



SEACEN CENTRE

**EXPORT PERFORMANCE OF  
THE SEACEN COUNTRIES 1970 — 1984**

**Zetı Akhtar Azız**

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The South-East Asian Central Banks (SEACEN)  
Research and Training Centre

EXPORT PERFORMANCE OF THE SEACEN COUNTRIES:1970-1984

Zeti Akhtar Aziz

Staff Papers No. 6

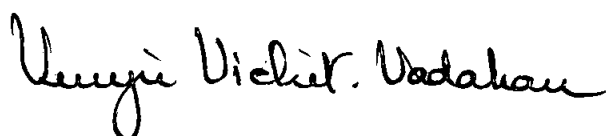
## FOREWORD

One of the major activities of the SEACEN Research and Training Centre in the pursuance of its objective of promoting closer collaboration and understanding among the SEACEN member banks is undertaking research. Thus, the research activities of the SEACEN Centre have covered various monetary, foreign exchange, fiscal and other economic issues faced by central banks and monetary authorities in the region.

The publication of this Staff Papers reflects the continuing efforts of the SEACEN Centre to achieve the above-cited objective. As suggested by its title, the studies in the Staff Papers were prepared by the professional staff of the Centre and were done mostly in connection with its other activities. More specifically, they were undertaken to serve as background papers for the seminars and meetings conducted by the Centre, as special topics in the Economic Survey on SEACEN countries prepared annually and as materials for the speaking engagements of the staff members. Hence, these studies are not the regular research projects of the Centre which are more in-depth in terms of treatment and usually cover a longer time perspective.

The views presented in these papers are those of the authors and do not necessarily reflect those of the SEACEN Centre or the member central banks and monetary authorities. It is hoped that the publication of the Staff Papers series would contribute to a better understanding of the developments and issues confronting central banks and monetary authorities in the SEACEN countries.

This sixth of a series of Staff Papers, "Export Performance of the SEACEN Countries: 1970-1984", was prepared by Dr. Zeti Akhtar Aziz and was the theme of the Economic Survey on SEACEN Countries, 1984.

A handwritten signature in black ink, reading "Vinyu Vichit-Vadakan". The script is cursive and fluid, with the first name "Vinyu" and last name "Vadakan" clearly distinguishable.

Vinyu Vichit-Vadakan  
Director  
SEACEN Research and Training Centre

## EXPORT PERFORMANCE OF THE SEACEN COUNTRIES: 1970-1984

### Introduction

The most encouraging development in 1984 for developing countries in general and for the SEACEN region in particular is the improvement in the trade balance and the reduction in the current account deficits during the period. This was largely due to the favourable export performance of the SEACEN countries as a whole, a reversal of the trend registered in the early 1980s brought about by the global recession and the slowdown in world trade.

More specifically, in the early 1980s export volumes stagnated and commodity prices comprising the major exports of the SEACEN region plunged. The effect of the recession was further accentuated by the proliferation of protectionist policies by the developed countries in view of the emergence of high rates of unemployment resulting from the recession. The wide range of import restrictions that was imposed in a number of sectors significantly impeded the growth of exports for a number of developing countries. In view of these developments, the current account position of the SEACEN countries deteriorated significantly over the period 1980-83. For the SEACEN region, the trade deficit which peaked to US\$12.5 billion in 1982 represented 20 per cent of total exports. In comparison, for developing countries as a group, the trade deficit peaked in 1981 when the deficit represented 25 per cent of total exports. This trend suggests that the effect of the recession on the trade position of the SEACEN countries was later than that for developing countries as a group.

In response to this deteriorating situation, most SEACEN countries have undertaken strong adjustment measures. These included measures aimed at improving export performance and reducing import demand. For a number of countries, while measures to

improve export performance have achieved considerable success, measures to reduce import demand has resulted in the curtailment of investment and thus, on economic growth. The import restraint during a period of weak demand for exports has resulted in severe contractionary pressures on domestic income and output. Most SEACEN countries have therefore been faced with the difficult task of attempting to combine balance of payments viability and economic growth.

With the recovery of the world economy beginning to take place in 1983 and the adjustment measures taking effect, considerable success has been achieved by the SEACEN countries as a group in reducing their external imbalance. The magnitude of deficit on the trade account in 1983 was reduced by one third as compared with the deficit in 1982, representing 13 per cent of total exports as compared to 20 per cent in 1982. For the SEACEN region in 1984, the most recent data available for the first nine months suggests that the reduction in the trade deficit for the year as a whole will be even more pronounced.

This paper aims to examine various aspects relating to the export performance of the SEACEN countries. The relative significance of the exports in the SEACEN economies and hence the extent to which these countries have been exposed to international developments will be discussed. A comparative analysis of the export structure and the major trading partners of the individual SEACEN countries were dealt with in the subsequent sections. Specifically, these sections will discuss the extent to which countries have been dependent on the export of a few major commodities as well as the extent to which the countries have relied on a few major trading partners. In both respects, the export performance has been affected by the extent the SEACEN countries have diversified their export structure and their export market. Attempts will be made to highlight common

features among the SEACEN countries while at the same time acknowledging their heterogeneous nature. This is followed by an analysis of the export growth in the recent period. The final section discusses the policy measures that have been implemented by the SEACEN countries in the recent years aimed at improving the export performance.

### Relative Significance of Exports in SEACEN Economies

An increasingly important feature of the world economy during the recent decade is the increased economic interdependence among nations. This interdependence has become particularly apparent during the recent recession as economic and financial developments in the developed countries are transmitted to the rest of the world. The rapid growth of international trade has contributed significantly to the increased interdependence of the world economy. As trade becomes an integral part of the economy of an individual country, the country becomes increasingly exposed to developments in the world economy.

The extent to which the SEACEN countries are susceptible to international developments depends to a large degree on the relative significance of the export sector in their individual economies. One measure to gauge the relative importance of the external sector of an individual country is the ratio of exports to Gross Domestic Product (GDP). For the SEACEN region as a whole, it can be observed from Table 1, that the individual countries could be grouped into three. On the one hand are those countries whose economies are relatively closed with ratios of less than 10 per cent, while at the other end of the spectrum are countries with relatively open economies with ratios exceeding 30 per cent. In between, there is the intermediate group of countries



with export-GDP ratios ranging between 10 to 30 per cent. As can be observed from Table 1, Burma and Nepal fall into the first category with ratios of 10 per cent throughout the period. It can, however, be observed that for Burma, the ratio increased after 1978 when a series of stabilisation policy measures were implemented. For Nepal, the ratio has remained low.

The intermediate group of countries with exports to GDP ratios of between 10 per cent to 30 per cent includes the Philippines, Thailand and Sri Lanka. For the Philippines, the ratio fluctuated between 14 per cent and 16.5 per cent during the period. For Thailand, the ratio has exhibited a steady increase over most of the period. In the case of Sri Lanka, the ratio showed a pronounced increase after 1977 when a number of trade liberalisation policies were

Table 1  
RATIO OF MERCHANDISE EXPORTS TO GROSS DOMESTIC PRODUCT

Country	1970-73*	1974-75	1976-78	1979-80	1981-83
Burma**	6.2	5.2	6.0	7.7	7.0
Indonesia	40.0	62.8	54.5	48.4	36.1
Malaysia	39.5	44.7	48.4	53.7	47.0
Nepal**	4.7	5.1	6.3	5.4	4.7
Philippines	15.3	16.5	14.5	15.9	14.0
Singapore	80.8	104.1	122.3	161.0	141.6
Sri Lanka	14.0	14.7	21.7	27.6	21.9
Thailand	12.8	16.7	17.9	19.5	18.1

\* Figures for Indonesia and Nepal covered the period 1971-73.

\*\* Figures are based on the financial year April 1st-March 31st for Burma and mid-July to mid-July for Nepal.

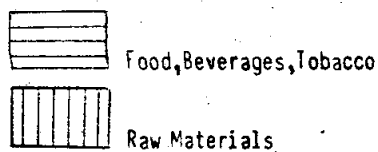
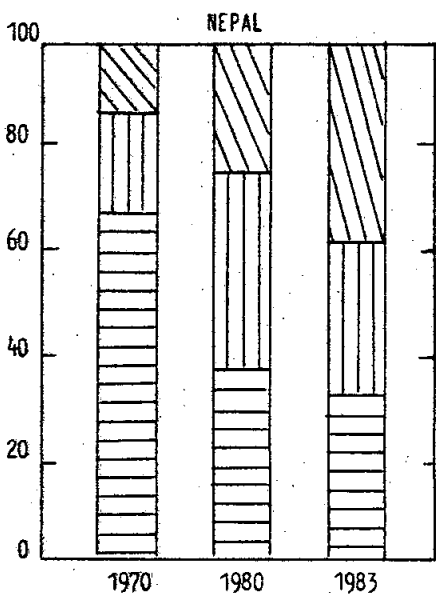
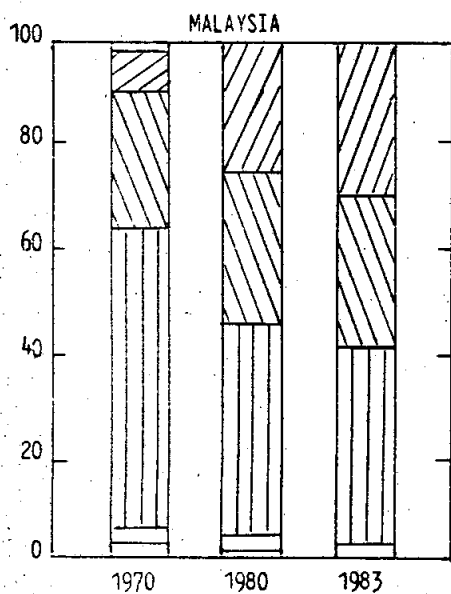
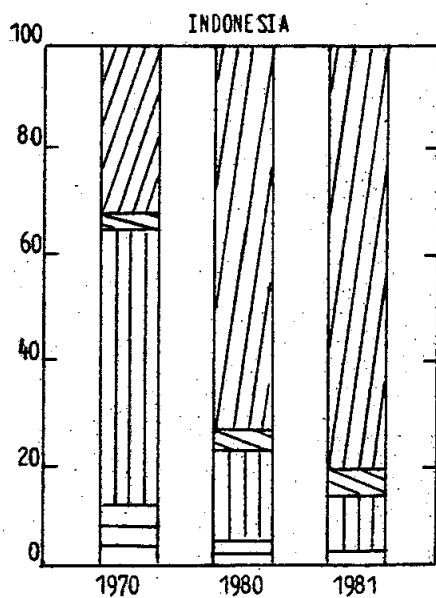
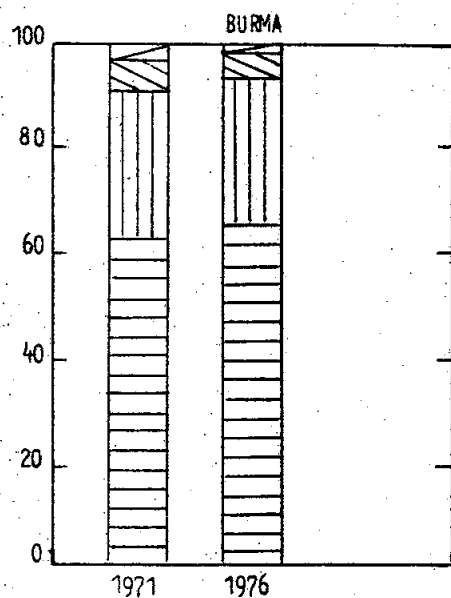
undertaken. The last group of countries includes Indonesia, Malaysia and Singapore which have ratios that exceeded 30 per cent. For Indonesia, an oil exporting country, the ratio peaked over the period 1974-75 with the rise in oil prices, declining thereafter. For Malaysia and Singapore, the ratios exhibited an increasing trend with the most pronounced increases during 1979-80. Singapore, the most open economy within the SEACEN group, had a ratio greater than 100 per cent after 1974. Despite the diverse nature of the SEACEN economies, a common trend that can be observed is the decline in the export to GDP ratio for all countries during the period 1981-83 when the external sector was particularly affected by the recession.

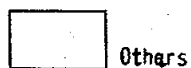
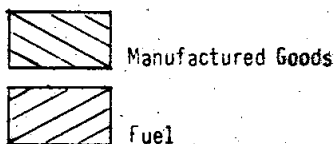
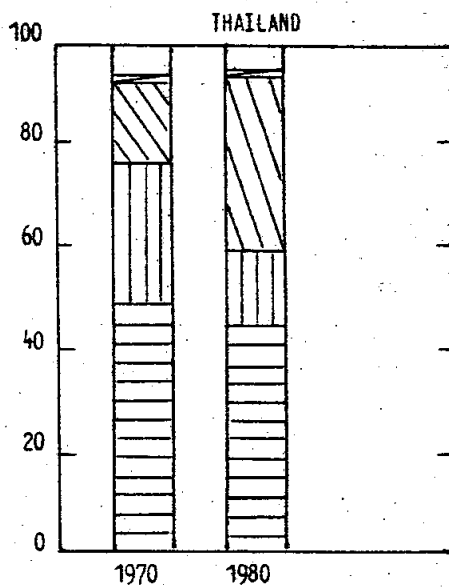
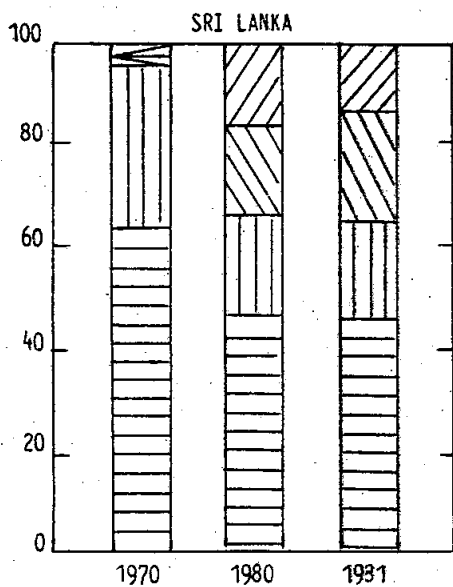
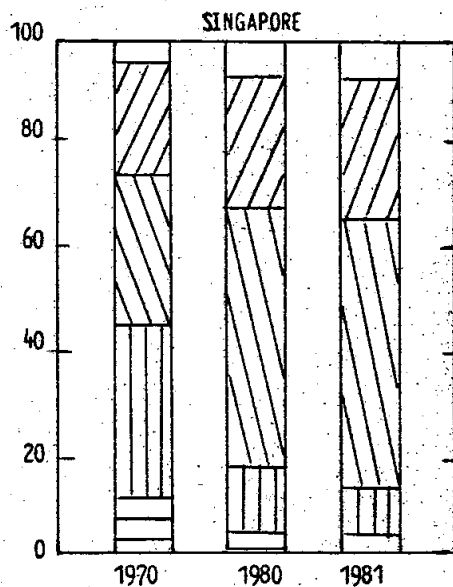
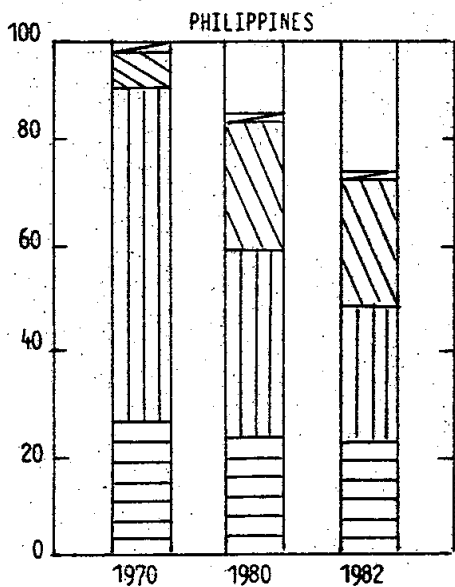
#### Export Structure of the SEACEN Countries

There has been a tendency on the part of most SEACEN countries to traditionally specialise in the export of a few major commodities. The countries dependent on only a limited number of exports have been vulnerable to oscillations in prices of their exports due to buoyant or depressed conditions in the market for these commodities.

The export structure of the SEACEN countries can be observed in Chart 1. While the export structure among countries is diverse, some common features nevertheless can be observed. The food, beverages and tobacco group is the main export for Thailand and Sri Lanka where it accounted for at least half of total exports. In Sri Lanka, while this remained the main category of exports, it has declined in importance over the decade. This category of exports is also important for the Philippines. A significant category of exports for most SEACEN countries is raw materials, although its relative importance has now declined. In

**Chart 1**  
EXPORT STRUCTURE BY COMMODITY SECTIONS





1971, the relative importance of the export of raw materials ranged from 60.1 per cent for the Philippines to 26 per cent for Singapore and Thailand. By 1980, the ratio ranged from 43 per cent for Malaysia to 14 per cent for Thailand and Singapore. The most pronounced declines can be observed for Indonesia and the Philippines.

A distinct change in the export structure of the SEACEN countries can be observed in Indonesia and the Philippines. In Indonesia, as the export of fuel gained importance after 1972, the relative importance of the export of other raw materials decreased markedly. By 1982, the export of fuel accounted for 80 per cent of total exports while the export of raw materials declined to only 10 per cent of total exports. For the Philippines, the intensive efforts to diversify the economy away from traditional commodities have resulted in a pronounced change in the pattern of its exports. Although traditional exports of raw materials remained the major foreign exchange earner, the share of non-traditional export commodities to total exports has increased significantly. In view of the volatile nature of commodity prices, the Philippine government has discouraged the export of raw or unprocessed commodities in favour of manufactured and processed goods to promote and develop the export of manufactured and semi-manufactured commodities. As a result, non-traditional exports have, over the years, consistently increased their share to total exports. Similar changes in the pattern of exports can be observed in a number of other SEACEN countries. This pattern can be observed for Singapore, Sri Lanka, Thailand and Indonesia where the share of manufacturing to total exports increased over the period. While manufacturing exports were also affected by weak demand during the recent recession, the export prices were less subjected to volatile movements as compared to commodity prices. The

principal commodity exports of the SEACEN countries are presented in Table 2.

### Direction of Trade

While the effectiveness of domestic export expansion policies is an important factor affecting the export performance of the SEACEN countries, the growth performance of their major trading partners and their trade policies have also been critical factors affecting the exports of the region. During the recent recession, weak demand from their major trading partners was a primary factor resulting in the decline in export prices and volume. For most of the SEACEN countries, the industrial countries provide a market of more than 50 per cent of their total exports. Growth in the industrial countries, or the lack of it, and the extent to which protectionist policies are applied are therefore critical factors affecting the ability of the countries in the region to earn foreign exchange.

A number of countries in the SEACEN region have therefore gone into export market diversification policies to reduce dependence on a few major trading partners. Over the period 1970-1981, several of the countries in the region experienced changes in the pattern of the direction of their trade. In 1970, the relative importance of exports to industrial countries in relation to total exports in the SEACEN countries ranged from 32 per cent for Burma to 89 per cent for the Philippines. For the remaining countries, the ratio averaged 53 per cent. By 1981, the ratio ranged from 24 per cent for Burma to 90 per cent for Indonesia. For Indonesia and Nepal, the ratio increased over the period as a greater proportion of their total exports were for the industrial countries. In contrast, the ratio declined for the Philippines and to a lesser extent for Burma.

Table 2  
PRINCIPAL COMMODITY EXPORTS  
(Per Cent of Total Exports)

Country	1970-73	1974-75	1976-78	1979-80
<b>BURMA</b>				
Rice	37.4	44.6	48.3	37.7
Teak	26.0	24.2	28.7	25.7
Pulses	8.3	5.8	4.3	4.3
Oil Cakes	7.4	4.6	2.6	2.1
<b>INDONESIA</b>				
Petroleum	48.6	71.8	68.4	68.7
Crude Petroleum	46.4	63.0	63.0	61.7
Petroleum Products	2.2	8.8	5.4	7.0
Jungle wood	14.3	8.7	9.1	10.4
Rubber	14.1	6.1	6.1	5.8
<b>MALAYSIA</b>				
Rubber	30.8	25.1	22.2	17.5
Palm oil	6.6	12.5	10.7	9.4
Tin	17.2	14.0	11.5	9.3
Logs & Timber	18.1	13.6	16.0	15.2
Petroleum	5.0	7.9	13.3	20.6
<b>NEPAL</b>				
Raw Jute	34.2	20.2	21.5	12.9
Jute goods	31.6	25.4	14.7	10.2
Hides & Skins	5.2	5.9	12.4	31.4
Carpets	1.1	2.6	5.8	10.4
Rice	5.8	4.8	12.7	5.5
<b>PHILIPPINES</b>				
Sugar	17.7	26.0	13.0	8.0
Coconut Products	20.8	21.0	23.7	18.0
Copper	16.3	11.5	8.7	9.5
Wood	22.8	10.5	9.3	9.0
<b>SINGAPORE</b>				
Petroleum Products	23.6	33.7	29.1	32.0
Rubber	18.5	12.3	11.3	8.9
<b>SRI LANKA</b>				
Tea	54.2	43.8	48.4	36.1
Rubber	18.1	18.8	16.0	15.5
Coconut Products	10.9	9.8	11.6	6.4
<b>THAILAND</b>				
Rice	16.2	16.3	15.2	14.5
Corn	11.3	12.5	6.3	5.4
Sugar	3.0	10.1	8.9	3.3
Tapioca Products	7.6	9.0	12.1	10.2
Rubber	12.2	8.9	9.0	10.4
Tin	8.5	5.6	6.7	8.6

Source: International Financial Statistics,  
Supplement on Trade Statistics Supplement  
Series No.4, International Monetary Fund, 1982

Non-oil developing countries as a group also represents an important market for exports of most of the SEACEN countries, particularly for Nepal, Burma and Singapore where at least half of their exports are directed. For Nepal, however, the relative importance of exports to non-oil developing countries has declined as attempts have been made to increase exports to the industrial countries. For Malaysia, Sri Lanka and Thailand, approximately a third of their total exports went to non-oil developing countries. For Indonesia and Philippines, the share of exports to non-oil developing countries was less significant. In the Philippines, the ratio while low relative to the other SEACEN countries, increased significantly over the period. Previously, the major partners of the Philippines have been the United States and Japan, where together they comprised approximately two-thirds of its total exports. By 1981, however, the shares of exports to both these countries were reduced to about half of total exports. This represented the attempts by the government towards market diversification in order to reduce trade reliance on only two countries. Consequently, the trade share of the Middle East countries and to other developing countries in the South East Asian region increased significantly.

### Export Growth

Over the twelve-month period July 1983 to June 1984, most SEACEN countries experienced an accelerated increase in export growth. The marked improvement can largely be attributed to the increased external demand in view of the strong economic recovery in the industrial countries as well as to the implementation and intensification of export promotion measures. As can be observed in Table 3, after registering a decelerated growth rate from 1981 to 1983, exports rose sharply during the first six months of 1984. This improvement, nevertheless, can be expected to



Table 3  
EXPORT GROWTH IN THE SEACEN REGION  
(Per Cent Change from Corresponding Period)

	1979	1980	1981	1982	1983	Jan-June 1983	Jan-June 1984 <sup>a/</sup>
Burma	65.0	13.0	15.7	-11.7	3.9	-8.3	14.5
Indonesia	33.9	40.5	1.6	0.1	-5.1	3.4	10.9
Malaysia	41.9	16.3	-3.8	3.7	16.8	12.6	21.5
Nepal	12.9	-5.5	43.1	-34.6	27.5	-3.4	37.1
Philippines	34.3	25.8	-1.1	-12.3	-0.3	-7.8	6.3
Singapore	25.7	34.0	6.8	0.4	3.8	-0.5	13.0
Sri Lanka	15.6	13.1	16.9	4.6	19.2	13.4	5.2
Thailand	30.4	23.9	14.0	4.4	-8.3	-18.4	17.0

a/ For Indonesia, the figures are based on the period five months ending May.

slow down in view of the projected deceleration in economic activity in the industrialised countries, the appreciation of the U.S. dollar and the prevailing high interest rates.

For the first nine months of 1984, industrial country imports increased sharply by 11.4 per cent after registering negative growth during the period 1981-83. For the SEACEN region as a whole, the improvement in exports to the industrial countries has primarily been on account of the expansion in import demand by the industrial countries although, to some extent, it also represented an increase in the market share. More specifically, imports by industrial countries from the SEACEN region has increased mainly due to the expansion in import demand, although the share of imports from the SEACEN region to their total imports has also increased marginally. This trend is moderate in view of the market diversification policies by a number of SEACEN countries to rely less on the industrial countries for their exports. The latest available data showed that total imports from the SEACEN region (excluding Indonesia) accounted for 2.2 per cent of total imports of the industrial countries in 1983. During this period, industrial country imports from non-oil and oil exporting developing countries accounted for 16.9 and 11.2 per cent, respectively.

The export performance of the SEACEN countries is also linked to movements in the prices of the internationally traded commodities. Prices of traditional commodity exports, particularly, have been subjected to significant and unpredictable changes. The pattern of the commodity price movements in the SEACEN countries has generally been influenced both by demand and supply factors. This is particularly true for agriculture commodity prices as agricultural products accounted for the major exports of a number of the SEACEN countries. During 1983-84, for example

the effect of increased external demand associated with world economic recovery was reinforced by limited supply of certain commodities due to adverse weather conditions. The export price movements in the region have also been accentuated by variations in the exchange rates of the various currencies used in the international commodity markets. Exporters of non-traditional exports have, however, been subjected to less export price variation. While commodity prices during the latter part of 1983 and early 1984 recorded significant increases, the prices are expected to decline during the latter half of 1984. The prices for the year 1984 are, therefore, estimated to increase by only 2 to 3 per cent over the prices in 1983. The downtrend in commodity prices during the latter half of 1984 is largely on account of the combined effect of the deceleration in demand in view of the expected slowdown in economic activity and increased supply with the improved production anticipated in a number of countries towards the latter part of 1984.

The relative significance of higher export volume as against increase in prices as contributory factors to export growth varies among the individual SEACEN countries. In Burma, Singapore, Thailand and to a lesser extent Indonesia, the change in export volume was a dominating factor in their export performance in 1983 and 1984. During the 12 months period ending June 1984, growth in export earnings was experienced despite a decline in the export price indices in Burma and Singapore, and only a moderate price rise in Thailand. In Sri Lanka and the Philippines, on the other hand, the increase in higher prices of their major export commodities was an important factor underlining their improved export performance during the first six months of 1984. For Malaysia and Nepal, the combined effect of higher export volume and prices contributed to the substantial improvement of their export earnings in 1984. This is in contrast with the situation in the Philippines and the experience of

Nepal in 1983 when export earnings declined due to lower export volume as a result of adverse weather conditions.

### Export Promotion Policies

While external demand and fluctuating international commodity prices are beyond the direct control of individual countries, the SEACEN countries have, in an attempt to improve their export performance, implemented a number of export promotion measures. Monetary and fiscal policy measures were adopted to increase the availability of export financing, to reduce export costs and to stimulate supply. A number of countries have also adjusted their exchange rates to increase the competitiveness of their exports in the international markets. While the discussion here will focus on financial and exchange rate policies, other policies implemented will also be mentioned.

For most SEACEN countries, central bank policy has been to increase access to export credit at concessionary rates. A number of measures that have been adopted included portfolio regulation to channel credit to exports, lower interest rates for export credit or interest rate subsidy and providing export refinancing facilities. In certain countries, while credit ceilings were imposed to restrict overall credit expansion, exemption was made for credit for exports. While these measures were introduced to encourage export growth, during periods when the export drive was intensified, these measures were also generally implemented as part of an overall package of policies.

Export refinancing facilities are provided by almost all central banks in the region. Rediscounting facilities by Bank Indonesia goes as far back as 1953,

when the facility was provided for those activities that earned or saved foreign exchange. At the beginning of 1982, when the Indonesian government initiated a policy package to promote exports, one important component of this measure was low interest rate credit for the financing of exports and the production of export commodities. In Malaysia, a refinancing facility was introduced in 1977 for rediscounting issuance bills drawn on the export of manufactured goods. The objective of this facility was to stimulate exports of manufactured goods by providing exporters with credit at preferential rates to enable them to compete more effectively in international markets. The terms and conditions of this facility were revised in 1981 when the export promotion drive was intensified.

The Monetary Authority of Singapore also provides concessionary financing to exporters through its export bill rediscounting scheme. Under this scheme, which was introduced in 1975, the Monetary Authority of Singapore rediscounts pre-export and issuance bills drawn on the exporter. The interest rate paid by the exporter is lower than the prevailing rates for loans and advances charged by banks. In the Philippines, one of the main priority areas identified is the export sector, particularly non-traditional exports. While the Central Bank of the Philippines grants credits to the various priority sectors through the rediscounting facilities, the largest share goes to the export sector. From 1980 to June 1984, Central Bank loans to the export sector, particularly non-traditional exports accounted for 20 per cent. In Nepal, to encourage credit to exporters, banks are also entitled to refinancing from the central bank. Likewise, in the nine-point export promotion programme initiated in 1983, a provision was made for the establishment of separate units in commercial banks for export activities in major export centres.

In Thailand, refinancing was first introduced in 1956 when it was extended to the export sector. This measure to promote export financing is also supplemented by other selective credit policies including portfolio regulation and interest rate subsidy. More than 90 per cent of total refinancing has been channelled to the export sector. In Sri Lanka, while credit ceilings are imposed to restrict overall credit and credit to non-priority sectors, credit for priority sectors are exempted. With the liberalisation of economic policies in 1977 in Sri Lanka, an export refinancing scheme was introduced to provide more credit to exporters. Moreover, with the formulation of the National Credit Plan in 1981, selective credit policy has been applied more intensively to channel credit to priority areas. For Burma, credit control is also implemented selectively. While bank credit was tightened during the recent period, emphasis was given to credit for exports and export production.

For a number of SEACEN countries, external balance was an important consideration in adopting changes in the exchange rate system and in making adjustments to their exchange rate. A major concern of this policy however, is the potential inflationary consequence of the adjustment on the domestic economy. In Indonesia, in response to the prevailing economic and financial situation, steps were taken to adjust the value of the currency. In 1982, a more flexible exchange rate policy was adopted as the Rupiah was allowed to depreciate gradually against the U.S. dollar. It was felt however, that the adjustment did not sufficiently reverse the adverse price competitiveness prevailing. Accordingly, in response to the slackening world oil market and severe world economic recession, a downward adjustment of the currency against the U.S. dollar by 27.6 per cent was made on March 30, 1983.

Similarly, in the Philippines, greater flexibility in the exchange rate policy was pursued in 1983, allowing the peso to fall gradually against the U.S. dollar. The overall strategy of the exchange rate policy was to achieve external balance, in particular, to ensure competitiveness of Philippine exports in world markets and to provide disincentives to import and borrow from abroad. However, in June 1983, in response to speculation on the currency, the peso was depreciated by 7.8 per cent against the U.S. dollar. In October 1983, a further adjustment of 27.3 per cent was made in the peso-dollar rate in response to the widening deficit in the balance of payments.

To promote exports and correct the trade and payments imbalances, Thailand adjusted its currency downwards twice in 1981, by 1.1 per cent in May and by 8.7 per cent in July. In 1981, the Thai baht which was pegged to the U.S. dollar generally appreciated against most of the other major currencies with the strengthening of the U.S. dollar. This development adversely affected the competitiveness of Thai exports. As a result of the deteriorating trade deficit position of the country, the Thai baht was devalued by 14.8 per cent in November 1984. A more flexible exchange rate system was also adopted based on a basket of currencies of the major trading partners.

In Nepal, changes in the exchange rate system and adjustments in the value of the currency were also made on considerations of the balance of payments situation. Over the period March 1978 to September 1981, Nepal maintained two fixed rates against the U.S. dollar, a basic rate and a second depreciated rate which applied to all merchandise trade with countries other than India except for certain imported items. In September 1981, this dual exchange rate system was, however, abolished. In maintaining a fixed rate of exchange with the U.S. dollar, and with

the strengthening of the dollar, Nepalese exports enjoyed high prices. The Nepalese rupee was depreciated on two occasions, in September 1981 and in December 1982. The step to depreciate the currency was primarily to make exports more competitive. Effective June 1, 1983, the government replaced the existing exchange rate system by pegging the currency to a basket of currencies where the exchange rate between the Nepalese rupee and foreign currencies was fixed in accordance with changes in the international market. An arrangement was also made for forward exchange rate cover to protect exporters and importers against exchange rate risk.

Among the other policy measures adopted to encourage exports are the fiscal incentives. A number of tax reliefs have been given to exporters. In the Philippines, industrial exports were exempted from export taxes, and tax credit was given on duties paid on imported materials and supplies. Likewise, additional tax credits on export sales and excise taxes on intermediate inputs as contained in exports were granted. In Sri Lanka, custom duty rebate was given to raw materials for industrial exports. Tax holdings on exporter profit for a period of 5 to 8 years was also granted. Investment tax relief was also given to individuals and companies investing in share capital in approved export undertakings. In Thailand, in order to stimulate rice exports, the export premium and duties for rice were reduced. International trading funds were also granted with tax incentives. In Nepal, there was also a reduction of custom duties on Nepalese exportable items.

Other policies include a policy of wage restraint as was implemented in Singapore, which was aimed at keeping cost down to make exports more competitive in the international markets. In order to diversify markets, a number of countries have also sent trade missions and established trade houses abroad. In



Malaysia and Indonesia, exploration activities for oil have been intensified. In the Philippines, additional export processing zones were established. Measures including those directed at increasing supply through providing subsidies and price support schemes have also been important for a number of the SEACEN countries.

## **THE SEACEN CENTRE**

The SEACEN Research and Training Centre was set up by the South-East Asian Central Banks (SEACEN) comprising the Union of Burma Bank, Bank Indonesia, Bank Negara Malaysia, Nepal Rastra Bank, the Central Bank of the Philippines, the Monetary Authority of Singapore, the Central Bank of Ceylon and the Bank of Thailand.

The basic objective of the SEACEN Centre is to promote closer collaboration and better understanding among member central banks and monetary authorities by undertaking research activities, conducting training courses and organising seminars and meetings.

Research activities of the SEACEN Centre are undertaken to have a better understanding of the monetary, foreign exchange, fiscal and other economic issues and developments affecting the member countries.

Training courses are conducted to provide an opportunity for officials of the member central banks and monetary authorities to acquire, refresh and expand their knowledge of the basic concepts and techniques necessary in the performance of their tasks as well as to widen their understanding of the issues related to policy formulation and implementation.

Seminars and meetings are organised to provide a regional forum for exchange of views and experience on selected aspects of central banking from the operational and policy standpoint.

Although the SEACEN Centre acquired its formal legal status only in 1982 when it was registered as a corporation in Malaysia and agreements to that effect were signed by the Governors and Managing Director of the member central banks and monetary authorities, collaborative efforts started as early as 1972. These undertakings initially consisted of training courses and eventually expanded to research activities and holding of seminars and meetings.

