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Sub-Fonds: Records of the Office of the Vice President, Development Economics and Chief Economist and later Senior Vice President, Development Economics and Chief Economist (DECVP)

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Washington, D.C.

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NOVEMBER

1981

The World Bank Group
Archives



30225109

R1991-086 Other # 5

19183B

Bela Balassa's chron files - November 1981

B. BALASSA CHRON FILE NOV 1981

OFFICE MEMORANDUM

TO: Mr. Norman Horsley, SVPOP

DATE: November 30, 1981

FROM: Bela Balassa, DRC

SUBJECT: TUNISIA - Electrical and Mechanical Industries Project

1. My reply to Mr. Reichelt's memorandum on the above subject was delayed by reason of my participation at the Manila Congress of the International Chamber of Commerce. I understand the reasons for the Division maintaining its position on the tariff ceiling, given the difficulties of negotiating a new ceiling with the government. At the same time, if a tariff ceiling of 26 percent, entailing effective protection of 50-60 percent, is introduced on infant industry grounds, the rate should be reduced in annual instalments, say, over five years. This possibility was in fact raised by Mr. Zaidan at my meeting with him on November 12 and I regret that it has been eliminated from Mr. Reichelt's memo.

2. May I add that an opportunity seems to have been missed to devise policy conditions that would further the development of export-oriented machinery industries in Tunisia. This would seem to be an appropriate way to proceed in a small country with a limited domestic market, where the experience of larger developing countries has little relevance. But, at any rate, a 50-60 percent effective protection much exceeds the 35 percent rate for Mexico, where the new protection rates are being negotiated. Also, Turkey should not be taken as an example even for larger developing countries.

3. It will be recalled that I went to Tunisia at Mr. Stern's request to advise on trade and industrial policy in March 1981. The Division has not objected to my policy recommendations and the Tunisian government has asked for a return visit, scheduled for next January. In view of the apparent conflict between the policy conditions of the loan and my recommendations, some ex ante coordination would have been desirable.

cc: Messrs. Stern, SVPOP; Dubey, EMNVP; Zaidan, EMP; Reichelt, EM2.

BBalassa:nc

November 30, 1981.

Mr. Craig Claiborne
The New York Times Company
229 West 43rd Street
New York, New York 10036

Dear Mr. Claiborne:

I read with pleasure your column on restaurants in New York. I enclose in turn a copy of my culinary guide for Paris. While the guide is in its 5th edition, it is circulated on a private basis. Perhaps next year I will reach the point when I would want to publish it

Yours sincerely,

Enclosure

Bela Balassa

November 30, 1981.

Mrs. Phyllis C. Richman
The Washington Post
1150 15th Street N.W.
Washington, D.C. 20071

Dear Mrs. Richman:

I read with pleasure your column on restaurants in Washington. I enclose in turn a copy of my culinary guide for Paris. While the guide is in its 5th edition, it is circulated on a private basis. Perhaps next year I will reach the point when I would want to publish it.

Yours sincerely,

Enclosure

Bela Balassa



Record Removal Notice

File Title Bela Balassa's chron files - November 1981	Barcode No. 30225109
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Document Date Nov 30, 1981	Document Type Letter
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Correspondents / Participants
Shawmut Bank of Boston, N.A.

Bela Balassa,

Subject / Title
Consolidation of two Accounts

Exception No(s).

1
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 10 A-C
 10 D
 Prerogative to Restrict

Reason for Removal
Financial Information

Additional Comments

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Withdrawn by Chandra Kumar	Date May 30, 2014
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2134 Wyoming Avenue N.W.
Washington, D.C. 20008
November 30, 1981.

Basic Books Incorporated
10 East 53rd Street
New York, New York 10022

Dear Sir:

I would like to order Franklin D. Holzman's book, "International Trade Under Communism - Politics and Economics, pp. xvi +239, \$10.

Please bill me at time of delivery.

Yours truly,

Bela Balassa

November 30, 1981.

Ms. Mimi Sheraton
The New York Times Company
229 West 43rd Street
New York, New York 10036

Dear Ms. Sheraton:

I read with pleasure your column on restaurants in New York. I enclose in turn a copy of my culinary guide for Paris. While the guide is in its 5th edition, it is circulated on a private basis. Perhaps next year I will reach the point when I would want to publish it.

Yours sincerely,

Enclosure

Bela Balassa

2134 Wyoming Avenue N.W.
Washington, D.C. 20008
November 25, 1981.

International Labour Office
96/98 Marsham Street
London SW1P 4LY
England

Dear Sir:

I would like to order Internal Migration in Developing Countries
by Michael P. Todaro, 1976, 106pp., ISBN 92-2-101598-X US\$11.40. Please
bill me at the time of delivery.

Yours truly,

Bela Balassa

November 24, 1981.

Professor M. D. Chaudhry
Department of Economics
Royal Military College
Kingston, Ontario K7L 2W3
Canada

Dear Professor Chaudhry:

We have no author, K. C. Zachariah, and no papers remotely resembling the titles you have provided, "Anomaly of the Fertility Decline in Kerala: Social Change, Agrarian Reform, or the Family planning Program ?" Population and Human Resources Division, Discussion Paper No. 81-16 (May, 1981).

Yours truly,

Norma Campbell
Secretary to
Mr. Bela Balassa

Mr. Jean Baneth, EPD

November 23, 1981

Bela Balassa, DRC

Dissemination of RPO 670-01

1. In response to your request, I provide below a short description of the dissemination efforts made in the framework of the RPO 670-01 Development Strategies in Semi-Industrial Countries. I will separately deal with the dissemination of the methodology, the country results, and the overall conclusions and policy recommendations. Under each heading, consideration will be given to dissemination within as well as outside the Bank.
2. The methodology of the research project has been widely disseminated in the Bank and it has come into increasing use in recent years. Its dissemination in Bank member countries has occurred through the collaborators in the six countries covered. In two of these countries, Argentina and Korea, the methodology has subsequently been applied to a more recent set of data.
3. The country results were made available to Bank economists at an early stage in draft form and, in several instances, useful comments were received from them. The country authors have further carried out dissemination that was facilitated by the positions they have held in their own country.
4. The dissemination of the overall conclusions and policy recommendations is described in Para. 5.15 of the World Bank Research Program, February 1981 (enclosed). There was a continuous effort of dissemination in the form of seminars and individual discussions in the Bank and in the form of seminars outside the Bank. Seminars were held at U.S. Universities, Kiel, Paris, Santiago (ECLA), Seoul, Taipei, Bangkok and Mexico City, among others.
5. I further enclose the list of publications that preceded the publication of the book. It should be noted that the more important papers were first distributed in draft form, were subsequently included in the Staff Working Paper Series, and were finally published in academic journals and reproduced in the Bank's Reprint Series.

5.15 Considerable efforts have been made to disseminate the results and policy implications of this research. Personal contacts between researchers and operating staff, discussion of results and presentation of seminars have been extensive, and appear to have been important in spreading awareness of the policy implications of the analysis. Dissemination of results outside the Bank, particularly to the governments of the countries studied, was also given high priority. This process may well have been aided by the fact that the authors of several country studies in the research projects have risen to influential positions in their governments.

Reports

Balassa, Bela, "Exports and Economic Growth: Further Evidence," World Bank Reprint Series No. 68 (June 1978).

_____, "Export Incentives and Export Performance in Developing Countries: A Comparative Analysis," Weltwirtschaftliches Archiv, March 1978, Republished in Políticas de Promoción de Exportaciones. Proceedings of a Seminar on Policies of Export Promotion sponsored by the Economic Commission for Latin America (ECLA), IBRD (World Bank), and the United Nations Development Programme (UNDP), Santiago, Chile, November 1976, Santiago: United Nations Economic Commission for Latin America, 1978, World Bank Reprint Series No. 59.

_____, "Reforming the System of Incentives in Developing Countries," World Development 3 (June 1975): 365-382. Spanish translation in Cuadernos de Economía (December 1974); 33-46. World Bank Reprint Series No. 22.

_____, "Trade, Protection, and Domestic Production: A Comment." In International Trade and Finance: Frontiers for Research, edited by Peter B. Kenen, Cambridge: Cambridge University Press, 1975: 154-163.

Balassa Bela, and Schydrowsky, D. M., "Indicators of Protection and of Other Incentive Measures." In The Role of the Computer in Economic and Social Research in Latin America, edited by Nancy D. Ruggles. Proceedings of a Conference on The Role of the Computer in Latin America, Cuernavaca, Mexico, September 1971. New York: National Bureau for Economic Research, 1974: 331-346.

Balassa, Bela, and Sharpston, Michael, "Export Subsidies by Developing Countries: Issues of Policy." Commercial Policy Issues 2 (November 1977): 13-50. Also World Bank Reprint Series No. 51.

Kim, Kwan Suk, and Westphal, Larry E. Industrial Policy and Development in Korea. World Bank Staff Working Paper No. 263. August 1977.

Westphal, Larry E. "Republic of Korea's Experience with Export-Led Industrial Development." World Development 6 (March 1978): 347-382.

November 20, 1981.

Prof. Dr. Jozsef Bognar
Institute for World Economics of the
Hungarian Academy of Sciences
H-1531 Budapest P.O. Box 36
Hungary

My dear friend,

I have been asked to present a paper on the effects of the 1980-81 reforms at the meetings of the American Economic Association in late December. I expect to be able to send you soon a draft version of the paper. I am planning to come to Budapest for discussions on the subject of the paper between December 19-21. My father will call you to arrange a meeting at a time that is convenient for you.

I would also like to have an opportunity to meet Mr. Hetényi whom I missed on my last visit. I wonder if your secretary could find out whether he could see me in the course of December 21, Monday.

Looking forward to seeing you soon, I remain,

Sincerely yours,

Bela Balassa

November 20, 1981.

Dr. Rolf Geberth
Chairman of Consultative Group
for Turkey
Organization for Economic Cooperation
and Development
2, rue André Pascal
Paris 16^e
France

Dear Dr. Geberth:

You may have received by now the report of the mission I led to Turkey in May-June. I plan to come to Paris on December 11 and would like to see you then.

I would appreciate it if you would send one of the three papers of the Summary Report to Mr. Wootton. I would like to have the opportunity to see him briefly on the occasion of my visit. Mrs. Ponchon of the World Bank will call your secretary to arrange the meetings.

Yours sincerely,

Bela Balassa

November 20, 1981.

Dr. Bela Csikos-Nagy
President
Hungarian Economic Association
1370 Budapest Pf. 544
Hungary

My dear friend,

I have been asked to present a paper on the effects of the 1980-81 reforms at the meetings of the American Economic Association in late December. I expect to be able to send you soon a draft version of the paper. I am planning to come to Budapest for discussions on the subject of the paper between December 19-21. My father will call you to arrange a meeting at a time that is convenient for you.

Looking forward to seeing you soon, I remain,

Sincerely yours,

Bela Balassa

P.S. I will also send you a revised version of my paper, "The Hungarian Economic Reform, 1968-81."

November 20, 1981.

Mr. Dong Furen
Deputy Director
Institute of Economics
Chinese Academy of Social Sciences
5 Jianguomen Nei Dajie
Beijing
China

Dear Mr. Dong:

Thank you for your invitation, contained in your letter of November 9th, to visit China. I am happy to accept. I am afraid, however, that it may not be possible for me to stay beyond two weeks.

I could come to China next year once my teaching obligations at the Johns Hopkins University come to an end. I would suggest a visit in the second half of May if convenient to you.

The programme you propose for my visit is fine; it fits in well with the suggestions made in my letter of October 5. At the same time, given the limited time available, it may be desirable to undertake only one trip outside Beijing. I would be especially interested to go to Sichuan, possibly stopping on the way in Xiam if this could be arranged. Let me add here that my travel and related costs in China would be covered by the World Bank.

I enclose a revised version of the paper I earlier sent to you on the Hungarian reform. I will present this paper at a Roundtable on the Hungarian economy to be held at Indiana University in late March.

Thanking you again for your kind letter and invitation, I remain,

Sincerely yours,

Enclosure

Bela Balassa

cc: and cleared with Mr. Koch-Weser

cc: Messrs. S. S. Husain, AENVP; Jaycox, AEA; P. Hasan, AENVP;
Chenery, VPD; Dubey, EMNVP; King, VPD; Stoutjesdijk, DED
Enclosed: The Hungarian Economic Reform, 1968-81 - November 20, 1981.
Sent also to recipients copied.

中国社会科学院经济研究所

INSTITUTE OF ECONOMICS, CHINESE ACADEMY OF SOCIAL SCIENCES

Dear Professor BALASA:

I take it a great honour to welcome you on your three-weeks visit to China next year at a time which you find convenient.

During your visit, we'd like you to talk to us about the Reform in the Hungarian economic system, especially the reform in the pricing system, and about the development strategy for developing countries. We would give you some ideas about the Chinese economic system and its reform. And if you like, I suggest you to visit Sichuan and Shanghai besides Beijing. Please inform me the time you'd like to do your visit and your ideas about the visit as soon as possible, so that we can work out the arrangement for you.

As for the expences, will the World Bank pay your costs in China besides the travelling fees?

All the good wishes!

Sincerely:

Dong Fureng *Dong Fureng*

Economics Institute

Chinese Academy of Social Sciences

NOVEMBER 9 1981

2134 Wyoming Avenue N.W.
Washington, D.C. 20008
November 20, 1981.

Heldref Publications
4000 Albemarle Street N.W.
Washington, D.C. 20016

Dear Sir:

I would like to order Change, September, 1981 and October 1981.

My check for \$5.00 is enclosed.

Yours truly,

Enclosure

Bela Balassa

Mr. Attila Karaosmanoglu, EM1

November 20, 1981.

Bela Balassa, DRC

Conference on Hungary

1. I will be keynote speaker at the Roundtable on the Hungarian Economy, scheduled for March 21-24, 1982, at Indiana University in Bloomington. I enclose a description of the Roundtable, prepared by the organizers for the National Science Foundation, together with a copy of my paper.

cc: Messrs. Chaufournier, Dubey, EMNVP

Enclosures
BBalassa:nc

Introduction

We are requesting from the National Science Foundation partial financial support for a Roundtable on the Hungarian Economy, scheduled for March 21-24, 1982, at Indiana University in Bloomington. The other sources of funds will be the Hungarian Chair in the Department of Uralic and Altaic Studies and the Graduate School of Business, both at Indiana University, and the International Cultural Institute in Hungary. This is the seventh of a series of Roundtables on U.S.-Hungarian Economics, which have been held since 1973, and some of which NSF has funded (the latest with NSF funds being the fifth meeting in Cambridge, Mass. in Spring 1980). The sixth of those roundtables is being held in Budapest the last week in October, with funding on the U.S. side from the Soros Fund.

The seventh meeting in March 1982 will be larger, and have a broader coverage than previous roundtables because it is being integrated with a meeting on the Hungarian economy for which there are funds, primarily through the Hungarian Chair at Bloomington. Participants at the Roundtable will include the most prominent U.S. and Hungarian economists involved in research on the Hungarian economy. In addition we will endeavor to involve graduate students from several U.S. universities who are studying the Hungarian economy at or close to the Ph.D. dissertation stage, to the extent our funds will allow it.

Among the East European economies Hungary stands out as the only country whose leaders have made a serious and continuous attempt at major economic reforms. Both their failures and their successes are instructive to East Europeans, and to those of us who study Eastern

Europe. Hungary's economy and reforms are also currently being studied very closely by the Chinese. There are strong indications that lay and influential groups of economists and policymakers in China believe that the Hungarian economy in many respects can serve as a useful model for China. This is an additional reason why support from the U.S. government to maintain and to develop further U.S. expertise on the Hungarian economy is so important. There is no more cost-effective way to do this than to support a seminar in the United States between leading Hungarian and American experts and to open the seminar to attendance and participation by students, government officials, and persons from the private business and banking communities with an interest in Hungary and Eastern Europe.

Today Hungary is in the midst of an effort to strengthen the economic reform movement without creating a political crisis. This meeting will provide an opportunity for western and Hungarian economists to undertake a timely and authoritative analysis of the Hungarian economic system.

Participants, Major Themes and Papers

The Roundtable will last for four days, March 21-24, 1982, and will be organized around three major themes: 1.) Hungarian Agriculture, 2.) Reforms in Macroeconomic Planning and Enterprise Management, and 3.) International Trade and Finance. We have solicited papers from a number of persons on each of these themes. The attached preliminary list shows the authors who have accepted and their topics. Each of the authors listed here would be covered in our budget. In addition we anticipate asking several graduate students, including at

least two from universities other than Indiana, to attend. They will be involved in the Roundtable as discussants, and in addition will be asked to provide a brief presentation at a special session concerning their own research. We are not requesting NSF support for these students' expenses but are seeking those funds elsewhere.

We tentatively plan to have thirteen Hungarian participants. Eight of them will be in a delegation headed by Michael Simai (Institute for World Economy, Budapest), and will represent a continuation of the bilateral U.S.-Hungarian roundtables we have held over the years. Their international air fares will be covered by the Hungarian side, and we are asking NSF to pay for their internal transportation and per diem. In addition the Hungarian Chair will cover the full costs of attendance for five more Hungarian economists (Messrs Kornai, Nyers, Csaki, Berend and Bauer) all well-known in Eastern Europe and in the West.

Each Hungarian participant will present a paper on one of the themes listed above, with the Simai delegation focusing on, but not limited to, East-West economic relations; the others giving papers on the other two topics. We do not yet have a complete list of the Hungarian participants, nor do we have a list of paper titles. But we know from past experience and from the partial list of participants that the papers will be good and to the point. What is particularly appealing about this Roundtable is that it will include Rezso Nyers, a major figure in the design of the 1968 Hungarian economic reforms and a former member of the Politburo who is still a member of the Central Committee; Otto Gado (former First Deputy Director of the Planning Office for 12 years and the most important writer on the reforms in the

1970s); Marton Tardos and Janos Kornai, two of Hungary's best economists who have written extensively on the Hungarian economic system, including issues concerning the reforms; and Tamas Bauer who has written brilliantly on investment cycles in Eastern Europe. These people alone, along with our U.S. participants, virtually guarantee that the Roundtable seminar will be the most extensive and in-depth look at the Hungarian experience ever held in the United States.

Preliminary List of U.S. Participants for the
Roundtable on the Hungarian Economy, March 21-24, 1981
at Indiana University -Bloomington

Name and Institutional Affiliation	Paper Title (in quotation marks) or Topic
1. Bela Balassa, IBRD and Johns Hopkins	Hungarian Economic Reform
2. Josef Brada, Arizona State University	"Hungarian Agriculture in Comparative Perspective"
3. Ed. A. Hewett, Brookings Institution	"Prospects for Energy Conservation in Eastern Europe"
4. Franklyn Holzman, ^a Kennen Institute and Tufts University	East European Foreign Trade
5. Paul Marer, Indiana University	"Hungary's Response to External Economic Shock: Comparison With Other Countries"
6. Michael Marrese, Northwestern University	"An Analysis of Changes in Sectoral Labor Utilization: 1960-1980"
7. Richard Portes, Birkbeck College (London) ^b	"The Financing of East-West Trade"
8. Stephen C. Schmidt, University of Illinois	Hungarian Agriculture
9. Laura Tyson, University of California	Comparison of the Yugoslav and Hungarian Reform Experiences
10. Thomas A. Wolf, Ohio State University	"U.S. East-West Trade Policy Reconsidered"

^a An answer to our invitation is still pending.

^b Although Professor Portes teaches in London, he is a U.S. citizen, and a highly respected authority on Hungary, who has participated in previous bilateral meetings.

Dissemination of the Results of the Roundtable

We have made preliminary plans to publish a subset of the most interesting and timely papers from the roundtable in a special issue of the Journal of Comparative Economics. J. Michael Montias, the editor, has indicated an interest in considering such an issue, although naturally he can make no commitment until he sees the papers. In addition we hope to publish all of the papers in a special volume. Indiana University Press has expressed a strong interest in considering such a volume. Finally, the Hungarians will probably publish a Hungarian-language version of the papers. In the past they have done so, which has provided the papers from our meetings with a wide circulation in Hungary.

Travel for the Simai Delegation

The delegation led by Michael Simai will spend an additional six days in the U.S., split between Washington, D.C. and New York. In each city they will meet with individuals in government, business, and academe in order to discuss U.S. relations with Eastern Europe, particularly Hungary. Ed. Hewett will organize these meetings and accompany the Hungarians. The Hungarians have arranged similar meetings for us in Budapest and on both sides we have found the meetings to be valuable contributions to our research and discussions.

Mr. H. B. Chenery, VPD

November 20, 1981.

Bela Balassa, DRC

Conference on Hungary

I earlier arranged for Chinese participation at the Roundtable on the Hungarian economy, scheduled for March 21-24, 1982, at Indiana University in Bloomington. I enclose a description of the Roundtable, prepared by the organizers of the Roundtable for the National Science Foundation, together with a copy of the paper I will present there.

cc: Messrs. Duloy, DRC; King, VPD; Stoutjesdijk, DED; Lim, AEA.

Enclosures
BBalassa:nc

Introduction

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The seventh meeting in March 1982 will be larger, and have a broader coverage than previous roundtables because it is being integrated with a meeting on the Hungarian economy for which there are funds, primarily through the Hungarian Chair at Bloomington. Participants at the Roundtable will include the most prominent U.S. and Hungarian economists involved in research on the Hungarian economy. In addition we will endeavor to involve graduate students from several U.S. universities who are studying the Hungarian economy at or close to the Ph.D. dissertation stage, to the extent our funds will allow it.

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Europe. Hungary's economy and reforms are also currently being studied very closely by the Chinese. There are strong indications that lay and influential groups of economists and policymakers in China believe that the Hungarian economy in many respects can serve as a useful model for China. This is an additional reason why support from the U.S. government to maintain and to develop further U.S. expertise on the Hungarian economy is so important. There is no more cost-effective way to do this than to support a seminar in the United States between leading Hungarian and American experts and to open the seminar to attendance and participation by students, government officials, and persons from the private business and banking communities with an interest in Hungary and Eastern Europe.

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least two from universities other than Indiana, to attend. They will be involved in the Roundtable as discussants, and in addition will be asked to provide a brief presentation at a special session concerning their own research. We are not requesting NSF support for these students' expenses but are seeking those funds elsewhere.

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November 20, 1981.

Mr. Otto Gado
Tarnok u.13
Budapest 1014
Hungary

My dear friend,

I very much appreciated the material you sent me with Ed Hewett on new regulations in Hungary. I will make use of them in a paper I have been asked to present at the meetings of the American Economic Association in late December. I have also referred to these regulations in the revised version of my paper on "The Hungarian Economic Reform, 1968-81." In the revision I have made use of your very helpful comments.

I plan to be in Budapest December 19 to 21 for discussions on the effects of the recent reform measures. My father will contact you to arrange a meeting. Looking forward to seeing you, I remain,

Yours sincerely,

Bela Balassa

P.S. I will send you, in advance of my visit, a copy of the revised version of "The Hungarian Economic Reform, 1968-81" as well as a draft version of my paper on the effects of the 1980-81 reforms.

Mr. Attila Karaosmanoglu, EMI

November 20, 1981.

Bela Balassa, DRC

Conference on Hungary

1. I will be keynote speaker at the Roundtable on the Hungarian Economy, scheduled for March 21-24, 1982, at Indiana University in Bloomington. Prior to Hungary's application to the IMF and the Bank, I arranged for Chinese participation at the Roundtable. It was further planned to have a seminar on pricing and firm decision-making with Hungarian and Chinese participation in Washington on March 18 and 19. Finally, there were informal discussions on undertaking research on these topics in Hungary.

2. I would like to discuss the above matters with you in the light of Hungary's application to the Bank. I enclose a description of the Roundtable together with a copy of my paper.

cc: Messrs. Chaufournier, EMNVP; Dubey, EMNVP

Enclosure
BBalassa:nc

Introduction

We are requesting from the National Science Foundation partial financial support for a Roundtable on the Hungarian Economy, scheduled for March 21-24, 1982, at Indiana University in Bloomington. The other sources of funds will be the Hungarian Chair in the Department of Uralic and Altaic Studies and the Graduate School of Business, both at Indiana University, and the International Cultural Institute in Hungary. This is the seventh of a series of Roundtables on U.S.-Hungarian Economics, which have been held since 1973, and some of which NSF has funded (the latest with NSF funds being the fifth meeting in Cambridge, Mass. in Spring 1980). The sixth of those roundtables is being held in Budapest the last week in October, with funding on the U.S. side from the Soros Fund.

The seventh meeting in March 1982 will be larger, and have a broader coverage than previous roundtables because it is being integrated with a meeting on the Hungarian economy for which there are funds, primarily through the Hungarian Chair at Bloomington. Participants at the Roundtable will include the most prominent U.S. and Hungarian economists involved in research on the Hungarian economy. In addition we will endeavor to involve graduate students from several U.S. universities who are studying the Hungarian economy at or close to the Ph.D. dissertation stage, to the extent our funds will allow it.

Among the East European economies Hungary stands out as the only country whose leaders have made a serious and continuous attempt at major economic reforms. Both their failures and their successes are instructive to East Europeans, and to those of us who study Eastern

Europe. Hungary's economy and reforms are also currently being studied very closely by the Chinese. There are strong indications that lay and influential groups of economists and policymakers in China believe that the Hungarian economy in many respects can serve as a useful model for China. This is an additional reason why support from the U.S. government to maintain and to develop further U.S. expertise on the Hungarian economy is so important. There is no more cost-effective way to do this than to support a seminar in the United States between leading Hungarian and American experts and to open the seminar to attendance and participation by students, government officials, and persons from the private business and banking communities with an interest in Hungary and Eastern Europe.

Today Hungary is in the midst of an effort to strengthen the economic reform movement without creating a political crisis. This meeting will provide an opportunity for western and Hungarian economists to undertake a timely and authoritative analysis of the Hungarian economic system.

Participants, Major Themes and Papers

The Roundtable will last for four days, March 21-24, 1982, and will be organized around three major themes: 1.) Hungarian Agriculture, 2.) Reforms in Macroeconomic Planning and Enterprise Management, and 3.) International Trade and Finance. We have solicited papers from a number of persons on each of these themes. The attached preliminary list shows the authors who have accepted and their topics. Each of the authors listed here would be covered in our budget. In addition we anticipate asking several graduate students, including at

least two from universities other than Indiana, to attend. They will be involved in the Roundtable as discussants, and in addition will be asked to provide a brief presentation at a special session concerning their own research. We are not requesting NSF support for these students' expenses but are seeking those funds elsewhere.

We tentatively plan to have thirteen Hungarian participants. Eight of them will be in a delegation headed by Michael Simai (Institute for World Economy, Budapest), and will represent a continuation of the bilateral U.S.-Hungarian roundtables we have held over the years. Their international air fares will be covered by the Hungarian side, and we are asking NSF to pay for their internal transportation and per diem. In addition the Hungarian Chair will cover the full costs of attendance for five more Hungarian economists (Messrs Kornai, Nyers, Csaki, Berend and Bauer) all well-known in Eastern Europe and in the West.

Each Hungarian participant will present a paper on one of the themes listed above, with the Simai delegation focusing on, but not limited to, East-West economic relations; the others giving papers on the other two topics. We do not yet have a complete list of the Hungarian participants, nor do we have a list of paper titles. But we know from past experience and from the partial list of participants that the papers will be good and to the point. What is particularly appealing about this Roundtable is that it will include Rezso Nyers, a major figure in the design of the 1968 Hungarian economic reforms and a former member of the Politburo who is still a member of the Central Committee; Otto Gado (former First Deputy Director of the Planning Office for 12 years and the most important writer on the reforms in the

1970s); Marton Tardos and Janos Kornai, two of Hungary's best economists who have written extensively on the Hungarian economic system, including issues concerning the reforms; and Tamas Bauer who has written brilliantly on investment cycles in Eastern Europe. These people alone, along with our U.S. participants, virtually guarantee that the Roundtable seminar will be the most extensive and in-depth look at the Hungarian experience ever held in the United States.

Preliminary List of U.S. Participants for the
Roundtable on the Hungarian Economy, March 21-24, 1981
at Indiana University -Bloomington

Name and Institutional Affiliation	Paper Title (in quotation marks) or Topic
1. Bela Balassa, IBRD and Johns Hopkins	Hungarian Economic Reform
2. Josef Brada, Arizona State University	"Hungarian Agriculture in Comparative Perspective"
3. Ed. A. Hewett, Brookings Institution	"Prospects for Energy Conservation in Eastern Europe"
4. Franklyn Holzman, ^a Kennen Institute and Tufts University	East European Foreign Trade
5. Paul Marer, Indiana University	"Hungary's Response to External Economic Shock: Comparison With Other Countries"
6. Michael Marrese, Northwestern University	"An Analysis of Changes in Sectoral Labor Utilization: 1960-1980"
7. Richard Portes, Birkbeck College (London) ^b	"The Financing of East-West Trade"
8. Stephen C. Schmidt, University of Illinois	Hungarian Agriculture
9. Laura Tyson, University of California	Comparison of the Yugoslav and Hungarian Reform Experiences
10. Thomas A. Wolf, Ohio State University	"U.S. East-West Trade Policy Reconsidered"

^a An answer to our invitation is still pending.

^b Although Professor Portes teaches in London, he is a U.S. citizen, and a highly respected authority on Hungary, who has participated in previous bilateral meetings.

Dissemination of the Results of the Roundtable

We have made preliminary plans to publish a subset of the most interesting and timely papers from the roundtable in a special issue of the Journal of Comparative Economics. J. Michael Montias, the editor, has indicated an interest in considering such an issue, although naturally he can make no commitment until he sees the papers. In addition we hope to publish all of the papers in a special volume. Indiana University Press has expressed a strong interest in considering such a volume. Finally, the Hungarians will probably publish a Hungarian-language version of the papers. In the past they have done so, which has provided the papers from our meetings with a wide circulation in Hungary.

Travel for the Simai Delegation

The delegation led by Michael Simai will spend an additional six days in the U.S., split between Washington, D.C. and New York. In each city they will meet with individuals in government, business, and academe in order to discuss U.S. relations with Eastern Europe, particularly Hungary. Ed. Hewett will organize these meetings and accompany the Hungarians. The Hungarians have arranged similar meetings for us in Budapest and on both sides we have found the meetings to be valuable contributions to our research and discussions.

Mr. H. B. Chenery, VPD
(thru Mr. John H. Dulgy, DRC)
Bela Balassa, DRC

November 20, 1981.

Research on Adjustment to External Shocks in Sub-Saharan Africa

1. As I indicated at the meeting on the DRC work program, Luis de Azcarate put a study on policy responses to external shocks in Sub-Saharan Africa on the top of his list of research priorities. A study of this subject would require adding seven or eight countries to the five countries, to which my trade decomposition has already been applied (Ivory Coast, Kenya, Mali, Tanzania and Zambia). This would permit examining differential policy responses and economic performance in Sub-Saharan countries following different policies, as well as in LDCs and in LLDCs, during the period 1973-78.
2. Carrying out such a study would require 3-4 months of research assistant time and 3-4 weeks of my time. Pradeep Mitra has indicated a possible interest in undertaking the domestic decompositions for the same countries in the framework of his research project.
3. Extending my trade decomposition to the period of the second oil crisis (1979-80) would require 5-6 months of additional assistant time. The results would also be utilized in Mitra's project.
4. Correspondingly, I would like to request authorization to hire a research assistant for a period of 9 months from January 1982, utilizing presently unused assistant slots in DPS. This allocation would permit appropriate phasing of the work, since the Sub-Saharan Africa study could start in January and the 1979-80 study in April-May when the 1980 data becomes available.

BBalassa:nc

November 20, 1981.

Mr. András Nagy
Institute of Economics
Hungarian Academy of Sciences
1502 Budapest Postafiók 262
Budapest XI., Budaosi út 43/45
Hungary

Dear András,

I have been asked to present a paper on the effects of the 1980-81 reforms at the meetings of the American Economic Association in late December. I expect to be able to send you soon a draft version of the paper. I am planning to come to Budapest for discussions on the subject of the paper between December 19-21.

I look forward to seeing you and Agi on the occasion of my visit. May I ask you to let me know by return mail if you will be there. I would also like to know if the Deaks, Kornais and Tardos will be in Budapest at the time of my visit.

Looking forward to seeing you soon, I remain,

Sincerely yours,

Bela Balassa

CABLE
CLUBBAK 290139F

NOVEMBER 20, 1981
61991

MOHAMED T. DIAMARA, PRESIDENT DU CLUB DE DAKAR, 4 AVENUE HOCHÉ
75008 PARIS, FRANCE

WILL BE IN WASHINGTON FROM DECEMBER 17 UNTIL JANUARY 6 AND FROM
JANUARY 27. SUGGEST YOU SEE ON WEST AFRICAN INTEGRATION MR LUIS DE
AZCARATE CHIEF ECONOMIST, WEST AFRICA REGION, WORLD BANK, ELLIOT
BERG, PROFESSOR OF ECONOMICS, UNIVERSITY OF MICHIGAN, PRESENTLY AT
IMF, AND W. HAVEN NORTH, DEPUTY ASSISTANT ADMINISTRATOR FOR AFRICA,
AGENCY FOR INTERNATIONAL DEVELOPMENT, U.S. DEPARTMENT OF STATE.
AMONG GOVERNMENT OFFICIALS, SUGGEST MEETING WITH MYERS RASHISH,
UNDERSECRETARY OF STATE FOR ECONOMIC AFFAIRS. REGARDS, BALASSA

Bela Balassa

BBalassa:nc

Bela Balassa

cc: Messrs. deAzcarate, VANVP;
Franchet, European

DRC - Director's Office

Mr. Peter Wright, VPD

November 20, 1981.

Bela Balassa, DRC

Working Paper

I enclose "Short Run Macro-Economic Adjustment Policies in South Korea: A Quantitative Analysis" by Sweder van Wijnbergen for your consideration for inclusion in the Working Paper Series. A "no objection" letter from Mr. Flood is also enclosed.

Enclosures
BBalassa:nc

November 20, 1981.

Mrs. Silvie Ostrey
Director of Economics Department
Organization for Economic Cooperation
and Development
2, rue André Pascal
Paris 16^e
France

Dear Mrs. Ostrey:

I will be at the OECD on December 11 to have discussions on the report of the mission I led to Turkey in May-June (if you are interested you could obtain a copy of the main report from Dr. Geberth to whom we sent three copies). I would like to use this opportunity to meet you. I wonder if I may invite you for lunch on the day of my visit. Mrs. Ponchon of the World Bank will call you to make the arrangements.

Looking forward to meeting you, I remain,

Sincerely yours,

Bela Balassa

Mrs. Liliana Ponchon, European Office

November 20, 1981.

Bela Balassa, DRC

Visit to OECD

I enclose copies of letters to Dr. Geberth and Mrs. Ostrey. I would appreciate it if you made arrangements for my meetings with them. I would also like to see Messrs. Stephen Marris and André Barsony on the day of my visit. I further want to meet with Mrs. Ann Richards-Loup of the OECD Development Centre who could be asked to come over to the main OECD building.

Please make a reservation at the Le Petit Marguery for my lunch with Mrs. Ostrey. Tell her that I insist on inviting her; I would certainly not like to eat at the Chateau.

Please also invite in my name Mr. Malinvaud for lunch on Saturday December 12. I would like to take him to Le Récamier. However, I would accept if he wishes to invite me instead.

Should Mr. Malinvaud not be free on the 12th, I would like to invite Mr. Jurgensen instead (his address is Sous-Directeur des Affaires Multilatérales, Direction du Trésor, 93, rue de Rivoli, 75011 Paris). Rather than Le Récamier, I would like to invite Mr. Jurgensen to Le Clodénis.

May I also ask you to check on my hotel reservation at the Hotel Scandinavia. I sent you a copy of my letter about a week ago.

Enclosures
BBalassa:nc

November 20, 1981.

Professor Paul Marer
International Business
Indiana University
School of Business
Bloomington/Indianapolis
Bloomington, Indiana 47405

Dear Paul,

In response to your letter of November 12th I enclose a two paragraph description of my paper. Please use whichever part you prefer. I also enclose my curriculum vitae and list of publications.

Yours sincerely,

Enclosures

Bela Balassa

Enclosed - Curriculum vitae, Publications List and two paragraphs

THE HUNGARIAN ECONOMIC REFORM, 1968-81

This paper reviews the Hungarian experience with the economic reform (in official parlance, the new economic mechanism) introduced on January 1, 1968. It draws on the author's earlier writings on the Hungarian reform, with the addition of new material on agriculture, on the 'second economy,' and on the policy measures introduced in 1980 and in 1981.

Following a short description of the antecedents of the reform, the paper analyses the reform measures introduced in 1968 concerning agriculture, decision-making by industrial firms, price determination, the exchange rate, export subsidies, import protection, and investment decisions, further indicating their effects on the Hungarian economy. Next, the tendencies towards re-centralization after 1971 and, in particular, after the external shocks of 1973 are examined, with consideration given to their economic effects. The reversal of these tendencies in 1980 and 1981, and the role of agriculture and of the 'second economy' in Hungary, are the subject of the concluding sections of the paper.

November 20, 1981.

Ms. Ellen V. Seiler
Editor
Princeton University
International Finance Section
P.O. Box 644
Princeton, New Jersey 08540

Dear Mrs. Seiler:

I find the \$1.80 price too high and therefore, am returning two of the packets of Essay 142 you have sent me. May I ask you to let me have another bill for the smaller number of copies.

Yours sincerely,

Bela Balassa

November 20, 1981.

Dr. SaKong
Korea Development Institute
P.O. Box 113 Cheongryang
Seoul
Korea

Dear Dr. SaKong:

I received your telegram indicating that my paper "Korea During the Fifth Five-Year Plan Period (1982-86)" has reached you. May I ask you to provide me with information on the title of the volume in which this paper and my earlier advisory report will appear. I would like to know if anybody will join you as co-editor of the volume, and the expected date of publication.

Let me add that I do not understand the reference in your telegram you sent me "a draft as it is ready." If you do not plan to make any changes in my papers, there is no need for me to see a draft copy.

Yours sincerely,

Bela Balassa

cc: Mr. Kim Mahn Je

November 19, 1981

Mr. Pedro Sampaio Malan
(Editor-Chefe de PPE)
INPES/IPEA - 15.^o andar
Caixa Postal 2672 - ZC-00
20020 - Rio de Janeiro, RJ

Dear Mr. Malan:

Thank you for your letter of November 4th. I am glad to see the interest you have expressed in my book. I have asked Mr. Kellogg of Pergamon Press to send you a copy. Please use the copy for reviewing the book in the PPE as well as for exploring the possibility of having a Portuguese edition of the book published.

Yours sincerely,

Bela Balassa

November 19, 1981.

Mr. David Kellogg
Pergamon Press Ltd.
Fairview Park
Elmsford, New York

Dear Mr. Kellogg:

Thank you for your letter of November 13 and for sending me the pocket promotion pieces. Since, in the meantime, I have sent you a list of people at the World Bank and the Fund I will need only relatively few of them and I am returning the remainder.

I enclose a copy of a letter I received from Mr. Pedro Sampaio Malan. Mr. Malan is interested in exploring the possibility of having my book published in Portuguese. May I ask you to have a copy sent to him as soon as possible.

With best regards,

Sincerely yours,

Enclosures

Bela Balassa

P.S. I would appreciate your sending me a copy of Economic Policy Reform in Mexico by Leopoldo Solís. I should be billed for the book at the author's discount.

Rio de Janeiro, november 4, 1981

Dr. Bela Balassa
The World Bank
1818 H. Street N.W.
Washington D.C. 20433

Dear Dr. Balassa,

Paulo Vieira da Cunha sent me a copy of your letter of october 19, together with the Preface and the "Reader's Guide" to your recent book "The Newly Industrializing Countries in the World Economy", which, I am sure, represents an outstanding contribution both to the understanding of the changes in the international division of labour over the last decades and to the policy-oriented discussions of today. As an admirer of the quality of your work, I will try to get the book translated and published into portuguese. I will let you know as soon as possible the first reaction of some Brazilian publishers. My best bet is the Getulio Vargas Foundation. In addition, as the current editor of PPE I would like very much to have your book reviewed in our journal. Would you be kind enough to have a copy sent to us?

Yours sincerely



Pedro Sampaio Malan
(Editor-Chefe de PPE)
INPES/IPEA - 15º andar
Caixa Postal 2672 - ZC-00
20020 - Rio de Janeiro, RJ
Tel. 220-5179

November 13, 1981.

Mr. Brendan Horton
c/o Mr. Moumille
Director
Ministère du commerce
et de l'industrie
Rabat
Morocco

Dear Brendan:

I was trying to call you at the office but was told that you are in Casablanca. I will try to call in the evening, but if I do not succeed, I cannot call you again until next Thursday.

I am planning to arrive in Rabat on January 12 in the morning and leave on January 14 in the evening. I would appreciate if if you could send me the reports as they become available to my hotel in Paris where I will be arrive on January 9, the Hotel Scandinavia, 27 rue de Tournon, Paris 6.

I would further like to ask you to make hotel reservations for me at the places indicated below.

January 11	Hotel Mamounia (second choice: El Saadi)	Marrakesh
January 12	Grand Hotel du Sud	Tirenhir
January 13	Grand Hotel du Sud	Erfoud
January 14	Palais Jamai	Fez

The hotels in Tirenhir and Erfoud can be reserved through DIATA, 9, rue Maurice Pascourt, Rabat.

Yours sincerely,

Bela Balassa

November 13, 1981.

Professor Robert E. Baldwin
University of Wisconsin
Department of Economics
6454 Social Science Building
1180 Observatory Drive
Madison, Wisconsin 53706

Dear Bob,

I am writing to ask your help in the following matter. I would like to hire a research assistant for a period of one or two years, starting probably in January 1981. I am looking for a graduate student who has completed his course work but would like to take off a year or two before embarking on his dissertation. Alternatively, I would consider someone with a strong B.A. in economics. My requirements are course work in trade or development and knowledge of one of the basic computer languages.

Should you have a person fitting this description among your students, I would appreciate your forwarding his or her curriculum vitae. Thanking you in advance, I remain,

Yours sincerely,

Bela Balassa

November 13, 1981.

Professor Anne O. Krueger
University of Minnesota
Department of Economics
1035 Business Administration
271 19th Avenue S.
Minneapolis, Minnesota 55455

Dear Anne,

I am writing to ask your help in the following matter. I would like to hire a research assistant for a period of one or two years, starting probably in January 1981. I am looking for a graduate student who has completed his course work but would like to take off a year or two before embarking on his dissertation. Alternatively, I would consider someone with a strong B.A. in economics. My requirements are course work in trade or development and knowledge of one of the basic computer languages.

Should you have a person fitting this description among your students, I would appreciate your forwarding his or her curriculum vitae. Thanking you in advance, I remain,

Yours sincerely,

Bela Balassa

November 13, 1981.

Professor Ronald I. McKinnon
Stanford University
Department of Economics
Stanford, California 94305

Dear Ron,

I am writing to ask your help in the following matter. I would like to hire a research assistant for a period of one or two years, starting probably in January 1981. I am looking for a graduate student who has completed his course work but would like to take off a year or two before embarking on his dissertation. Alternatively, I would consider someone with a strong B.A. in economics. My requirements are course work in trade or development and knowledge of one of the basic computer languages.

Should you have a person fitting this description among your students, I would appreciate your forwarding his or her curriculum vitae. Thanking you in advance, I remain,

Yours sincerely,

Bela Balassa

November 13, 1981.

Professor Peter B. Kenen
Princeton University
International Finance Section
Dickinson Hall
Princeton, New Jersey 08544

Dear Peter,

I am writing to ask your help in the following matter. I would like to hire a research assistant for a period of one or two years, starting probably in January 1981. I am looking for a graduate student who has completed his course work but would like to take off a year or two before embarking on his dissertation. Alternatively, I would consider someone with a strong B.A. in economics. My requirements are course work in trade or development and knowledge of one of the basic computer languages.

Should you have a person fitting this description among your students, I would appreciate your forwarding his or her curriculum vitae. Thanking you in advance, I remain,

Yours sincerely,

Bela Balassa

OFFICE MEMORANDUM

TO: Mr. E. Stern, SVPOP

DATE: November 13, 1981.

FROM: Bela Balassa, DRC

SUBJECT: TUNISIA: Electrical and Mechanical Industries Project

1. In response to your request, transmitted by Mr. Norman Horsley, I provide below an evaluation of the incentive aspects of the proposed Electrical and Mechanical Industries (EMI) Project for Tunisia. The evaluation is based on the Project Brief, dated July 21, 1981; the Issues Paper, dated October 14, 1981; the Decision Memorandum, dated October 27, 1981; and the Staff Appraisal Report, dated November 13, 1981. Mr. Etori has also provided me with a calculation of effective protection for the EMIs (memo to files, dated October 21, 1981).

2. The Project Brief contains the following statement: "it is proposed, and it was agreed in principle with the Government that priority projects and activities eligible for Bank financing would only be those for which, at the time of Bank approval and during the commitment period of the proposed loan, the tariff duty is below 18% and there is no import quota" (Para. 20). It was further added that "this definition of eligibility would ... induce project promoters and financing institutions to select and design efficient projects with reasonable competitiveness" (Para 8.11).

3. According to the Issues Paper, "in its August cable, the Government agreed with the definition of EMI priority subsectors eligible for financing under the proposed loan, i.e. those protected by nominal tariff duties lower than 18% and having no quota ... However, during the last mission (September 11-21), it was discovered that these agreements would be negated by a de facto protection applied by the Ministry of National Economy" (Para. 3). After further discussions with the Government, it is now proposed that the conditions for the loan as regards incentive policies be set as follows: (a) The import prohibition list would be abandoned, and any industrial promoter who wants to import equipment goods that are manufactured in Tunisia would have to pay the corresponding tariff duty. (b) In exchange for (a), the Bank would agree to expand the definition of EMI priority activities to include all those activities that have no quota and whose current tariff rate is less than say 26% rather than 18% as previously envisioned ... (Para. 5).

4. The Issues Paper further notes that "the Ministry of National Economy could grant exceptions in very special cases for specific time periods (of up to say one year) after careful review of their justification" (Para. 5, fn. 2). In Para. 3 of the Decision Memorandum, it is added that "only in exceptional cases and for a clearly stipulated limited period of time would quantitative restrictions be admitted for priority EMI products" (Para. 3) without, however, stipulating a time limit.

Arguments for and against Higher Protection

5. According to the Issues Paper, selective increases in tariffs beyond the maximum 18% agreed to so far would "induce Tunisian promoters to buy (locally made EMI equipment rather than imported ones)" (Para 4). It further cites in support the views of the Tunisians who argued that higher tariffs

were "justified on the grounds that duties on imported inputs which enter into the manufacture of EMI product as raw materials or semi-finished products are in the 8% range" (footnote 1).

6. The other side of the coin is that higher tariffs on EMI equipment raise costs to domestic industry. Export efforts would be adversely affected as a result, while firms engaging in import substitution would presumably request higher protection to offset the effects of the higher cost of equipment. In Tunisia's very open economy that needs to place increasing reliance on exports, the danger of a chain reaction is of particular importance, when raising tariffs on any industry may also lead to demands for higher protection on the part of others.

7. Nor do input tariffs for EMI products in the 8% range provide any argument for raising product tariffs, since low input tariffs increase effective protection. Mr. Etori made an illustrative calculation, according to which the effective rate of protection for EMI products will be 50% for the case of the 26% product tariff limit and a 13% input tariff; an effective rate of 60% is obtained if an 8% input tariff is used in the calculation. These results would represent considerable increases in protection as compared to effective rates of 40% and 27%, respectively, under a 18% tariff limit.

8. Etori also makes alternative calculations for product tariffs below the 26% maximum and suggests that "these levels of E.P. are quite acceptable in the context of Tunisia, where E.P. in industry averages largely above 50%" (Para. 3). However, existing estimates based on tariff rates overstate the extent of effective protection in Tunisian manufacturing, because they do not allow for tariff redundancy. Yet, for many products, in particular consumer goods, tariffs are not binding because price control or competition has reduced the domestic price below the tariff-inclusive cif price.

9. At the same time, high protection is not conducive to the establishment of efficient units that is the stated objective of the Sector Loan. This is indicated by the example of consumer durables produced by Tunisian EMIs which, according to the Project Brief, "are generally inefficient and highly protected (nominal duties largely above 35%), capital-intensive and weakly integrated within the sector" (Para. 4).

10. Given the small size of the Tunisian market and the importance of economies of scale in the EMIs, efficient operations simultaneously necessitate exporting and import substitution. While the Project Brief provides a list of industries that are said to have "domestic markets large enough to sustain efficient import substitution ..." (Para. 15a), the validity of this statement may be queried as far as mechanical equipment, such as machinery for agriculture and public works, and for electro-mechanical equipment, such as motors, transformers, and switchgears are concerned. Moreover, the major items in the preliminary subsectoral allocation of EMI investments, listed in the Project Brief (Para. 18), are identified as requiring exports for efficient operations (Para. 15b).

Recommendations

11. While one may welcome the stipulation contained in the Staff Appraisal Report according to which the Government needs to consult with the

Bank on "any increase of current tariff duties by more than 8 percentage points or above 26%" (Para. 6.22), in view of the above considerations raising the maximum tariff from 18% to 26% cannot be recommended. While "the effect of this change would be to expand only marginally the list of eligible activities" (Issues Paper, Para. 5b), the danger is that tariffs would be raised. And while according to the Issues Paper, "it does not seem that the Government plans to revise the protection levels in 1982" (Para. 5, fn. 4), it subsequently states that the "nominal protection rate for all EMI priority activities eligible for Bank financing would remain at the new higher level until after the findings of the Effective Protection study soon to be undertaken by the Bach Hambe Institute" (Para 5c). At the same time, discussions with the prospective authors of the study held on November 9, 1981, indicate that the Issues Paper is overly optimistic in assuming that the policy recommendations of the study would be available by the second half of 1982 (*Ibid.*). At any rate, experience indicates that, once tariffs have been raised, it is difficult to reduce them again.

12. If the proposition is accepted that the tariff limit for priority EMI subsectors remains at 18%, the question arises as to how short-term problems may be dealt with. In this connection, the Issues Paper refers to foreign dumping (Para. 4). While the spectre of dumping has often been raised, there is little evidence of its existence in the EMIs. At any rate, in the event of dumping, the use of anti-dumping duties is preferable to higher protection.

13. One may admit, however, the possibility of imposing quantitative import restrictions in the case of new firms while they go through the initial learning process. The imposition of such restrictions should, however, be subject to a time limit of one year as recommended in the Issues Paper.

14. Finally, to the extent that it is desirable to give more incentives to the EMIs, this should be done through subsidies rather than tariffs. This is because subsidies reduce the cost of equipment to the domestic user and provide equal incentives to exports as well as to import substitution. A recommendation to this effect is contained in my advisory report to the Tunisian government (cf. memo to files, dated April 9, 1981).

15. Subsidies may be provided in various forms. While the Project Brief excludes the possibility of admitting inputs duty free (Para 4), this procedure is utilized elsewhere and could be used in this case also. EMI firms may also be provided with preferential tax and credit terms. In fact, the proposed loan does the latter, thereby reducing the need for increased protection.

cc: Mr. Horsley; Standard Distribution List

BBalassa:nc

November 13, 1981.

Professor Jagdish N. Bhagwati
Columbia University
Department of Economics
New York, New York

Dear Jagdish,

I am writing to ask your help in the following matter. I would like to hire a research assistant for a period of one or two years, starting probably in January 1981. I am looking for a graduate student who has completed his course work but would like to take off a year or two before embarking on his dissertation. Alternatively, I would consider someone with a strong B.A. in economics. My requirements are course work in trade or development and knowledge of one of the basic computer languages.

Should you have a person fitting this description among your students, I would appreciate your forwarding his or her curriculum vitae. Thanking you in advance, I remain,

Yours sincerely,

Bela Balassa

P.S. On a different matter: I am unable to find my comments on "A Note on the Theoretical Interpretation of Indices of Trade Intensity and Revealed Comparative Advantage" you referred to in your letter of November 5th. Please send me a copy at your earliest convenience.

Le 13 novembre 1981

Cher ami,

Je suis désolé qu'il n'ait pas été possible de trouver quelqu'un pour remplacer M. Chenery et moi-même au Congrès du Club de Dakar qui s'est tenu à Vienne. Je suis sûr que celui-ci a été une réussite et je regrette que nous n'ayons pu y participer.

Vous m'avez demandé de vous indiquer le nom d'une personnalité américaine qui pourrait devenir membre du Club de Dakar. Je vous recommande le professeur Elliott Berg, de l'Université du Michigan, qui est l'auteur du Rapport sur l'Afrique au sud du Sahara paru récemment. Le professeur Berg est consultant au FMI, par l'intermédiaire duquel il est possible de le joindre.

J'espère avoir l'occasion de vous rencontrer quand vous viendrez à Washington en décembre. D'après mes projets, je devrais être ici jusqu'au 7 décembre, puis après le 22.

Je vous prie d'agréer, cher ami, l'expression de mes sentiments les meilleurs.

Bela Balassa

P.S. Je reçois à l'instant votre lettre du 3 novembre. Je dois rentrer de Manille, où se tiendra le Congrès de la Chambre internationale de commerce, le 28 novembre et serais heureux de vous rencontrer à l'une quelconque des dates suivantes : 30 novembre, 3, 4, 7 ou 10 décembre. Je vous enverrai dans quelques jours par télégramme le nom de personnes avec lesquelles vous pourriez trouver intéressant de vous entretenir. Je crois comprendre que le Bureau de Paris de la Banque a demandé pour vous un rendez-vous avec M. Clausen.

Monsieur M. T. Diawara
Club de Dakar
Secrétariat administratif
4, avenue Hoche
75008 Paris (France)

Le 13 novembre 1981

Chère Françoise,

Je te remercie de ta lettre du 22 octobre m'autorisant à reproduire dans la série des réimpressions de la Banque mondiale mon article paru dans le numéro thématique "SPECIALISATION INTERNATIONALE ET CRISE" de la Revue économique. Référence sera faite au document dans lequel cet article a été initialement publié.

Carol et moi avons l'intention de nous rendre à Paris en janvier. Si nos plans se matérialisent, nous serons très heureux de vous rencontrer toi et Jean.

Je te transmets toutes nos amitiés.

Bela Balassa

Madame Françoise Carrière
Revue économique
54, boul. Raspail
75006 Paris (France)

November 13, 1981

Mme La Directrice
Hotel Scandinavia
27 rue de Tournon
Paris, 6e
France

Chère Madame:

Je vous prie de bien vouloir me réserver une chambre pour les dates suivantes:

Arrivée

11 décembre
9 janvier

Départ

13 décembre
13 janvier

En vous remerciant d'avance, je vous prie de croire, chère Madame, à mes meilleurs sentiments.

Bela Balassa

cc: Mme. Ponchon (Banque Mondiale, Paris)

November 13, 1981.

Ms. Theresa Hunt
Editorial Officer
Trade Policy Research Centre
1 Gough Square
London, EC4A 3DE
England

Dear Ms. Hunt:

I enclose the corrected proofs of my paper. While I have found practically no **effors**, the proofs do not contain the title and the subtitles of the paper. I do not know what could have happened but we certainly need these in the printed version. Rather than putting in the title and subtitles, I enclose an original copy of the paper.

I would further like to ask you to send me information on the following: the exact title and the volume, the editors, the publishers and the date of publication.

Yours sincerely,

Enclosures

Bela Balassa

Mr. Roland Barker, AMEX

November 13, 1981

Bela Balassa, DRC

Personal Travel

I would like to ask you to make reservations for my wife, Mrs. Carol Balassa on the flights indicated below. Please also make reservations for me on the Casablanca-Marakesch flight. This will be taken over by official travel once I have prepared my travel request.

Please note that there is no return flight indicated on the schedule between Marakesh and Casablanca. This is because we will be travelling by car. You might find it appropriate to get Washington-Casablanca-Washington excursion fare for my wife and separately purchase the Casablanca-Marakesh flight which, at any rate, is very inexpensive.

JANUARY
Washington 8, Friday Washington-Paris 1600 745 TW810
13, Wednesday Paris-Lyon 1745 1835 IT6921
14, Thursday Lyon-Casablanca 1625 1930 AT715
14, Thursday Casablanca-Marakesch 2120 2155 AT751
19, Tuesday Casablanca-New York 1000 1235 AT204
19, Tuesday New York-Washington 1615 1727 PA67

BBalassa:nc

November 12, 1981

Dr. Bhandari (George Mason University) will meet as follows:

John H. Duloy	I6-164	2:15 pm	11/24/81
Graham Pyatt	I6-165	3:30 pm	11/24/81
✓ Bela Balassa	I6-158	2:00 pm	12/03/81

Please let me know if these dates become unsuitable.

Jean Panchami
x61967

OFFICE MEMORANDUM

TO: Mr. David ~~Glyn~~ Williams, AEP

FROM: Bela Balassa, DRC

SUBJECT: Sri Lanka: Effective Protection Study

DATE: November 12, 1981

Measuring Relative Incentives

1. This is a commendable effort that should be of value in formulating an incentives policy for the manufacturing sector in Sri Lanka. At the same time, the usefulness of the study could be increased by noting the use of incentives other than tariffs and export subsidies, placing the results in the context of the national economy, recognizing the existence of redundant protection, and making more explicit policy recommendations.
2. Apart from export credits, the estimates make no allowance for tax and credit preferences or for investment incentives. Even if these measures were of little importance in practice, the reader would need information on the relevant regulations.
3. Furthermore, the pervasiveness of export taxes in agriculture points to the need to consider incentives to the manufacturing sector in the context of the national economy. In particular, the appropriate benchmark for the effective rate of protection is not 1.0, as it is alleged on p. 61, but the ratio of the shadow exchange rate to the actual exchange rate.
4. It should be possible to give an indication of the protection of the primary sector on the basis of existing information on export taxes and import tariffs for foods, raw materials, and fuels. In turn, alternative estimates of the shadow exchange rate could be derived for assumed values of the relevant elasticities.

Estimating Nominal Protection Coefficients

5. Nominal protection coefficients are estimated on the basis of information on tariffs, export taxes, and export subsidies. Although 281 items remain subject to import licensing, on p. 43 it is claimed that "licensing provisions apply to some items" only. Furthermore, the procedures employed in making price comparisons are not explained.
6. Nor is adequate attention given to redundant protection. While it is noted that "where imports were small, direct price observations were undertaken to get world price" (p. 43) the scope of the price comparisons is not indicated. At the same time, the unprecedentedly large share of items with negative world market value added (61 out of 263 products) indicates the importance of tariff redundancy.
7. A case in point is aerated water that has a 100 percent tariff. To cite Fred Moore, "I can't understand how aerated water can have negative value added in world prices. It consists of water, sugar, bottles, and labels" (Memo dated October 28, 1981). The answer presumably is that the tariff overestimates the excess of the domestic over the world market price. Nor will the domestic price of the eight confectionery products with negative

world market value added exceed the world market price by 100 percent as the tariff observations would indicate.

8. Problems arise also in connection with the measurement of the nominal protection of export products. They are defined "as products of sample firms actually exported during the survey year" (p. 41). Under this definition, even a small, and possibly nonrecurrent, export would put the product into the export category, with the further assumption made that domestic prices equal export revenue (export prices adjusted for export taxes and import tax rebates). Yet, in the event of occasional exports, this relationship will not hold.

9. To provide a better indication of the structure of protection, products should be classified into the four categories introduced in my Development Strategies in Semi-Industrial Economies. In that study, industries exporting more than 10 percent of their output are considered as export industries, industries importing more and, respectively, less than 10 percent of consumption are classified as import-competing and non-import-competing, with nominal protection determined by price comparisons in the latter case. Finally, industries having more than 10 percent of exports and more than 10 percent of imports are taken to be export-and-import-competing.

10. This classification scheme should be utilized even if further price comparisons cannot be made and the estimates for the four categories compared on the product, product group, and industry level. At the same time, the scope of the price comparisons, the procedures used, and the results obtained should be indicated. I may add that, in the last fifteen years, Bank studies of effective protection have utilized price comparisons rather than tariff observations.

Estimating Effective Rates of Protection

11. Grouping products into the four categories would also permit providing a more appropriate evaluation of effective protection. Furthermore, effective protection coefficients should be averaged by using world market value added as weights, irrespective of whether this is negative or positive. The demonstration and the relevant formula are provided in my The Structure of Protection in Developing Countries, p. 319.

12. The effects of tariff reductions on the effective protection coefficients are incorrectly calculated. Such calculations should be made by building up the results from the world market values derived for the existing protection structure. Thus, a negative world market value added, reflecting extreme cases of inefficiency, would not turn into positive following reductions in tariffs as alleged e.g. in regard to chocolate on p. 118. Rather, in this event firms will disappear unless they improve their X-efficiency.

Policy Recommendations

13. The recommendations again suffer from the disregard of the rest of the economy. To my mind, the basic recommendation should be to reduce, and eventually eliminate, export taxes that raise the protection of the manufacturing sector and favor products which use them as inputs. At the same

time, the budgetary implications of the proposed changes should be explored.

14. As regards tariffs, the proposed steps are rather timid. Once one recognizes the existence of redundant protection, larger reductions in tariffs can be recommended since these reductions would in part eliminate the water in the tariff. At the same time, rather than proceeding on a piecemeal basis, one would need a programme extending to all manufactured goods, to be carried out over a five year horizon so as to provide time for business to adjust.

15. I would propose a 25 or 30 percent tariff ceiling, to be reached in steps over the five year period, during which time tariff disparities would be reduced and export subsidies increased in order to lessen the existing bias against exports. At the same time, actions should be taken to provide the necessary revenues, possibly by raising indirect taxes. Indirect taxes should also replace above-average tariffs on luxury goods, lest their domestic production is encouraged.

cc: Messrs. Gould, AEP; Holsen, ASNVP; Moore, IDF; Pursell, DRC;
Thuyet, ASP; Cuthbertson (consultant); M. Z. Khan (IMF).

BBalassa: nc

November 12, 1981.

Mr. Theodore Geiger
Chief, International Studies
National Planning Association
1606 New Hampshire Avenue, N.W.
Washington, D.C. 20011

Dear Ted,

I recently saw a referenne to the study "Corporate Responses to Export Thrusts of the Newly Industrializing Countries" prepared by Lawrence G. Franko and Sherry Stephenson. I wonder if you could favor me with a copy.

I hope that you have received the reprints I sent you in September. I thought of Frances and you in revising the culinary guide.

Yours sincerely,

Bela Balassa

Mr. Stanley Please, SVPOP

November 12, 1981

Bela Balassa, DRC

Structural Adjustment Policies in Developing Countries

1. I find little difference in the exchange rate policy prescriptions contained in the Africa Report and in my "Structural Adjustment Policies in Developing Countries." The Report endorses a scheme of partially compensated devaluation -- a devaluation combined with reductions in import protection -- that I have long advocated (cf. e.g. "Reforming the System of Incentives in Developing Countries," June 1975, World Bank Reprint No. 22, pp. 379-80). It also considers export subsidies as a second-best solution as I have done in "Structural Adjustment Policies" At the same time, it should be recognized that symmetry requires maintaining tariffs unchanged under the second alternative, in which case the budgetary effects will be practically the same as under the first.
2. "Structural Adjustment Policies" refers to the practical difficulties of export subsidization in expressing a preference for the partially compensated devaluation alternative. It should be noted, however, that export subsidization has been used to good effect in a number of countries. Evidence on this point is provided in my "Export Incentives and Export Performance in Developing Countries: A Comparative Analysis," which is cited in the Africa Report.
3. The use of export subsidies is predicated on the existence of constraints on exchange rate changes. In this regard, "Structural Adjustment Policies" refers to the fixed exchange rate arrangements within the Franc area in particular. While the transformation of the Franc area may be considered desirable, one can hardly postpone policy action until this occurs. At the same time, "Structural Adjustment Policies" explicitly states that it is the small countries of the Franc area that may impose export subsidies without invoking countervailing action. This conclusion does not apply to developing countries in general and to the newly-industrializing countries in particular. For a more detailed discussion, see Bela Balassa and Michael Sharpston, "Export Subsidies by Developing Countries: Issues of Policy," November 1973, World Bank Reprint No. 51, p. 38-39.
4. I enclose an excerpt from "Structural Adjustment Policies" where I have underlined the relevant passages, some of which seem to have escaped the attention of the author of the note prepared at the Fund. I see no reason for modifying any of the text.

cc: Messrs. Hood, (IMF); Palmer, (IMF); and Stern, SVPOP

Enclosure
BBalassa:nc

November 12, 1981.

Mr. André Barsony
OECD Development Center
2, rue Andre-Pascal
75775 Paris
France

Dear André,

I have read about two recent OECD reports. The November 3rd issue of the Financial Times refers to a study on debt; the July issue of the OECD Observer speaks of a report of the Trade Committee. I wonder if I may impose on you to send me copies of these reports and if possible the recent OECD publication, the Welfare State in Crisis.

Yours sincerely,

Bela Balassa

November 11, 1981.

Mr. Nuno Fidelino de Figueiredo
Rua des Escultores 571
05469 Sao Paulo, S.P.
Brazil

Dear Mr. de Figueiredo:

I was indeed sorry to have missed you on the occasion of your visit to Washington. Thank you for providing me with a copy of the study you wrote for IDE. I will read it with interest.

I also look forward to reading the report you have prepared for the World Bank.

I do not know when I will have the opportunity to go to Sao Paulo, but will certainly let you know if I do. However, perhaps you might have the opportunity to come to Washington before then.

Yours sincerely,

Bela Balassa

November 11, 1981.

Mr. David Kellogg
Senior Editor
Social Sciences
Pergamon Press Inc.
Maxwell House
Fairview Park
Elmsford, New York 10523

Dear Mr. Kellogg:

Thank you for your letter of October 9th. I further enclose promotion lists of people at the World Bank and at the IMF with the request that you send them the promotion pieces. You will understand that I cannot do it myself. At the same time, I would expect good sales at the World Bank.

In sending out the promotion pieces to people at the World Bank please do not send all the promotion pieces at the same time. Rather, have it sent in batches of a dozen or so, as I want to avoid creating any undue commotion by having a large number of promotion pieces coming in..

Yours sincerely,

Enclosure

Bela Balassa

P.S. I further enclose some address labels for people to whom the promotion piece should be sent.

November 11, 1981.

Mr. Vito Tanzi
International Monetary Fund
700 19th Street N.W.
Washington, D.C. 20431

Dear Vito,

I am in the process of preparing my overview paper for the AEA session at which you are also presenting a paper. I would appreciate it if you could send a copy of your paper once it is available in draft form. This would help me avoid overlapping while referring to the contents of your paper

It was good to see you and to have lunch last month and I look forward to frequent contacts. I am sending you copies of some of my recent papers today.

Yours sincerely,

Enclosures

Bela Balassa

Enclosed: A "Stages Approach" to Comparative Advantage, W.P. No. 136
The Policy Experience of Twelve Less Developed Countries W.P. No. 449
Industrial Prospects and Policies in the Developed Countries W.P. No. 443
Adjustment to External Shocks in Developing Economies W.P. No. 472
Structural Adjustment Policies in Developing Countries W.P. No. 464
The Process of Industrial Development and Alternative Development
Strategies, Princeton Essay No. 141
The United States in the World Economy, Hopkins W.P. No. 82
Culinary Guide



Record Removal Notice

File Title Bela Balassa's chron files - November 1981	Barcode No. 30225109
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Document Date Nov 11, 1981	Document Type Letter
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Correspondents / Participants
American Express Company, Attn: Manager, Financial Programs

Bela Balassa,

Subject / Title
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Additional Comments

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Withdrawn by Chandra Kumar	Date May 30, 2014
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November 11, 1981.

Mr. Istvan Mohacshi
The Hungarian Embassy
3910 Shoemaker Street N.W.
Washington, D.C. 20008

Dear Mr. Mohacshi:

I was glad to learn of Hungary's application to the IMF and the World Bank. I enclose a booklet as well as press clippings which deals with procurement. As I mentioned to you, once Hungary becomes a member it can participate in competitive bidding for Bank contracts. I further enclose some of my recent papers that deal with policy responses to external shocks.

Yours sincerely,

Enclosures

Bela Balassa

Enclosed: W.P. No. 437 "The Newly-Industrializing Developing Countries
After the Oil Crisis"
464 "Structural Adjustment Policies in Developing Economies"
472 "Adjustment to External Shocks in Developing Economies"
449 "The Policy Experience of Twelve Less Developed
Countries, 1973-1978"

November 11, 1981.

Ms. S. W. Y. Kuo
Deputy Governor
The Central Bank of China
The Republic of China
Taipei, Taiwan

Dear Ms. Kuo:

I was sorry to learn that I will not be able to see you and other friends in Taipei later this month. I was not aware of the fact that a new airport far from the city had been built.

I would like to use the opportunity to thank you for sending me your book, Taiwan Success Story. The Book rightfully indicates the achievements of the last decade.

Yours sincerely,

Bela Balassa

P.S. Please continue to send me the publications on Taiwan.

November 11, 1981.

Ms. S. W. Y. Kuo
Deputy Governor
The Central Bank of China
The Republic of China
Taipei, Taiwan

Dear Ms. Kuo:

I was sorry to learn that I will not be able to see you and other friends in Taipei later this month. I was not aware of the fact that a new airport far from the city had been built.

I would like to use the opportunity to thank you for sending me your book, Taiwan Success Story. The Book rightfully indicates the achievements of the last decade.

Yours sincerely,

Bela Balassa

P.S. Please continue to send me the publications on Taiwan.

November 11, 1981.

Mr. Christian Ladonne
4455 Greenwich Parkway N.W.
Washington, D.C. 20007

Dear Christian,

We learned from Lisa of your recent surgery. We both wish you a speedy recovery.

I enclose my recent paper on the U.S. economy as well as my culinary guide. I thought that you might enjoy reading them.

With warm personal regards,

Yours sincerely,

Enclosures

Bela Balassa

November 11, 1981.

Mr. Bela Balassa
100 Royal Palm Way, Apt. 903
Boca Raton, Florida 33432

Dear Bela:

Please excuse the delayed answer to ~~my~~ your letter of July 30th. I have read your book on Hungary of the 19th century with much interest and would like to thank you for sending it to me.

I also appreciate the information you sent me on our common ancestors. I am sending copies to my father, as well as my sisters. It would be nice to meet you, if you come to Washington. Please let me know the date of your next visit.

Yours sincerely,

Bela Balassa

November 11, 1981.

Professor Laszlo Berényi B.
P.O. Box 2221
Chula Vista, California 92012

Dear Professor Berényi:

I would be glad to see you on the occasion of your visit to Washington in late December. Please contact my secretary to arrange a meeting.

Yours sincerely,

Bela Balassa

November 11, 1981.

Dr. L. Stein
Macquarie University
School of Economics
North Ryde
New South Wales 2113
Australia

Dear Dr. Stein:

Please excuse the delayed answer to your letter of July 23rd.
I am sorry to say we no longer have the comparative advantage ratios a
available.

Yours sincerely,

Bela Balassa

November 11, 1981.

Dr. Gerard K. Boon
The Technology Scientific Foundation
P.O. Box 1510, 2200 BE Noordwijk ZH
The Netherlands

Dear Dr. Boon:

Thank you for your letter of October 12th. I have heard of your work from Mr. Westphal and I am most interested in getting acquainted with it. As to reviewing your books, you may wish to try the Journal of Development Economics or Economic Development and Cultural Change.

Yours sincerely,

Bela Balassa

November 11, 1981.

Mr. Nicholas Wahl
New York University
Institute of French Studies
15 Washington Mews
New York, N.Y. 10003

Dear Nick,

Thank you for your letter of October 28th inviting me to give a talk on the French social economic policies. I would be happy to do so and February looks like the right time since I will be in Paris in January and plan to have discussions on economic policies.

I teach at Hopkins on Tuesday and Wednesday and so I could come from Baltimore to New York and return to Washington the next morning. I wonder if your University could pay for the trip since I cannot ask either the Bank or Hopkins to do so.

Yours sincerely,

Bela Balassa

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. John H. Duloy, DRC

DATE: November 10, 1981.

FROM: Bela Balassa, DRC

SUBJECT: Research on Adjustment to External Shocks in Sub-Saharan Africa

1. As I have indicated to you at lunch today, Luis de Azcarate put a study on policy responses to external shocks in Sub-Saharan Africa on the top of his list of research priorities. Undertaking such a study would also fit in with the desire Hollis Chenery has repeatedly expressed to carry out research on Sub-Saharan Africa.
2. A study on the above subject would require adding seven or eight countries to the five countries to which my trade decomposition has already been applied (Ivory Coast, Kenya, Mali, Tanzania and Zambia). This would permit examining policy responses and economic performance in Sub-Saharan countries following different policies as well as in LDCs and in LLDCs in the period 1973-78.
3. Carrying out such a study would require 3-4 months of research assistant time and 3-4 weeks of my time. Pradeep Mitra has indicated a possible interest in undertaking the domestic decompositions for the same countries in the framework of his research project.
4. I wish to add that extending my trade decomposition to the period of the second oil crisis (1979-80) would require 4-5 months of additional assistant time. This has been suggested by various commentators and has been discussed with Chenery. The results would be utilized in Mitra's project.
5. Correspondingly, I would like to ask you to provide the "floating" assistant to me for a continuous period of 8-9 months, starting in January 1982. This would permit appropriate phasing of the work, since the Sub-Saharan Africa study could start in January and the 1979-80 study in April-May when the 1980 data becomes available.

cc: Mr. Pyatt, Mr. Meeraus, Mr. Mitra

BBalassa:nc

November 9, 1981.

Professor Anne O. Krueger
University of Minnesota
Department of Economics
1035 Business Administration
271 19th Avenue S.
Minneapolis, Minnesota 55455

Dear Anne:

I read with interest your recent paper on "Loans to Assist the Transition of Outward Looking Policies." As you know, this is a problem today in Turkey and I fear that people underestimate the time needed for external finance to assist in the reconversion of the economy. I have made this point recently in the report of a Bank mission I led to Turkey in May/June.

I am in the process of preparing my overview paper for the AEA session at which you are also presenting a paper. I would appreciate it if you could send a copy of your paper once it is available in draft form. This would permit me to avoid overlapping while referring to the contents of your paper.

Yours sincerely,

Bela Balassa

November 9, 1981.

Ms. Kathleen H. B. Manalo
Publisher
The Middle East Journal
1761 N Street N.W.
Washington, D.C. 20036

Dear Ms. Manalo:

In reference to our telephone conversation, I enclose a copy
of my paper. A copy is sent also to Mr. Peck.

Yours sincerely,

Enclosure

Bela Balassa

Enclosed: The Policy Experience of Newly Industrializing Economies
After 1973 and the Case of Turkey

November 9, 1981.

Professor Maxwell J. Fry
University of California, Irvine
School of Social Sciences
Irvine, California 92717

Dear Max,

Thank you for your letter of October 29th. I would indeed be interested in having the papers of our AEA session published in World Development. I do not see any problem in getting the paper completed by late February.

May I use the opportunity to ask you to send me a copy of your paper in draft as soon as it becomes available. This would help me in writing my own overview paper.

Yours sincerely,

Bela Balassa

November 9, 1981.

Mr. Mehmet Gun Calika
Meban Securities Brokerage
and Finance Corporation
Odakule Is Merkezi Istiklal Caddesi
286 Beyoglu
Istanbul
Turkey

Dear Mr. Calika:

It was good to see you again and I enjoyed the conversations we have had. I look forward to meeting you in December. I will let you know in time my arrival date.

I take pleasure in enclosing a copy of the World Bank Reprint "Growth Policies and the Exchange Rate in Turkey." The inclusion of my paper in the Reprint Series will permit its wide distribution in developing countries. I am also sending copies, together with my culinary guide, to Messrs. Faruk and Fuat.

Yours sincerely,

Enclosures

Bela Balassa

P.S. I am sorry to say that I have still not received my honorarium for last July's lecture. Please send it to my home address, 2134 Wyoming Avenue N.W., Washington, D.C. 20008, or directly to my account with State Street Bank and Trust Company, P.O. Box 1912, Boston, MA 02105. If the transfer is made to the Bank, please note that my account number is 737515 in the Scudder Development Fund.

November 9, 1981.

Mr. John Fei
Yale University
Department of Economics
New Haven, Connecticut

Dear John:

This is a sequel to my letter of November 2. I would appreciate it if you could invite Lloyd Reynolds to the luncheon on the 16th. Also, in the early afternoon I would like to interview possible candidates for the DRC. We are especially interested in people with a macro-economic or energy orientation, but would consider any good students. Finally, I would be interested in hiring a research assistant if you have someone who may have finished the comprehensives but wants to take off a year or two before writing a thesis.

Yours sincerely,

Bela Balassa

P.S. I will arrive in New Haven by plane at 10:13 and will take a taxi from the airport; in the evening my plane leaves at 7:25.

November 9, 1981.

OECD Information Service
2 rue André Pascal
F75775 Paris CEDIX 16
France

Dear Sir:

I have apparently neglected to fill out the form you earlier sent me concerning the OECD Observer. I would like to continue receiving the Observer in the future.

Yours sincerely,

Bela Balassa

2134 Wyoming Avenue N.W.
Washington, D.C. 20008
November 9, 1981.

Mr. Robert E. Gall
Assistant Vice President
Market Planning & Analysis
National Railroad Passenger Corporation
400 North Capitol Street N.W.
Washington, D.C. 20001

Dear Mr. Gall:

Thank you for your letter of October 19th. I was glad to hear about your new rule according to which Metroliners will be stopping in Baltimore if the conventional train is more than half an hour late. I was also happy to find that two Metroliners make stops in Baltimore on the way to Washington in the mid afternoon since October 28th. I have made use of them already and so have others.

Yours sincerely,

Bela Balassa



Record Removal Notice

File Title Bela Balassa's chron files - November 1981	Barcode No. 30225109
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Document Date Nov 9, 1981	Document Type Outgoing wire
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Correspondents / Participants
 Twentieth Century Investors, Inc.
 Bela Balassa

Subject / Title
 Establishing an account for his daughter

Exception No(s).

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Reason for Removal
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Additional Comments

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Withdrawn by Chandra Kumar	Date Jun 2, 2014
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November 9, 1981.

Mr. Martin Wassell
International Chamber of Commerce
38 Cours Albert 1^{er}
75008 Paris
France

Dear Mr. Wassell:

Thank you for your letter of October 5th informing me of the hotel and air ticket arrangements. In the meantime, I have received the ticket from Air France.

I would like to ask you to send me two or three copies of the volume containing the papers to be presented in Manila by air mail. If possible, I would like to receive an additional 8 to 10 copies by sea mail.

Yours sincerely,

Bela Balassa

P.S. I have just received your letter of October 27th. Breakfast on Monday November 23rd is fine with me. Please leave a message for my arrival as to the exact time and place.

November 9, 1981.

Mr. Edward A. Hewett
The Brookings Institution
1775 Massachusetts Avenue N.W.
Washington, D.C. 20036

Dear Ed,

It was good seeing you and I enjoyed the discussion we had.
I enclose several of my papers dealing with policy responses to external
shocks as I promised.

Yours sincerely,

Enclosures

Bela Balassa

Enclosed

Enclosed: W.P. No. 437 "The Newly-Industrializing Developing Countries After
the Oil Crisis"
464 ""Structural Adjustment Policies in Developing Economies:
472 "Adjustment to External Shocks in Developing Economies"
449 "The Policy Experience of Twelve Less Developed
Countries, 1973-1978"



Record Removal Notice

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Ms. Virginia Hitchcock, IPA

November 6, 1981

Bela Balassa, DRC

Reprint of French Translation

It was earlier agreed that the French translation of my "The Changing International Division of Labor in Manufactured Goods" would be issued as a reprint. The publication of this paper has been delayed, and in the meantime, a new version has been published in French. This incorporates my two papers issued as No. 156 and 180. May I ask you, therefore, to issue this translation as a reprint. I enclose two copies together with a letter from the *Revue Economique* authorizing reprinting of the paper.

Enclosures
BBalassa:nc

REVUE

PARIS, le 22 Octobre 1981

ECONOMIQUE

54, boul. Raspail
75006 PARIS
Tél. : 544.39.79

Monsieur Bela BALASSA
World Bank
1818 H Street N W
WASHINGTON D C
204333
U.S.A.

Cher Bela,

Je reçois , ce jour, ta lettre du 16 Octobre. Bien entendu , la Revue Economique t'autorise à reproduire ton article paru dans le numéro thématique " SPECIALISATION INTERNATIONALE ET CRISE ", de Juillet 1981 - avec référence obligatoire à cette source .

Merci à toi et à Carol pour vos précieux témoignages de sympathie .

A bientôt j'espère, et toutes mes amitiés à tous deux .



Françoise CARRIERE

November 6, 1981.

Mr. Julio Berlinski
Instituto Torcuato Di Tella
Centro de Investigaciones Economicas
11 de Septiembre 2139
Buenos Aires (26)
Argentina

Dear Julio,

I enclose a copy of the Introduction to the Argentina chapter.
I hope that the text appropriately reflects your ideas.

I am sorry that I did not have the chance to see you on your
visit to Washington. I was expecting you Monday afternoon; I was at
Hopkins in Baltimore on Tuesday and Wednesday.

Yours sincerely,

Enclosure

Bela Balassa

5

Argentina

JULIO BERLINSKI AND DANIEL M. SCHYDLOWSKY

Argentina covers most of the southern cone of South America; its fertile grassy plains are famous sources of grain and beef. In 1969 Argentina had a population of approximately 23 million, of which about a third lived in greater Buenos Aires. Per capita income in that year was about US\$900, but it had grown at only 2 percent a year since 1950. Although agriculture contributed about 13 percent of GNP and industry 33 percent, almost 80 percent of Argentina's exports were agricultural. Import substitution had proceeded so far that consumer goods made up less than 5 percent of imports, while raw materials and intermediate goods accounted for two thirds of the import bill.¹

Argentina's economic history since World War II has been one of cyclical fluctuations around a path of relatively low growth, double-digit inflation in practically all years, and recurrent balance of payments crises. Underlying these features has been a persistent imbalance between the rates of growth of the primary and secondary sectors. While industry relied on imported inputs, the principal source of foreign exchange was agriculture. Industrial growth thus depended directly on agriculture, except insofar as industrial output itself either was exported or saved foreign exchange by substituting for imports. Policy was strongly oriented toward industrial import substitution, and also strongly biased against the production of industrial exports. As a result the sustainable excess of the rate of growth of manufac-

turing over that of exports was given by a steadily declining rate of import substitution. In practice, the growth of industry repeatedly exceeded this ceiling and balance of payments crises resulted.

The stabilization measures introduced to cope with these crises typically included devaluation (to promote primary exports and to contain imports) and tightening of money policy (allegedly to prevent inflation). These measures generally resulted in recession and inflation, and a temporary improvement in the balance of payments as economic activity was reduced. Prices tended to rise after devaluation, because Argentina's major exports are food products, and hence domestic food prices have been tied to international prices converted to Argentine pesos (\$a). Many industrial prices had a similar link via imported inputs, or via competing products that were imported. The reductions in economic activity were the result, at least in part, of the fall in real wages arising out of the increase in the price of food. Tight money exacerbated the fall in aggregate demand. Short-run borrowing abroad or inflows of foreign private investment proved to be palliatives that did not fundamentally affect the situation. The possibility of lifting the ceiling on industrial growth by promoting industrial exports began to be explored in the early 1960s, while stabilization on the basis of an incomes policy that did not depress real wages was not attempted until the late 1960s. The remainder of this introduction gives a

Financial support for this study was provided by the World Bank, the Development Advisory Service of Harvard University, and Boston University's Center for Latin American Development Studies. Among numerous individuals, F. Porta, G. Macchi, J. Scalise, and G. Marrero were helpful with the data at an early stage; later on, Frank Ellworth, Nick Tebagy, and particularly Esther Lee Koss dedicatedly performed computations.

thumbnail sketch of developments since World War II. It is striking how repetitive the scenarios have been.

Argentina entered the postwar period with unusually high foreign exchange reserves, which resulted from the high prices its exports had fetched during the war and the unavailability of imported goods on which to spend the export revenue. The reserves were spent in the immediate postwar years on the purchase of railroads from the British, on the settlement of foreign debt, and on the imports needed to sustain a substantial increase in the standard of living of most Argentine citizens. In these years there was also a systematic and conscious effort at industrialization. Previous episodes of rapid industrial growth, during World War I, during the Great Depression, and during World War II, had been achieved in response to temporary interruptions of supply or temporary unavailability of foreign exchange. In early postwar Argentina, however, foreign exchange was plentiful and goods were available for import. Hence the industrialization of this period was caused less by external pressures and more by an explicit industrialization strategy.

By 1950 the country was moving toward a major balance of payments crisis as a consequence of two years of declining demand for its exports. In 1951 the increase in domestic prices began to accelerate and reserves fell significantly, the cost of living increased by 37 percent, and wholesale prices increased by 48 percent. Many of the measures that were adopted to deal with the balance of payments crisis have since been used to cope with similar crises. They consisted essentially of controls on aggregate demand through a policy of tight money. The system of multiple exchange rates was manipulated to produce an increase in the relative price of agricultural goods. Stabilization was undertaken by means of wage and price controls, which were helped along with subsidies from the exchequer. The result was a recession of some magnitude. Output temporarily fell, and wage increases lagged behind the rise in the cost of living. Simultaneously, foreign private investment was invited in to relieve the short-run need for foreign exchange. Although foreign exchange reserves improved in 1953, deflation began, real wages rose, and relative prices of agriculture fell. In 1954 the cost of living increase was down to 4 percent, but the stage was set for the next crisis.

The government that took office in 1955 addressed its inherited economic problems with a plan that included many of the same types of measures. The peso was devalued from \$8.8 to \$22 to the U.S. dollar (average implicit exchange rates in 1954 and 1955, respectively). Foreign private investment received substantial encouragement and the foreign debt was rescheduled. Part of the inflationary impact of the devaluation was offset

by the imposition of export taxes, which limited both the increase in income to exporters and the fall in real wages. The increase in the cost of living was only 12.1 percent in 1955, rising slightly to 13 percent in 1956. Since the plan adopted was relatively expansionary, the recession induced by its early phase was a minor one. Throughout 1956 real wages rose and export taxes were reduced in an offsetting fashion. By 1957 the increase in the retail price level had reached 25 percent a year. The devaluation had caused only a minimal increase in agricultural output and exports, but there had been some increase in foreign private investment. During the late 1950s a general liberalization of the economy was undertaken: bilateral trading arrangements were terminated, many imports previously restricted were transferred to an automatic license list in the "official" market, and an attempt was made to control imports in the "free" market through import duties. (For goods produced domestically a certificate of need was required.) A surge of imports resulted, as stocks were adjusted to levels of demand that had been repressed in the past. When a balance of payments crisis emerged in 1958, Argentina had no reserves but an increased foreign debt.

In 1958 a new government took over and decreed a 60 percent wage increase over the level of February 1956. This increase was accompanied by an increase in the money supply of more than 40 percent, a deficit in the government budget equivalent to 5 percent of GDP, and an increase in the cost of living during that year of 32 percent. The immediate balance of payments problem was met by a vigorous reimposition of quantitative restrictions. In 1959 the government attempted to stabilize the economy according to a plan negotiated with the International Monetary Fund (IMF). This involved freeing the foreign exchange market, devaluing the peso to \$83 to the U.S. dollar, and tightening the money supply; it also included the introduction of tariffs, advance deposits in payment for imports, and export taxes. As might have been expected, the devaluation improved the agricultural terms of trade and decreased real industrial wages, which fell by around 20 percent between 1958 and 1959. Retail prices increased during 1959 by 113 percent and the recession in that year was worse than in 1952. The devaluation had little effect on exports but a major effect on inflows of capital, much of it on a short-term basis. In 1960, as a consequence of increases in Central Bank reserves, credit expanded and thus prompted some deflation of the economy, which gave room for an increase in nominal wages. This rapidly turned into wage push, which contributed to the 27 percent increase in retail prices in that year. This rate declined to 13.7 percent in 1961. Export taxes were lowered in order to maintain the competitiveness of the traditional export sector.

Most of the import substitution of the 1950s was in oil, steel, chemicals, and motor vehicles. The liberalization of the import regime in the late 1950s had a significant effect on imports of intermediate and capital goods. The latter received a particular impetus as a result of government incentives, principally exemptions from duties as well as income tax deductions. Argentina's average import requirement was not significantly changed by the import substitution undertaken, largely because of the growth in import volumes in response to import liberalization. Import substitution was also offset to some extent by the introduction of new import-intensive products into the demand structure.

By 1961 the Central Bank's reserves had started falling, and confidence in the stability of the exchange rate began to weaken. In April 1962 the foreign exchange rate was freed to find a new level; the outcome was a devaluation of 65 percent. The foreign exchange crisis also involved a massive outflow of short-term capital and the introduction of a tight monetary policy, so that the level of domestic activity fell.

Significant inflation followed the devaluation. Retail prices increased by 26 percent in 1962 and again in 1963. As before, the income of the agricultural export sector increased and real wages fell. In 1963 output fell again and foreign reserves increased, more because of a reduction of imports than an increase in exports. It was during this period (1963) that the first efforts were made to promote exports and to give preference to the purchase of local products.

The government that took office in 1963 reactivated the economy through expansionary monetary and fiscal policies. It was aided by a spectacular increase in agricultural output that pushed the country's exports from US\$1,000 million in 1961 to US\$1,600 million in 1966. In addition, some of the earlier investments in import substitution had begun to bear fruit. Pushed by an increase in money wages, the cost of living index rose by 22 percent in 1964 and 29 percent in 1965, to which the government responded by adopting a crawling peg exchange rate. Capacity utilization increased in response to the general expansion of the economy up to 1965 and 1966, when a tighter monetary policy was adopted to counter the cost-push inflation that arose from the increase in wages. Throughout this period, the policy toward foreign private investment was less favorable than it had been previously, as indicated by the cancellation of contracts with foreign petroleum companies.

Soon after assuming power, the new government of 1966 introduced a policy that was novel in two respects. First, it attempted to stabilize wages and prices on the basis of a freeze in the real income distribution of 1966; this action implied that the struggle for shares in the income distribution was temporarily suspended. An ex-

pansionary monetary policy was adopted in order to encourage fuller use of existing production capacity. The rate of increase in retail prices dropped from 29 percent in 1967 to 16 percent in 1968 and 7.5 percent in 1969, and production increased in the latter two years. Second, on the balance of payments side, the policy consisted of a partially compensated devaluation that raised the "financial" exchange rate by 40 percent from \$a250 to \$a350 per U.S. dollar. (The "financial" exchange rate fluctuated according to market conditions, and was distinguished from the "commercial" exchange rate.) For exports of traditional products, the devaluation was almost wholly offset by a tax, while the subsidy for nontraditional exports was removed; on the import side, reductions in tariffs did not fully offset the devaluation. The new exchange rate was announced to be fixed for all time, with no devaluations to occur ever again. Accordingly, inflationary cost increases in 1968 and 1969 were offset by a reduction of the export taxes and the reintroduction of the export subsidies. In 1969, the point at which we examine the incentive system in detail, prices were rising at 7.5 percent a year—their slowest rate in many years—and the level of economic activity was high.

Such stability was not to last long. In the following year, the peso was devalued from \$a3.5 to \$a4 to the dollar. Offsetting changes were made in trade taxation and a new attempt was made to implement a compensated devaluation. By the end of that year, the attempted compensation had in turn been abandoned, import duties went back to their earlier levels, and export incentives had been raised again. In 1971 there were further attempts to improve the export promotion system while some imports were banned altogether. The exchange rate was allowed to crawl from \$a4 to \$a5 to the U.S. dollar. Thereafter, the commercial exchange rate was set at \$a5, and the financial rate fluctuated depending on the market. Exports were promoted by allowing an ever increasing proportion of the export revenue to be sold on the financial market. The import exchange rate was devalued by means of a 15 percent surcharge. The spread between the commercial and the financial exchange rates reached 100 percent in 1972, and the balance of payments problem became overt. The Central Bank's response was to "let the devaluations do their job," which implicitly meant a lowering of the real urban wage. The political authorities, principally the president, were not prepared to accept this consequence and thus raised wages as devaluation proceeded. The result was a race between the exchange rate and nominal wages, which led to inflation of 70 percent. In this period, balance of payments policy was further reinforced by a combination of prohibitions, informal licensing by the Central Bank, certificates of need issued by

the Ministry of Commerce, and other measures. Explicit subsidies and provisions for duty drawbacks were given over and above the mix of exchange rates. This general system lasted through 1973, when the balance of payments improved sharply owing to the rise in world prices of Argentina's exports. The new government immediately used the improved balance of payments position to expand demand and raise real wages. Production expanded rapidly on the basis of existing installed capacity. Price increases were held in check, in the first months with some success, through a general price freeze.

The boom, which lasted until early 1974, brought a sharp rise in real wages, output growth, and consumption, achieved mainly through idle capacity. Problems then appeared. First, world prices rose beyond the ceiling on domestic prices and put certain indispensable imports out of reach. Second, increases in domestic costs, caused by the rising prices of domestic primary output, were not recognized by the price control authorities, who maintained the price ceilings at their original levels. Third, the growing gap between costs and controlled domestic prices brought investment to a halt; in some instances production stopped altogether, since it became impossible to cover variable costs. Fourth, a dual domestic market appeared: a controlled market in which prices had little to do with supply and demand conditions, and a black market, initially serving only small enterprises, but eventually extending to the larger ones as well.

By the second half of 1974 the terms of trade began to turn against Argentina. The country's foreign exchange position had already begun to worsen, partly because of the increase in demand for imports that, typically for Argentina, had accompanied the expansion of output. In addition, the previous lack of investment began to make itself felt by raising the quantity of imports needed to maintain a given level of output. Further pressure on the balance of payments resulted from an increasing overvaluation of the exchange rate, motivated by the distributive policy being followed. These elements were compounded by a general overinvoicing of imports and underinvoicing of exports that corresponded to the structure of the exchange rates. Finally, developments in world markets—particularly difficulties with the traditional Argentine export markets in the European Economic Community—aggravated the situation further.

By mid-1975 Argentina was in the grip of a strong demand inflation and a virtual external moratorium. The attempted cure involved a strong devaluation averaging some 140 percent, combined with a lag in the rise of nominal wages, which was not supposed to exceed 30 to 50 percent a year. Labor union pressure, however, managed to achieve a rise in nominal wages of 150 per-

cent—greater than the amount of the devaluation. The result was a jump in retail prices of about 140 percent within a short period, and a reversion of relative prices to their ratios before devaluation. Liquidity fell, of course, with a consequent fall in demand and reduction in output. Since relative prices remained unchanged, the government devalued further. Since union pressure became impossible to resist, salaries were raised as well, although gradually the exchange rate pulled ahead and somewhat eroded the purchasing power of wages.

Monetary policy became gradually easier and the recession began to ebb just as imports began to rise. A partial renegotiation of the foreign debt gave a breathing spell. By February 1976 real wages were considerably below those of June 1975, after a violent wage-price spiral that at its worst point had reached 1,000 percent a year. The economy had been reactivated to some extent, but the techniques of economic control and the mechanisms of economic policy had been rendered powerless because no policy was credible any longer. The last ministry of the Populist government tried once more to undertake a strong devaluation, but it was then replaced by a new government.

The stabilization of 1976 confronted the traditional problems: to solve the balance of payments constraint and to stop the inflationary spiral inherited from the previous period. The initial remedies included a change in relative prices, which involved lowering the real urban wage by more than had ever been previously attempted, while incentives were provided to the rural sectors. Despite another recession in the first months of the stabilization, a devaluation—nominal wage spiral persisted and was tolerated to avoid too deep a recession and the consequent unemployment. Industrial exports had their incentives much reduced when the exchange market was unified. Since the rate of inflation proved resistant to the stabilization, the government reinforced its policy with a wage-price truce, informal price controls, and moral suasion of various kinds.

In December 1978 a new policy package was unveiled, which attempted to stop inflation and simultaneously restructure activity. The cornerstone of the policy is to render domestic production competitive with imports, with a preannounced rate of crawl in the exchange rate and substantially lower tariffs. The official inflation goal is to reduce domestic inflation to the rate of world inflation plus devaluation. By early 1980 the policy succeeded in bringing the annual rate of inflation down from a plateau of about 170 percent to below 100 percent, but caused a considerable cost squeeze for a large part of industry, since changes in the exchange rate lagged behind domestic prices, and import protection was reduced.

The figures in the remainder of this study refer to

1969. Economic conditions in Argentina have changed somewhat, particularly since the recent changes in tariff rates. But the central concerns of policy are still the same: how to set relative prices inside the Argentine economy so as to keep the economy stable and growing.

Components of the Incentive System, 1969

Nominal Protection of Imports

Argentina's system of import restrictions in 1969 consisted of tariffs, official customs valuation, advance deposits for imports, and preferential arrangements with the Latin American Free Trade Area (LAFTA). In addition, special import regimes existed for a number of industries.

The main tool for restricting imports—import tariffs—applied to some 6,000 items under a scheme adopted in the 1967 tariff reform. That reform grouped commodities according to: (1) economic classification (whether investment, intermediate, or consumption goods); (2) extent of import competition (whether not produced domestically, or produced domestically in competition with imperfect foreign substitutes or close foreign substitutes); and (3) degree of fabrication (ten commodity categories). "Escalation" was built into the tariff structure. Tariffs were generally set higher on consumption than on capital goods; higher on close foreign substitutes for domestic products than on less close substitutes; and higher also on products at high degrees of fabrication.

Official customs valuation served a supporting role, the stated purpose being to prevent the ad valorem tariffs from being eroded through underinvoicing by importers. Approximately 900 positions in the Brussels Tariff Nomenclature (BTN), or 14 percent of the items subject to tariff, were completely or partly subject to official customs valuation. For these items the actual protective effect of the tariff depended on the relation between the c.i.f. price and the official customs valuation, since the higher of the two was used as the basis for levying the tariff.²

Advance deposits on imports reinforced the tariff and official price system. In 1969 about 3,800 BTN positions were subject, wholly or partially, to advance deposits of 40 percent of the c.i.f. value of imports for a period of six months. Since the required funds could usually be borrowed, the tariff equivalent of the deposit was the nominal interest cost incurred, which we have estimated to be 3.6 percent of the c.i.f. price across the board. These requirements probably had a small effect on the level of imports and on domestic production.

Preferential tariffs existed for imports of certain commodities from LAFTA. Some of these commodities—for

example, automobiles and electronic components—were covered by complementarity agreements. Generally, imports from LAFTA did not determine the prices of imported goods at the margin or, consequently, rates of protection to domestic industry. In the few cases in which they did, the margin of preference was offset in large part by the higher c.i.f. prices of LAFTA suppliers, so that levels of nominal protection relative to the rest of the world again approximately equaled the third country tariff. In view of this situation, the analysis has proceeded on the basis of the general (third country) tariff rates.

The system of protection was further complicated by special import regimes. These regimes were basically of two types: the first allowed specified products to be imported free or partially free of the legal duty, while the second allowed specified institutions to import at lower or zero duties. The effect of these regimes was to create a set of dual commodity markets. One market grouped all the buyers who did not qualify for importing under special regimes. These buyers faced c.i.f.-plus-tariff prices if they wished to buy imports, or regular domestic prices if they wished to buy domestic products. The second market contained firms that qualified for special regimes on institutional grounds or that were buyers of commodities imported under special regimes. Because the market was segmented, imports under the special regimes had only indirect effects on domestic prices. By reducing the quantity of domestically produced import substitutes demanded at each price, they exerted downward pressure on domestic prices.³

A further consideration is that in 1969 many tariffs were prohibitive in Argentina. Tariff protection had existed long enough and at sufficiently high levels to allow the domestic price of many products to fall below the sum of the c.i.f. import price and the tariff, as a result either of competition among domestic producers or of the rational response of monopolistic or oligopolistic producers to the price elasticity of domestic demand. The net result was the simultaneous existence of tariff redundancy and domestic production that did not compete with imports. The structure of markets in Argentina is documented by a study of the concentration of production covering 145 five-digit sectors for 1964.⁴ Altogether there were 20 highly concentrated sectors; 58 sectors were characterized by "competition of the few among the many"; and 67 were quite competitive by any standard.⁵ In interpreting these results it should be noted that the distribution of output by five-digit sectors understates the true concentration of decisionmaking about output and pricing, since many Argentine industrial firms produce in more than one five-digit sector. For our purpose, however, the source of tariff redundancy is of less importance than its existence.

To take account of tariff redundancy in the estimates of the nominal protection afforded to imports, the commodities produced and consumed in the Argentine economy were classified into export commodities, import-competing commodities, non-import-competing commodities, and export-and-import-competing commodities (xíc). The basic criteria used for this classification, described in Chapter 1 and also used in the companion case studies, are the share of imports in total supply and the share of exports in total production. If more than 10 percent of its total supply was imported, a commodity was considered import-competing, and if exports exceeded 10 percent of production it was considered an export commodity. For commodities that were both exported and competed with imports, both these shares exceeded 10 percent. Non-import-competing commodities are those in which less than 10 percent of production and consumption was traded internationally. After commodities had been aggregated into sectors, this classification was applied to 257 sectors at the five-digit ISIC level. It was found that, in world prices, 48 percent of Argentine value added was produced in export sectors, 14 percent in import-competing sectors, 37 percent in non-import-competing sectors, and less than 1 percent in xíc sectors, which both exported and competed with imports.

Distinguishing trade categories on the basis of the share of imports in total supply obviously takes no account of the fact that a part of the imports competing with domestic products entered under special regimes, and thus had little effect on the domestic price level. Unfortunately, appropriate adjustment for this fact would require information on the demand curves in each segment of the market and on how they related to each other.

The resulting overstatement of the share of competitive imports is partially offset, however, by the understatement that results from using the c.i.f. price of imports rather than the landed—c.i.f. plus tariff—price, a difference of 2 to 87 percent, depending on the sector. Furthermore, tests in which the benchmark for defining import-competing products was raised from 10 to 15 percent of total supply caused little change in the number of import-competing commodities and thus revealed a certain stability in the classification.

The identification of commodities for which tariffs were redundant was undertaken in several steps. Non-import-competing commodities were identified from the 1963 Census of Manufacturing. Information on their domestic and c.i.f. prices was then taken from a survey of 1,000 firms that was conducted by the Ministry of Economics in 1969. This survey had complete information for 264 products (111 final goods and 153 intermediates); for another 51, mainly chemical and elec-

tromechanical products, it was possible to compare domestic and c.i.f. prices with the help of specialist engineers. Price comparisons for 57 additional intermediate goods were taken from an earlier study on effective protection carried out with the participation of one of the authors. The comparisons were matched to commodities and sectors, and estimates of tariff redundancy were developed by analogy for commodities without price comparisons.⁶

The rates of nominal protection at the five-digit sector level have been constructed from the rates applicable to the commodities composing the sectors. Non-import-competing commodities have been assigned the nominal protection rates given by the price comparisons; all other commodities have in the first instance been assigned their legal tariff rates. For each five-digit sector, the average rate was derived using the value of production at world market prices as weights. The rates at the five-digit level were then examined with regard to their consistency, and technicians and experts were asked to judge their plausibility, keeping in mind quality differences between domestic and imported products and the reliability of quoted c.i.f. prices. For export industries, nominal rates of protection were set at zero, or equal to the rate of export tax (subsidy). For xíc sectors, nominal rates were set at a weighted average of rates on exports and products for domestic use. A few other rates obviously out of line were also adjusted. We then proceeded to aggregate further to the three-digit and ten-industry classification level, using output weights at world prices.

Nominal Protection of Exports

Argentina's incentive system for nontraditional exports in 1969 consisted of several instruments. Traditional exports, including grains and animal products and derivatives, were subject to export taxes of 10 percent. The principal means of export subsidy was a tax reimbursement scheme, the *reintegro*; this was complemented by a duty drawback scheme, income tax deductions for part of export income, exemption from income tax of payments under the *reintegro*, and access to medium- and long-term credit at subsidized rates.

Tax reimbursement under the *reintegro* was governed by decree 9588 of 1967. It consisted of a flat 12 percent subsidy on the f.o.b. value of all nontraditional exports. This category included most manufactured products, but not those based directly on domestic raw materials, in particular the traditional exports of Argentina, grain and meat. Although decree 9588 established a positive list of BTN categories covered, inclusion could be petitioned for and rather easily obtained, so that this incentive was quite general in coverage. Since in theory the

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MAHN JE KIM, KOREA DEVELOPMENT INSTITUTE, P.O. BOX 113, CHEONGRYANG
SEOUL, KOREA

COPY MR. SAKONG. WILL BE HAPPY TO RECEIVE SOOGIL YOUNG ON HIS VISIT
TO WASHINGTON NOVEMBER 9 - 13. I SENT YOU AND MR. SAKONG ON OCTOBER
15 THE REVISED VERSION OF MY ADVISORY REPORT QUOTE KOREA DURING THE
FIFTH FIVE-YEAR PLAN PERIOD (1981-86) UNQUOTE. PLEASE ACKNOWLEDGE
RECEIPT OF REPORT BY RETURN CABLE. REGARDS, BALASSA

Bela Balassa

Bela Balassa

DRC - Director's Office

xxxx BBalassa:nc

November 6, 1981.

Mr. Martin Wolf
Director of Studies
Trade Policy Research Centre
1, Gough Square
Fleet Street
London, EC4A 3DE
England

Dear Martin,

Thank you for your letter of October 20th which reached me in time for making the changes you have requested.

There is no problem in your sending copies of your chapter to academicians, as long as you do it on a private basis. I suggest that you send the version which was mailed to you a few weeks ago. Subsequent changes amounted to the elimination of some footnotes, at the request of the Region.

I enjoyed working with you and I hope that we will have the opportunity to work together again. I noted the possibility that you would be able to undertake consultancy with the Bank after a year or so.

Yours sincerely,

Bela Balassa

CABLE

NOVEMBER 6, 1981
61991

LUIS FELIPE LAGOS, PONTIFICIA UNIVERSIDAD CATOLICA DE CHILE,
INSTITUTO DE ECONOMIA, CASILLA 114-D, SANTIAGO, CHILE

DUE TO UNFORESEEN CIRCUMSTANCES I WILL HAVE TO POSTPONE MY TRIP TO
SANTIAGO BY ONE MONTH. I HOPE THAT LAST WEEK OF APRIL IS CONVENIENT.
LETTER SENT. REGARDS, BALASSA

Bela Balassa

Bela Balassa

DRC - Director's Office

BBalassa:nc

2134 Wyoming Avenue N.W.
Washington, D.C. 20008
November 6, 1981.

Financial Times
75 Rockefeller Plaza
New York, N.Y. 10019

Dear Sir:

I had been subscribing to the World Business Weekly since its inception. After you discontinued publication, you started sending me the Economist. I have not been consulted on this and since I am already a subscriber to the Economist, I do not need a second copy. Correspondingly, I would like to ask you to refund my subscription starting from the date that the World Business Weekly stopped publication.

Yours truly,

Bela Balassa

Bela Balassa, DRC

DPS Work Program - Fall Review

Research on International Trade

1. With Garry Pursell's transfer to CPS, the completion of all country studies in RPO 670-87, Industrial Policy and Integration in Western Africa and RPO 671-35, Export Incentives in Developing Countries, will be done outside the DRC. While Balassa continues to direct the project, completion will depend on the competing obligations of the researchers. Balassa further supervises two research projects carried out under regional auspices, RPO 671-85, the Industrial Incentive System in Morocco, and RPO 672-36, Protection and Incentives System in Turkey, which represent applications of the effective protection-resource cost methodology.
2. The DRC does not plan further research on protection, incentives and resource costs. In turn, work has begun on RPO 672-41, Changes in the Pattern of Comparative Advantage in Manufactured Goods, that aims at explaining and forecasting comparative advantage in developing countries. It is carried out by Balassa and Bowden, taking Balassa's earlier paper "A 'Stages Approach' to Comparative Advantage" as a point of departure.

Operational Support and Advisory Work

3. Balassa led a mission to Turkey in May-June 1981; the green cover report, "Industrialization and Trade Strategy in Turkey," provides a basis for SAL III in Turkey. He also advised the Jamaican government on incentive policies (December 1980), the Moroccan government on the industrial investment code (January and September 1981), and the Tunisian government on medium-term policies (March 1981). Return visits to the latter two countries are planned for January 1982. Also, Balassa will continue carrying out a policy dialogue with the Turkish government.
4. Pyatt and van Wijnbergen participated in a SAL preparation mission to Korea. Following the mission, von Wijnbergen prepared a detailed report on macroeconomic issues in Korea. He also plans to participate in a trade strategy and investment planning mission to Egypt that will provide support to country economic work and be linked to the proposed research project on oil-exporting countries. In May-June 1981, Grais participated in a SAL preparatory mission to Thailand, where he also assisted the planning authority in developing a macro-economic framework.
5. Candler participated in two missions on agricultural credit and price policy to Tanzania (October-November 1980 and March-April 1981) and assisted the Algerian government in developing farm models (December 1980). Newbury is presently on a mission to Papua New Guinea to review national gas development policies. Lamb carried out a policy study for the Kenya Tea Development

Authority (April 1981), participated in the Liberia economic mission (October-November 1981) and is scheduled to go on a planning institutions reform mission to Somalia in March-April 1982.

Distribution: DRC Senior Staff,
M/s. Drud, Gelb Grais Mitra, van Wijnbergen, Eltezam

BBalassa:nc

CABLE

NOVEMBER 6, 1981
61991

DR. JORGE CAUAS, BANK OF SANTIAGO, CASILLA 14437
SANTIAGO, CHILE

DUE TO UNFORESEEN CIRCUMSTANCES I WILL HAVE TO POSTPONE MY TRIP TO
SANTIAGO BY ONE MONTH. I HOPE THAT LAST WEEK OF APRIL IS CONVENIENT.
LETTER SENT. REGARDS, BALASSA

Bela Balassa

Bela Balassa

DRC Director's Office

BBalassa:nc

November 6, 1981.

Dr. Jorge Cauas
President
Bank of Santiago
Casilla 14437
Santiago
Chile

Dear Jorge,

Many thanks for your letter of August 3 and for your paper on monetary equilibrium, inflation and the balance of payments. I read this paper with much interest just as I have your earlier paper on the subject. I also very much liked the paper you wrote on Chile and its economic policies for the Hamburg Conference in June.

I wrote today to Professor Lagos asking for a change in the dates of my visit. My duties at the Bank make it necessary that I be in Washington during the last week of March and I suggested the last week of April as an alternative date. However, we could also find an alternative in May if the late April date is not convenient.

Yours sincerely,

Bela Balassa

November 6, 1981.

Professor Luis Felipe Lagos
Chairman of the Conference
Pontificia Universidad Catolica de Chile
Instituto de Economia
Casilla 114-D
Santiago
Chile

Dear Professor Lagos:

I was in the process of writing to you at the time when I received your letter. Due to unforeseen circumstances, which arose in connection with my work for the World Bank, I will have to postpone the date of my visit to Chile. I would like to suggest April 26 to 30 as dates for my visit. Should this not be convenient we could arrange an alternative time in May.

I very much hope that it will be possible for you to postpone the Conference on protection you are planning until late April. I would certainly be happy to give a paper at the Conference.

Yours sincerely,

Bela Balassa

November 6, 1981.

Mr. Tamás Bácskai
Ugyvezető Igazgató
National Bank of Hungary
(Nemzeti Bank)
Szabadság tér
Budapest, Hungary

My dear Friend:

I would like to extend my congratulations to Mr. Fekete and to you on the occasion of Hungary's application to the International Monetary Fund and the World Bank. This indeed represents the culmination of your efforts in the international monetary area.

I would like to use the opportunity to ask you for end-year figures on the net indebtedness of Hungary in terms of convertible currencies between 1971 and 1980. At the time of our telephone conversation in early September ~~you indicated~~ you indicated to me that the December 31, 1980 figure was \$5388 millions. I would appreciate your providing figures for the preceding nine years.

Thanking you in advance, I remain,

Sincerely yours,

Bela Balassa

CABLE

NOVEMBER 6, 1981
61991

PAULO HOGUEIRA, CENTRO DE ESTUDOS MONETARIOS, FUNDACAO GETULIO
VARGAS, PRAIS DE BOTAFOGO 190-9^o CEP22250, RIO DE JANEIRO RJ BRAZIL

DISAPPOINTED WITH DELAYS IN COMPLETING YOUR STUDY. PLEASE SEND
REVISED VERSION BY NOVEMBER 13. SEND A SECOND COPY TO MANILA WHERE
I WILL BE AT THE PHILIPPINES PLAZA HOTEL BETWEEN NOVEMBER 22-26.
REGARDS, BALASSA

Bela Balassa

Bela Balassa

DRC - Director's Office

BBalassa:nc

ME. Hollis B. Chenery, VPD

November 5, 1981.

Bela Balassa, DRC

Problems Facing Developing Countries in the 80s

I enclose a preliminary version of a short paper I have prepared following our discussions two weeks ago. I would appreciate your comments as to the possible direction the paper should take before proceeding any further. I also wonder if the paper should be distributed in its present form.

Enclosure
BBalassa:nc

Problems Facing Developing Countries in the Eighties

Bela Balassa

After the quadrupling of oil prices in 1973-74, several observers raised the spectre of a breakdown of the world monetary system in the face of the financial requirements generated by the oil price increase. Questions were raised, in particular, about the ability of the oil-importing developing countries to finance their balance-of-payments deficits.

In the event, the requisite financial flows were generated -- largely by Euro-currency markets and commercial banks for the middle-income countries and chiefly through bilateral and multilateral channels for the low-income countries. In fact, apart from the NICs, oil-importing developing countries on the whole failed to take structural adjustment measures and relied on external financing to offset the adverse balance-of-payments effects of the oil price increase, the world recession, and the subsequent slow recovery.

Thus, private financing at practically zero real interest rates and public financing on concessional terms were not generally utilized by the oil-importing developing countries other than the NICs to accelerate the growth of exports or to undertake efficient import substitution. Similar conclusions apply to several developing countries that benefited from the rise in oil prices, or from temporary increases in the prices of phosphates, coffee, cocoa, or uranium, but eventually had to rely on external financing to equilibrate their balance-of-payments.

Structural adjustment measures would need to be taken in response to the 150 percent increase of oil prices in 1979-80. While the increase in the oil price has been smaller in absolute terms, the resulting deterioration in the balance-of-payments of the oil-importing developing countries is of approximately the same magnitude as in 1973-74 because of the higher base. At

the same time, the price boom of several major primary commodities in the mid-seventies has not been repeated this time around. Also, for a number of developing countries increases in the indebtedness during the second half of the seventies limits the possibilities for further borrowing. Finally, commercial borrowing presently takes place at real interest rates of over five percent and real interest rates are likely to remain at least 2-3 percent during the eighties.

The experience of the 1973-78 period indicates that countries pursuing outward-oriented policies made a successful adjustment in accelerating their exports and undertaking efficient import substitution. These countries experienced improved growth performance as a result, notwithstanding the adverse effects of external shocks. In turn, inward orientation led to lower economic growth rates as high protection reduced the efficiency of investment.

The pursuit of outward-oriented policies during the eighties, however, requires a favorable world environment. In the industrial countries, which provide a market for two-thirds of the exports of the oil-importing developing countries, the rate of economic growth and the trade policies followed are the principal variables affecting the future prospects for these exports.

As far as economic growth is concerned, the avoidance of excessively deflationary policies would benefit the exports of the oil-importing developing countries, and they would further derive long-term gains if the compression of aggregate demand affected consumption rather than investment in the industrial countries. In both of these respects, some improvements are shown as compared to the situation existing in 1974-75. For one thing, while the strong deflationary measures applied simultaneously by all major industrial countries led to the elimination of their collective balance-of-payments deficit by 1975, thereby shifting the burden of adjustment to the

developing world, several of these countries now accept continued balance-of-payments deficits. For another thing, in contradistinction with 1974-75, the adjustment involves decreases in real wages in the industrial countries, with much of the burden of the oil increases being borne by consumption rather than investment. However, future trends will be much affected by the success of the United States in carrying out supply-oriented policies.

In turn, while protectionist pressures have increased during the recent recession, the fire of protectionists has largely been oriented against industrial country suppliers. And, although some restrictive measures have been taken against certain developing country exporters, tariff reductions and the establishment of international codes on non-tariff measures in the framework of the Tokyo Round have benefited the developing countries.

At the same time, the industrial countries increasingly emphasize the distinction between the NICs, which have become competitive internationally in several industries, and the other developing countries, demanding the liberalization of trade policies by the NIC through the process of "graduation." Apart from reducing the chances of the imposition of restrictions by the industrial countries, liberalizing trade by the NICs would have beneficial effects in leading to improved resource allocation in these countries, encouraging trade among them and permitting increased imports from other developing countries. Similar conclusions apply to the adoption of outward-oriented policies by other developing countries.

The maintenance and the adoption of outward-oriented policies, then, would tend to promote inter-LDC trade that presently accounts for one-fifth of the exports of the oil-importing developing countries. Regional integration would also have such effects, but it has had little success so far and the situation is not likely to change during the eighties. Nor do the major

developing countries favor a preferential trade arrangement in the developing world that would raise the cost of their exports.

In increasing incentives to exports, outward-oriented policies are also conducive to sales in the markets of the oil-exporting countries. While these countries presently account for less than 6 percent of the exports of the oil-importing developing countries, they provide rapidly growing markets that are generally not encumbered by protectionist barriers.

Outward-oriented policies would thus contribute to exports and to efficient import substitution in the process of structural change. Nonetheless, the balance-of-payments surplus of the oil-exporting countries will require a matching deficit elsewhere in the world economy, including the oil-importing developing countries. This deficit, in turn, will need to be financed.

While the oil-importing developing countries are not likely to encounter an overall scarcity of external funds on commercial terms, individual countries that have failed to carry out structural adjustment may have to limit their borrowing. At the same time, the question arises to what extent can the Bank continue to expand its lending and what the composition of its loans will be as regards lending on Bank, Bank-IDA, and IDA terms. A discussion of these questions falls outside the scope of the paper, however.

2134 Wyoming Avenue N.W.
Washington, D.C. 20008
November 5, 1981.

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Please bill me at the time of delivery.

Yours truly,

Bela Balassa

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November 5, 1981

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LIVINSTONE I. ed: Development Economics & Policy: readings 353 pp
£ 17.50 Allen & Unwin

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Please bill me at the time of delivery.

Yours sincerely,

Bela Balassa

2134 Wyoming Avenue N.W.
Washington, D.C. 20008
November 5, 1981.

International Labour Office
ILO Publications
CH-1211 Geneva 22
Switzerland

Dear Sir:

I would like to order, Employment, trade and North-South co-operation, edited by G. Renshaw, with a preface by Francis Blanchard, ISBN 92-2-102531-4 (limp), US\$15.70. Please bill me at the time of delivery.

Yours truly,

Bela Balassa

OFFICE MEMORANDUM

TO: Those listed
FROM: Bela Balassa
SUBJECT: DRC Work Program - Fall Review

DATE: November 5, 1981

Please comment on the enclosed by c.o.b. today.

cc: Messrs. Pyatt, Bowden, Gelb, Grais, Lamb, Mitra, Wijnbergen

Enclosure

BBalassa:nc

Draft

November 5, 1981

Mr. John H. Duloy, DRC

Bela Balassa, DRC

DPS Work Program - Fall Review

Research on International Trade

1. With Garry Pursell's transfer to CPS, the completion of all country studies in RPO 670-87, Industrial Policy and Integration in Western Africa and RPO 671-35, Export Incentives in Developing Countries, will be done outside the DRC. While Balassa continues to direct the project, completion will depend on the competing obligations of the researchers. Balassa further supervises two research projects carried out under regional auspices, RPO 671-85, the Industrial Incentive System in Morocco, and RPO 672-36, Protection and Incentives System in Turkey, which represent applications of the effective protection-resource cost methodology.

2. The DRC does not plan further research on protection, incentive and resource costs. In turn, work has begun on RPO 672-41, Changes in the Pattern of Comparative Advantage in Manufactured Goods, that aims at explaining and forecasting comparative advantage in developing countries. It is carried out by Balassa and Bowden, taking Balassa's earlier paper "A 'Stages Approach' to Comparative Advantage" as a point of departure.

Policy Analysis

3. There are several research projects underway, proposed to the Research Committee, or in preparation, which examine various aspects of structural change in developing countries. Following on his earlier paper, "Capital-Exporting Oil Exports: Adjustment Issues and Policy Choices," Gelb has embarked on RPO 672-49, Development Paths for Oil-Exporters: Long-Run

Macro Analysis, which examines the policy experience of the oil-exporting countries in a cross-section framework and analyses policy choices for Indonesia in the framework of a medium-term development model. In turn, in RPO 672-47, Macro-Model on Thailand: Development and Extension, Grais models policy alternatives for an oil-importing country, Thailand, in cooperation with the planning authority and the Region. This follows Grais' earlier work on a demand-oriented model of Thailand, undertaken in conjunction with an economic mission. Grais and Pyatt also participate in RPO 672-25, Development of a SAM for Basis Planning and Modelling, which is carried out under the auspices and represents an application and balance of Pyatt's work.

4. Following the analysis of adjustment to external shocks by Balassa and his own work on the subject in the framework of WDR, Mitra has prepared a research proposal on Adjustment in Oil-Importing Countries, to be reviewed by the Research Committee in December. This project will extend the discussion of adjustment to domestic policy responses and will complement cross-section analysis by several simple country models of adjustment, to be estimated in collaboration with Wijnberger. Wijnberger also proposes to undertake a research project, in collaboration with researchers at DED and the IMF, on optimal policies in the presence of exhaustible resources and to carry out work on stabilization policies in Latin America.

Operational Support and Advisory Work

5. Balassa led a large mission to Turkey in May-June 1981; the green cover report, "Industrialization and Trade Strategy in Turkey" provides a basis for SAL III in Turkey. He also advised the Jamaican government on incentive policies (December 1980), the Moroccan government on the industrial investment code (January and September 1981), and the Tunisian government on medium-term policies (March 1981). Return visits to the latter two countries

are planned for January 1982. Also, Balassa will continue carrying out a policy dialogue with the Turkish government.

7. Pyatt and Wijenberger participated in a SAL preparation mission to Korea. Following the mission, Wijnberger prepared a detailed report on macroeconomic issues in Korea. He also plans to participate in a trade strategy and investment planning mission to Egypt that will provide support to country economic work and be linked to the proposed research project on oil-exporting countries. In May-June 1981, Grais participated in a SAL preparatory mission to Thailand, where he also assisted the planning authority in developing a macro-economic framework.

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November 4, 1981

Dr. Huseyin Ramazanoglu
Senior Lecturer in Politics
Portsmouth Polytechnic
Department of Social Studies
Milldam
Portsmouth PO12EG
England

Dear Dr. Ramazanogly:

I am happy to give you permission to reprint my essay "Policies for Stable Economic Growth in Turkey" which was published as part of my book, *The Newly Industrializing Countries in the World Economy*. May I further suggest that you include in the volume my recent paper, "The Policy Experience of Newly Industrializing Economies After 1973 and the Case of Turkey." This paper is a sequel to the earlier one and it was well received in Istanbul where I presented it at a conference in July 1981. The paper will also be published in the proceedings of the conference.

Yours sincerely,

Enclosure

Bela Balassa

November 4, 1981.

Mr. André Barsony
OECD Development Center
2, rue Andre-Pascal
75775 Paris
France

Dear André,

In reference to our telephone conversation, I enclose my reading list for the Development Policies and Programming course. Section V of the reading list includes papers on two-gap models; (please disregard my having crossed out the items in question).this was done for a different purpose.) I further enclose an advertisement on a book that contains some papers on self-reliance.

I have still not received a copy of our book. I hope that it will be arriving soon.

In closing, I would like to extent my congratulations to you for your appointment at the OECD. With best regards,

Sincerely yours,

Enclosures

Bela Balassa

November 2, 1981.

Mr. John Fei
Yale University
Department of Economics
New Haven, Connecticut

Dear John:

I enclose a copy of my paper "Adjustment to External Shocks in Developing Economies" I will present at your seminar on November 16th. I plan to arrive in New Haven by plane in the morning of the 16th and will come to your office from the airport. I will leave the same day in the evening.

Yours sincerely,

Enclosure

Bela Balassa



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