>	<u>36.5</u>	<u>36.5</u>	<u>33.4</u>	<u>32.6</u>	- 8%	- 2%
Balance	- 16.8	- 20.4	- 21.1	- 27.1	- 27.1	- 23.4	- 16.6		
<u>Hong Kong</u>									
U.S. Exports	127.8	127.2	145.8	188.2	191.0	191.3	228.6	nil	+ 19%
U.S. Imports	<u>122.4</u>	<u>171.6</u>	<u>192.8</u>	<u>250.2</u>	<u>250.2</u>	<u>343.5</u>	<u>415.9</u>	+ 37%	+ 21%
Balance	5.4	- 44.4	- 47.0	- 62.0	- 59.2	-152.2	-187.3		
<u>India</u>									
U.S. Exports	482.5	669.6	816.7	955.0	955.0	928.0	929.3	- 5%	nil
U.S. Imports	<u>252.0</u>	<u>255.6</u>	<u>294.5</u>	<u>304.5</u>	<u>304.5</u>	<u>348.1</u>	<u>327.0</u>	+ 14%	6%
Balance	230.5	414.0	522.2	650.5	650.5	579.9	602.3		
<u>Indonesia</u>									
U.S. Exports	134.1	188.8	109.2	68.1	73.5	41.6	59.9	- 43%	+ 44%
U.S. Imports	<u>163.2</u>	<u>134.4</u>	<u>113.3</u>	<u>169.7</u>	<u>169.7</u>	<u>165.2</u>	<u>179.0</u>	- 3%	+ 8%
Balance	- 29.1	54.4	- 4.1	-101.6	- 96.2	-123.6	-119.1		
<u>Korea</u>									
U.S. Exports	162.4	214.8	238.0	199.7	250.4	273.7	339.4	+ 9%	+ 24%
U.S. Imports	<u>7.2</u>	<u>10.8</u>	<u>23.3</u>	<u>30.9</u>	<u>30.9</u>	<u>53.9</u>	<u>85.4</u>	+ 74%	+ 58%
Balance	155.2	204.0	214.7	168.8	219.5	219.8	254.0		
<u>Laos</u>									
U.S. Exports	2.4	3.6	6.3	7.4	7.4	8.6	9.2	+ 16%	+ 7%
U.S. Imports	<u>nil</u>	<u>nil</u>	<u>nil</u>	<u>0.2</u>	<u>0.2</u>	<u>0.4</u>	<u>1.2</u>	+100%	+200%
Balance	2.4	3.6	6.3	7.2	7.2	8.2	8.0		

1/ Excludes "Special Category" (i.e., military-related) exports.

2/ Includes "Special Category" (i.e., military-related) exports for certain countries.

Table 6 (cont.)

	1961	1962	1963	(old basis) 1964	(new basis) 1964	1965	1966	1965/ 1964	1966/ 1965
<u>Malaysia^{1/}</u>									
U.S. Exports	22.8	32.4	29.5	77.0	79.1	91.1	45.7	+ 15%	- 50%
U.S. Imports	148.8	187.2	178.0	159.1	161.1	211.9	176.7	+ 32%	- 17%
Balance	-126.0	-154.8	-148.5	- 82.1	- 82.0	-120.8	-131.0		
<u>Pakistan</u>									
U.S. Exports	195.3	284.4	387.9	376.0	376.0	335.9	238.7	- 11%	- 29%
U.S. Imports	37.2	42.0	45.6	39.5	40.0	44.8	67.8	+ 12%	+ 51%
Balance	158.1	242.4	342.3	336.5	336.0	291.1	170.9		
<u>Philippines</u>									
U.S. Exports	332.9	268.8	322.9	361.5	372.0	348.5	348.0	- 6%	nil
U.S. Imports	316.8	327.6	356.9	387.2	387.2	369.1	397.6	- 5%	+ 8%
Balance	16.1	- 58.8	- 34.0	- 25.7	- 15.2	- 20.6	- 49.6		
<u>Singapore</u>									
U.S. Exports	46.8	51.6	52.5	2/	2/	2/	50.7	n.a.	n.a.
U.S. Imports	14.4	14.4	10.2	2/	2/	2/	15.2	n.a.	n.a.
Balance	32.4	37.2	42.3	2/	2/	2/	35.5		
<u>Taiwan</u>									
U.S. Exports	135.6	132.0	137.3	145.8	233.9	233.5	237.1	nil	+ 2%
U.S. Imports	43.2	56.4	55.2	77.9	78.0	93.2	116.9	+ 19%	+ 25%
Balance	92.4	76.6	82.1	67.9	155.9	140.3	120.2		
<u>Thailand</u>									
U.S. Exports	62.6	70.8	96.0	83.1	83.1	107.2	127.9	+ 29%	+ 19%
U.S. Imports	37.3	39.6	39.2	24.7	24.7	41.4	76.3	+ 68%	+ 84%
Balance	25.3	31.2	56.8	58.4	58.4	65.8	51.6		
<u>Vietnam</u>									
U.S. Exports	67.2	104.4	115.3	133.8	133.8	190.8	311.4	+ 43%	+ 63%
U.S. Imports	4.8	3.6	2.4	2.3	2.3	2.7	2.2	+ 17%	- 19%
Balance	62.4	100.8	112.9	131.5	131.5	188.1	309.2		
<u>SUBTOTAL</u>									
U.S. Exports	1,822.8	2,115.6	2,505.1	2,639.9	2,799.7	2,789.3	2,981.0	nil	+ 7%
U.S. Imports	1,194.0	1,297.2	1,369.1	1,498.1	1,500.6	1,723.0	1,911.6	+ 15%	+ 11%
Balance	628.8	818.4	1,136.0	1,141.8	1,299.1	1,066.3	1,069.4		
<u>Japan</u>									
U.S. Exports	1,739.9	1,414.8	1,714.2	1,912.6	2,009.4	2,080.2	2,365.1	+ 4%	+ 14%
U.S. Imports	1,054.8	1,357.2	1,498.1	1,768.5	1,768.0	2,413.9	2,964.5	+ 37%	+ 23%
Balance	685.1	57.6	216.1	144.1	241.4	-333.7	-599.4		
<u>TOTAL</u>									
U.S. Exports	3,562.7	3,530.4	4,219.3	4,552.5	4,809.1	4,869.5	5,346.1	+ 1%	+ 10%
U.S. Imports	2,248.8	2,654.4	2,867.2	3,266.6	3,268.6	4,136.9	4,876.1	+ 27%	+ 18%
Balance	1,313.9	876.0	1,352.1	1,285.9	1,540.5	732.6	470.0		

^{1/} Includes Singapore until 1966; Federation of Malaya prior to 1964.

^{2/} Included in Malaysian data.

SOURCES: Export Trade by Country and Import Trade by Country, Bureau of the Census, U. S. Department of Commerce.

Table 7. The United States' Share of Asian Imports: Selected Countries
(In millions of U. S. dollars)

Country	1962		1963		1964		1965		1966	
	Total Imports	From U. S. U.S. Share	Total Imports	From U. S. U.S. Share	Total Imports	From U. S. U.S. Share	Total Imports	From U. S. U.S. Share	Total Imports	From U. S. U.S. Share
Japan	5,637	1,809 32.1%	6,737	2,078 30.8%	7,938	2,337 29.4%	8,170	2,366 29.0%	9,523	2,658 27.9%
Group A										
Hong Kong	1,165	139 11.9%	1,297	137 10.6%	1,496	172 11.5%	1,569	174 11.1%	1,767	191 10.8%
Korea	422	220 52.1%	560	284 50.7%	404	202 50.0%	463	182 39.3%	737	274 37.2%
Vietnam	262	97 37.0%	286	107 37.4%	298	126 42.4%	357	162 45.3%	158 ^{1/2}	62 ^{1/2} 39.1% ^{1/2}
Thailand	546	94 17.2%	602	104 17.3%	685	111 16.1%	732	141 19.3%	808 ^{2/2}	281 ^{2/2} 34.7% ^{2/2}
Sub-total	2,395	550 23.0%	2,745	632 23.0%	2,883	611 21.2%	3,121	659 21.1%	3,470 ^{3/3}	802 ^{3/3} 23.3% ^{3/3}
Group B										
India	2,231	623 27.9%	2,435	821 33.7%	2,715	1,029 37.9%	2,890	1,047 36.2%	2,341 ^{4/4}	881 ^{4/4} 37.6% ^{4/4}
Philippines	587	253 43.1%	687	282 41.0%	868	347 40.0%	895	312 34.8%	936	323 34.5%
Pakistan	738	280 38.1%	889	386 43.4%	997	415 41.6%	1,043	365 35.0%	898	266 29.6%
Taiwan	304	115 37.8%	362	151 41.6%	428	139 32.5%	556	177 31.8%	622	167 26.8%
Sub-total	3,860	1,271 32.9%	4,373	1,649 37.5%	5,008	1,930 38.5%	5,384	1,901 35.3%	4,797 ^{3/3}	1,637 ^{3/3} 34.1% ^{3/3}
Other Asia ^{5/}	2,239	124 5.5%	2,303	132 5.7%	2,164	127 5.9%	1,904	95 5.0%	1,726 ^{5/5}	80 ^{5/5} 4.6% ^{5/5}
Total Asia	14,131	3,754 26.6%	16,158	4,482 27.7%	17,993	5,005 27.8%	18,579	5,021 27.0%	19,516 ^{3/3}	5,183 ^{3/3} 26.6% ^{3/3}

1/ January-May. ^{3/} Partial data for some countries.

2/ January-September. ^{4/} January-October.

5/ Includes Burma, Cambodia, Ceylon, Malaysia and Singapore (with data on Singapore only 1965-66). Data for Burma for 1966 are not available. Data for Cambodia and Ceylon for 1966 are through August and September, respectively.

SOURCES: Market Indicators for Asia and Oceania, U. S. Dept. of Commerce, June 1964; and International Commerce, U. S. Dept. of Commerce.

NOTE: The data on imports from the U. S. in Table 7 differ from those in Table 6, not only because the data in Table 7 are on a c.i.f. rather than f.o.b. basis, but also because the data in Table 6 include for about half of the Asian countries the "Special Category" (military-related) imports. With the main exception of Thailand, most of the data in Table 7 exclude the military-related imports.

There are four other major customers of the United States in Asia--India, the Philippines, Pakistan and Taiwan. We did not significantly increase our exports to any of these countries in 1966, and our exports to Pakistan fell sharply. This decline was unquestionably due in part to lower aid disbursements in each of these countries, especially India and Pakistan where aid was held up as a consequence of the September 1965 conflict between these two countries. Non-military aid is being phased out in Taiwan, and disbursements in 1966 were only \$31 million, compared with a high of \$119 million in 1961. All told, aid disbursements to these four countries in 1966 fell \$276 million to a level of \$1,015 million. Our exports to the same countries declined by \$93 million to the level of \$1,753 million.

Our market share in these four countries combined, declined by about one percentage point in 1966, but this will very likely be altered by customary late revisions in Indian import totals. On the basis of available data, imports from the U. S. by these countries in 1966 were equal to 34.1 per cent of their total imports. The percentage was 38.5 per cent in 1964, but it suffered a sharp decline to 35.3 per cent in 1965 when Pakistan and Taiwan increased total imports sharply without increasing purchases from the United States.

U. S. imports from Asia, including Japan, rose 18 per cent last year, which was about the same as the rise in our total imports, but as was true of exports, the increase from Japan was much larger than the increase from the rest of the area. Our imports from Japan rose 23 per cent, while we bought only 11 per cent more from the other Asian countries. In both cases, the rise was substantially below the rate of increase in 1965, when we increased our purchases from the entire area by 27 per cent. The countries from which we bought \$100 million or more worth of goods in 1966 were Japan, Hong Kong, the Philippines, India, Indonesia, Malaysia and Taiwan, in that order. Of these countries, Japan, Hong Kong and Taiwan have made steady and impressive gains in their sales to us in recent years. Our combined imports from these three countries have doubled in the last three years.

Reserves and Reserve Movements

Total reserves for the 15 countries listed in Table 8 amounted to \$4,017 million at the end of 1966. This was about 6 per cent of total world reserves of \$71 billion. The international reserves of the 15 countries increased \$462 million, or 13 per cent in 1966, compared with an increase of \$335 million, or 10 per cent, in 1965. During 1966, eight countries had increases in their reserves, six had decreases, and in one country there was no change. Among the eight countries, the

Table 8. International Reserves^{1/}
(In millions of U. S. dollars
at end of period)

	1960	1961	1962	1963	1964	1965	1966				Change during	
							I	II	III	IV	1965	1966
Thailand	371	454	523	576	660	739	828	876	908	924	+ 79	+185
Vietnam	216	175	153	175	141	178	186	240	281	306	+ 37	+128
Korea	157	207	169	132	136	146	158	170	200	245	+ 10	+ 99
India	670	665	512	607	498	599	626	775	657	608	+101	+ 49
Malaysia ^{2/}	471	472	531	552	586	640	645	662	666	681	+ 54	+ 41
Taiwan	117	136	114	227	297	300	295	332	345	337	+ 3	+ 37
Indonesia ^{3/}	351	139	135	51	73	66	72	84	88	89	- 7	+ 23
Philippines	127	54	75	110	123	189	189	209	219	194	+ 66	+ 5
Laos	28	24	24	13	8	7	7	7	7	7 ^{4/}	- 1	nil
Burma	122	95	154	186	215	185	166	164	184	184	- 30	- 1
Cambodia	99	107	97	94	91	105	105	105	104	104 ^{4/}	+ 14	- 1
Afghanistan ^{5/}	45 ^E	42	52	46	45	45	50	52	51	47 ^{6/}	0	- 2
Nepal	15	24	24	38	52	62	62	48	48 ^{6/}	48 ^{6/}	+ 10	- 14
Pakistan	317	277	280	308	244	221	279	283	225	200	- 23	- 21
Ceylon	101	90	85	75	51	73	65	50	51	43	+ 22	- 30
TOTAL	3,207	2,961	2,928	3,189	3,220	3,555	3,733	4,057	4,034	4,017	+335	+462

^{1/} Includes Fund gold tranche. ^{2/} Data exclude Singapore, but include foreign assets of the state governments.
^{3/} Official reserves through 1963. Federal Reserve estimates of gold and U.S. dollar holdings since 1963.
^{4/} Estimated from October 1966.
^{5/} March 21 of following year for 1961 and 1962 only.
^{6/} Estimated from June 1966.

^E = Estimate.

SOURCE: International Financial Statistics, International Monetary Fund, Washington.

reserve increases of five countries--Thailand, Vietnam, Korea, Malaysia and Taiwan--accounted for almost all of the rise. These countries, except Vietnam, also enjoyed high GNP growth rates. The remaining three countries in the group of eight are, in descending order of increase, India, Indonesia and the Philippines.

The six countries that experienced decreases in their reserves in 1966 were Ceylon, Pakistan, Nepal, Afghanistan, Cambodia and Burma. In Laos the level of reserves remained the same. In Table 8 the countries are ranked according to the size of their reserve gain or loss in 1966.

Data for 12 Asian countries, excluding Japan, indicate that in 1966 there was a decline of \$30 million, or from \$670 million to \$640 million, in the official gold holdings of these countries. Data on Indonesia, Singapore, Cambodia and Laos are not available. In 1964 and 1965, the gold holdings of these 12 countries increased \$42 and \$36 million, respectively.

The drop in gold holdings last year reflected primarily a \$38 million decline in India's holdings and a \$4 million decrease for Thailand. Taiwan and the Philippines, on the other hand, increased their holdings \$7 and \$6 million, respectively. Vietnamese holdings did not change last year according to preliminary estimates.

Several Asian countries also increased their reserve position (i.e., funds that may be drawn virtually automatically) in the IMF last year. (The data in Table 8 include individual country reserve positions.) For all Asian countries, the increase in reserve positions was \$112 million. Significant increases occurred for Japan (\$68 million), Philippines (\$23 million), Singapore (\$8 million), Malaysia (\$6 million) and Thailand (\$4 million).

Asian Countries, Except Japan, Increase Their Dollar Holdings

On the basis of U. S., bank-reported, short-term liabilities to both official and private entities in Asia, the group of Asian countries, excluding Japan, increased their gross U. S. dollar holdings about \$390 million in 1966. (See Table 9). This compares with an increase of \$315 and \$215 million in 1965 and 1964, respectively. In both 1965 and 1966, the boost in short-term dollar holdings was at the rate of 24 per cent per annum.

Partial data indicate that there was also a substantial increase in U. S., bank-reported, long-term liabilities to Asia last year. Long-term liabilities to Japan, for example, increased from \$2 million to \$189 million between the end of 1965 and the end of 1966. U. S.

Table 9. Short-term Liabilities to, and Claims on, Selected Asian Countries as Reported by Banks in the United States

	(Amounts outstanding at end of period, in millions of dollars)							P		
	D E C E M B E R									
	1960	1961	1962	1963	1964	Apr. 1965	Dec. 1965		Apr. 1966	Dec. 1966
Afghanistan	ST Liab.	9.8	3.6	5.3	5.0	5.5	6.3	5.6	8.0	9.5
Burma	ST Liab.	0.9	4.5	2.5	9.9	32.5	35.9	49.1	34.6	n.a.
Cambodia	ST Liab.	10.9	15.3	12.6	6.9	1.5	1.7	2.7	3.1	1.1
Ceylon	ST Liab.	6.9	6.5	4.9	3.1	2.4	2.7	2.4	3.3	3.2
Hong Kong	ST Liab.	57.3	55.5	65.3	66.0	95.1	97.4	113.2	119.1	141.8
	ST Cl.	9.3	9.4	13.5	11.0	28.1	24.5	28.9	32.0	30.8
India	ST Liab.	53.9	77.7	41.4	50.8	59.2	65.3	83.7	158.6	179.9
	ST Cl.	9.2	8.2	19.9	17.3	20.8	27.7	17.3	27.7	16.5
Indonesia	ST Liab.	178.2	75.6	28.5	47.8	37.6	28.3	30.6	52.4	54.4
	ST Cl.	0.2	0.3	0.4	0.3	6.8	7.2	1.8	1.7	5.9
Korea	ST Liab.	152.2	199.5	135.7	112.6	104.3	92.9	107.7	121.0	172.5
	ST Cl.	2.1	3.9	3.4	25.0	21.2	20.4	21.6	24.4	30.7
Laos	ST Liab.	5.0	4.6	14.0	8.8	5.0	5.0	3.2	5.7	n.a.
Malaysia	ST Liab.	8.1	1/	18.4	1/	22.2	1/	36.3	1/	25.9
	ST Liab.	1.2	1.0	1.1	2.1	2.0	6.2	6.8	7.2	n.a.
Pakistan	ST Liab.	10.6	10.1	15.9	17.3	23.1	24.8	19.4	21.0	49.2
Philippines	ST Liab.	202.8	185.0	174.5	208.6	233.1	252.3	303.8	313.1	286.3
	ST Cl.	18.6	114.4	70.4	113.2	202.7	211.6	231.5	2/	202.2
Singapore	ST Liab.	1/	1/	1/	1/	1/	1/	8.9	4.9	34.6
Taiwan	ST Liab.	83.7	92.0	75.2	149.2	221.4	232.3	210.6	216.6	231.6
	ST Cl.	7.3	9.9	9.3	8.0	9.0	12.6	14.5	16.4	14.1
Thailand	ST Liab.	185.8	264.4	332.7	382.1	347.8	487.9	542.4	579.6	598.3
	ST Cl.	24.0	34.1	41.5	52.3	64.0	73.0	82.1	73.1	81.0
Vietnam	ST Liab.	14.6	7.9	10.1	12.1	19.0	19.7	39.0	123.8	177.0
SUB-TOTAL	ST Liab.	981.9	1010.8	938.1	1106.4	1321.7	1385.0	1637.1	1803.2	n.a.
Japan	ST Liab.	1887.0	1590.4	3/	2195.2	2767.5	2766.3	3013.9	2959.5	2697.8
	ST Cl.	805.9	1476.0	4/	1739.9	2809.7	2826.7	2750.9	2/	2776.6
GRAND TOTAL	ST Liab.	2868.9	2601.2	3133.3	3590.2	4089.2	4151.3	4651.0	4762.7	n.a.

P = Preliminary. 1/ Singapore included with Malaysia through April 1965. 2/ The figure shown of \$231.5 million for the Philippines is comparable to earlier data. However, because of the addition of short-term claims held in custody for domestic customers, but reported by banks for the first time beginning Dec. 31, 1965, and of short-term claims reported by banks reporting for the first time, the figure has been revised to \$229.6 million. This latter figure is comparable with the data subsequent to December 1965. Similarly for Japan, a revision of the data increased the figure for Japan to \$2,768.0 million at the end of 1965. This figure is comparable with subsequent data. 3/ Excludes \$81.2 million of previously unreported liabilities which were subsequently added to the figure reported for the end of 1961. 4/ Excludes \$52 million of previously unreported claims which were subsequently added to the figure reported for the end of 1961.

long-term liabilities to Thailand, Korea and Taiwan, which were nil at the end of 1965, were \$140 million, \$20 million and \$1 million, respectively, at the end of last year. U. S. Treasury data also indicate that U. S. long-term liabilities to "Other Asia" increased from \$5 million to \$207 million last year, but these figures include liabilities to countries in the Middle East and thus include additional countries besides the 18 listed in Table 9. The country breakdown of "Other Asia" is not available.

As indicated in Table 9, the countries registering the biggest dollar gains in 1966 were Vietnam (\$139 million), India (\$96 million) and Korea (\$65 million). Thailand gained \$56 million short-term and \$140 million long-term. Japan, on the other hand, reduced its total dollar holdings by \$129 million during 1966. This represents a reversal of the previous trend for Japan, which had been one of a general rise since 1961.

The data on short-term claims are too spotty to aggregate. In many cases, the amounts involved are small, and last year the only major change in the claims data was a drop in claims on Japan of \$248 million, as Japan repaid bank debt (including bankers' acceptances) in the United States.

U. S. Net Assistance Decreased

Net U. S. disbursements of non-military assistance to Asian countries fell \$67 million in 1966 to \$1,833 million, compared to an increase of \$25 million in 1965. These data, which are detailed in Table 10, are annual disbursements of new grants, credits and other net assistance less repayment of principal, not including interest. The switch from increased disbursements in 1965 to lower disbursements in 1966 was due to the reduction of assistance to 13 of the 16 countries considered in the following table. Altogether aid to these 13 countries decreased \$297 million. Of this amount, four countries accounted for more than 60 per cent. They were, in order of the largest decrease, Pakistan, India, the Philippines and Taiwan. Aid to three countries increased \$230 million. Almost all of the increase was to Vietnam, and the remainder to Indonesia, except for a very small increase to Malaysia.

Almost 90 per cent of net aid disbursements to the 16 Asian countries in 1966 went to four countries. They were, in declining order of magnitude, India, Vietnam, Pakistan and Korea. Except for Vietnam and Laos, aid disbursements in Asia have generally been declining since 1963-64. Excluding those two countries, the peak year for Asian aid was reached in 1963, with disbursements of \$1,648 million. The total

Table 10. U. S. Net Disbursement of Economic Assistance
to Selected Asian Countries^{1/}
(In millions of U. S. dollars)

<u>Country</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966^{E/}</u>	<u>Change</u>	
								<u>1964-</u> <u>1965</u>	<u>1965-</u> <u>1966</u>
Pakistan	229	218	323	380	377	348	211	- 29	-137
India	523	372	534	740	864	849	751	- 15	- 98
Philippines	24	12	26	11	49	45	22	- 4	- 23
Taiwan	109	119	82	76	45	49	31	+ 4	- 18
Nepal	8	10	9	14	17	16	10	- 1	- 6
Afghanistan	13	30	13	33	37	34	30	- 3	- 4
Thailand	42	29	31	29	18	25	21	+ 7	- 4
Laos	33	51	30	32	39	58	55	+ 19	- 3
Cambodia	25	24	20	20	7	2	0	- 5	- 2
Burma	13	4	3	10	5	3	2	- 2	- 1
Hong Kong	5	6	3	5	<u>2/</u>	2	1	+ 2	- 1
Korea	261	230	238	240	158	165	165	+ 7	0
Malaysia ^{3/}	1	2	12	7	2	4	4	+ 2	0
Ceylon	8	10	9	5	4	4	5	0	+ 1
Indonesia	45	54	89	78	32	- 4	26	- 36	+ 30
Vietnam	<u>186</u>	<u>151</u>	<u>159</u>	<u>212</u>	<u>221</u>	<u>300</u>	<u>499</u>	<u>+ 79</u>	<u>+199</u>
TOTAL	1525	1322	1579	1892	1875	1900	1833	+ 25	- 67

^{1/} Disbursement of grants, credits and net other assistance less repayment of principal but not interest. The data exclude military assistance.

^{2/} Less than \$500,000.

^{3/} Includes Singapore.

E = Estimate.

SOURCE: Foreign Grants and Credits, U. S. Department of Commerce.

in 1966 was down to only \$1,279 million. Pakistan, Korea, Taiwan and Indonesia account for over 90 per cent of this decrease. The reduction in aid to Pakistan was associated with the Indo-Pakistan conflict. Indian aid was reduced last year also, but it reached its peak in 1964 rather than 1963. Aid to Taiwan has been phased out, and aid to Korea is being reduced, since both countries are moving to self-sustaining growth. Indonesian aid was cut out in 1965 because of the impossibility of carrying out an effective program there. It was restored last year after the change in government, but it is still on a much reduced scale.

Political decisions also resulted in the virtual elimination of aid to Cambodia and Burma. Disbursements in 1966 were only \$2 million in contrast to \$30 million in 1963. In the case of Cambodia, the elimination of \$20 million in aid (the 1963 total) appears to have cost us about \$7 million in exports for a net saving of \$13 million. Aid to Burma was \$10 million in 1963 and it has since declined to only \$2 million in 1966. This does not appear to have had any adverse impact on the sale of U. S. goods in Burma, since our exports increased from \$11.8 million in 1963 to \$23.6 million in 1966.

Prepared by:

Robert F. Emery and Henry F. Lee,
Asia, Africa and Latin America Section,
Division of International Finance.