1988–1989

WORLD CURRENCY YEARBOOK

1988 - 1989 WORLD CURRENCY YEARBOOK

By

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NOTE

Although devaluations have given way to "crawling pegs", daily settings, depreciations, or what have you, currency values, monetary legislation and transferability regulations remained subject to constant changes, necessitating another complete revision of the Currency Yearbook.

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International Currency Analysis, Inc. is, therefore, proud to present the 26th edition of the currency yearbook series, the

1988 - 1989 WORLD CURRENCY YEARBOOK.

To make the volume a more readable and easier to use reference tool, the currencies are in alphabetical order in the following geographical divisions (with a map introducing each area): Africa; Americas: Central, North, South and the Caribbean; Asia & Oceania; Europe and the Middle East. In addition, the type face and format were modernized, outdated information discarded and the statistical tables placed in an Appendix at the back of the book.

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The degree of precision and analysis, as far as data are concerned, could never have been achieved without the cooperation of many Central Banks and Ministries of Finance which provided correct, official documentation concerning the present status of their currencies. However, a number of monetary administrations again refused or neglected to furnish requested information concerning their currency systems for quite a variety of reasons – explained or unexplained – ranging from lack of time or skill to a reluctance to be connected in any way with acknowledgment of existing black markets for their units. The equally important unofficial data of free market developments and values are based on the continuous reporting of foreign correspondents, as well as on the periodic information gathered from informed currency dealers in most of the important trading centers of the globe.

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The staff of International Currency Analysis, Inc. deserves great praise for their considerable assistance in the production of this work. Currency descriptions and monetary developments were researched, evaluated and written by Philip P. Cowitt. The manuscript was transcribed by Scott M. Cowitt, who also computer-programmed all operations, while administrative duties were handled by Richard Borer and fulfillment by Cindy A. Borer.

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For earlier data not found in this edition, please see previous volumes of the currency yearbook series.

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The TEN-YEAR CURRENCY RECORD for each monetary unit covers the period from December 1977 through December 1987.

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The banknotes depicted in this volume are a percentage of actual size and are the courtesy of the Educational Coin Company, Inter-Governmental Philatelic Corporation, New York Foreign Exchange, Inc., and Texas Foreign Exchange, Inc.

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ASIA & OCEANIA

EUROPE

MIDDLE EAST

LIST OF ABBREVIATIONS

ACM	Arab Common Market
ACU	Asian Currency Unit
ADB	Arab Development Bank
AID	Agency for International Development
AMF	Arab Monetary Fund
AMU	Asian Monetary Unit
ANCOM	Andean Common Market
ASEAN	Association of Southeast Asian Nations
BCEA	Banque des Etats de l'Afrique Centrale
BCEAO	Banque Centrale des Estats de l'Afrique de l'Ouest
BIS	Bank for International Settlements
BLEU	Belgium-Luxembourg Economic Union
CACM	Central American Common Market
CARICOM	Caribbean Common Market
CARIFTA	Caribbean Free Trade Association
CBI	Caribbean Basin Initiative
CFA	Communauté Financière Africaine
CFP	Comptoirs Français du Pacifique
CIPEC	Council of Copper Exporting Countries
COMECON	Council of Mutual Economic Assistance
ECU	European Currency Unit
EAEC	East African Economic Community
EEC/EC	European Economic Community
EFTA	European Free Trade Association
EMA	European Monetary Agreement
EMCF	European Monetary Cooperation Fund
EMS	European Monetary System
EPU	European Payments Union
EUA	European Unit of Account
GATT	General Agreement on Tariffs and Trade
GCC	Gulf Cooperation Council
IADB	Inter-American Development Bank
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
LAFTA	Latin American Free Trade Association
LAIA	Latin American Integration Association
LIBOR	London Inter-Bank Offering Rate
OAS	Organization of American States
OAU	Organization of African Unity
OBEC	Organization of Banana Exporting Countries
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of Petroleum Exporting Countries
PTA	Preferential Trade Area
SDR	Special Drawing Right
UDEAC	Central African Customs and Economic Union

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MONETARY GLOSSARY

ADVANCE DEPOSIT—Sum, usually a varying percentage of the value of an import, placed with Central Bank or other authorized agency and sometimes blocked for a fixed period of time. Used as means of discouraging certain imports, especially luxury goods.

AZTECA—Mexican 20-Peso gold coin containing 16.666 grams 900 fine, or 15 grams fine gold.

BALANCE OF PAYMENTS—Country's surplus or deficit resulting from total international transactions.

BARTER ARRANGEMENT—Negotiated agreement between countries covering exchange of a number of commodities at specified prices and in stated quantities. Such exchanges of goods do not involve a currency transaction.

BASKET OF CURRENCIES—Weighted percentage of specified foreign currencies chosen by country as basis for determining its currency's exchange rate.

BILATERAL AGREEMENT—(See Clearing System)

BLACK MARKET RATE—Unofficial, usually illegal, price of particular currency, mostly in terms of U.S. Dollar value. Reflects unrestricted supply and demand and, therefore, represents true or "real" worth of monetary unit.

BLOCKED ACCOUNT—Restricted nonresident bank balance, usually limited by monetary authorities to certain investments or expenses within country of account, generally with prior approval.

BUYING AND SELLING RATE—Exchange rate at which dealers and/or Central Banks buy and sell foreign exchange.

CARRIER (PASSEUR)—Person who, as a professional, clandestinely transfers money, securities and precious metals from one country to another. Carrier is either unorganized owner of diplomatic passport or, in the majority, member of well-organized group of skilled men who operate on percentage basis with help of customs agents.

CENTENARIO—Mexican 50-Peso gold coin containing 41.666 grams 900 fine, or 37.5 grams fine gold.

CENTRAL BANK—Official organization issuing national currency and regulating money and credit. At times, authorized to act as government's fiscal agent.

CHERVONETZ—Russian 10-Ruble gold coin containing 8.6026 grams 900 fine, or 7.742 grams fine gold.

CLEARING SYSTEM—Method of compensating foreign trade imbalances between two countries, one of which has shortage of convertible currency or gold, by bookkeeping techniques without actual transfer of currency.

COMMERCIAL CONVERTIBILITY—Unrestricted use of other monetary units, freely exchangeable against each other in international trade transactions for all *current commercial* payments. Such transferability is based on clearing organizations of multilateral character or other de facto arrangements.

COMPENSATION DEALING—Payment by resident within an exchange control country for, or in connection with, payment outside this country on behalf of resident.

COST-OF-LIVING—Index reflecting changes in general price level. Upward movement means decline in purchasing power of the currency.

CROSS RATE—Exchange rate ratio of two foreign currencies in terms of a third currency.

CURRENCY AREA—Group of countries linked by fixed exchange rates among themselves, with international transactions reasonably free within area.

CURRENCY SNAKE—Former joint concerted float of the currencies of Belgium, Denmark, France, Germany (West), Luxembourg, Netherlands, Norway and Sweden vis-à-vis the U.S. Dollar. Linked by maintenance of a 2.25% fluctuation range against one another. France defected in 1974, rejoined in mid-1975, and left again in 1976. Sweden defected in 1977, and Norway in 1978. In 1979, was replaced by the European Monetary System.

DEPRECIATION—Decline in value of a currency in terms of gold and/or purchasing power.

DEVALUATION—(See Full or Partial Devaluation)

DOMESTIC (INTERNAL) DEBT—Total public borrowings of national government.

DOUBLE EAGLE—American US$20 gold coin containing 33.436 grams 900 fine, or 30.09 grams fine gold.

DUAL EXCHANGE MARKET—(See Multiple Exchange Rate)

EAGLE—American US$50 gold coin containing 33.933 grams 916⅔ fine, or exactly one troy ounce (31.103 grams) fine gold.

EFFECTIVE RATE—Controlled, floating exchange rate applicable to international transactions. Also, actual spot exchange rate prevailing at time an exchange transaction is executed.

EUROPEAN MONETARY SYSTEM (EMS)—Activated in March 1979 replacing "currency snake" and composed of Belgium, Denmark, France, Germany (West), Ireland, Italy, Luxembourg and the Netherlands. Fluctuation limits among member countries set at 2.25% on either side of a fixed rate, with Italy limited to 6%.

EXCHANGE CONTROLS—Government restrictions on transactions in foreign exchange by residents and in domestic currency by nonresidents.

FLEXIBLE EXCHANGE RATE—System whereby rate is subject to relatively frequent official adjustments.

FLIGHT CAPITAL—Funds legally or illegally leaving country seeking refuge from foreign exchange controls, depreciation and/or confiscation.

FLOATING (FLUCTUATING) EXCHANGE RATE—System whereby currency's value fluctuates freely against other currencies according to supply/demand. Sometimes subject to official intervention to limit fluctuations (controlled float).

FLUCTUATION RANGE—Declared limits beyond which official exchange rate cannot deviate.

FOREIGN EXCHANGE RESERVES—(See Monetary Reserves)

FOREIGN (EXTERNAL) DEBT—Total overseas borrowing of government and/or Central Bank.

FORWARD EXCHANGE (FUTURES)—Purchase and/or sale of foreign exchange for delivery at future, prearranged date.

FREE MARKET RATE—Price of particular currency determined by unrestricted supply and demand and completely devoid of foreign exchange controls.

FULL CONVERTIBILITY—Unrestricted use of currency by residents and nonresidents for all trade, capital transactions and payments with any country. Domestic ownership of gold, and its export and import, is also unrestricted.

FULL DEVALUATION—Theoretically, a reduction in currency value resulting from an official decrease in its gold content. Now effected by reducing currency value in relation to its link (U.S. Dollar, SDR, basket of currencies, etc.)

GARAGE ACCOUNT—Camouflaged account established by leasing name, legal residence and nationality of private individual who abandons, by complete power-of-attorney, all his rights to the lessee. The latter now operates the account with two different nationalities, an advantage in foreign exchange transactions.

GOLD BULLION STANDARD—System whereby Central Banks will pay out gold bullion at a fixed price to redeem national currency.

GOLD EXCHANGE STANDARD—System whereby a currency, officially convertible into gold at a fixed price, temporarily serves as gold substitute in other countries' monetary reserves, with the currency's international value guaranteed through its convertibility on demand into gold at its Central Bank of issue.

GOLD POOL—Group of eight leading financial countries, which contributed varying amounts of gold to maintain and regulate free market price of gold at or near US$35.00 per ounce by intervening in the market. Defunct since 1968.

GOLD STANDARD—System whereby a currency's international and domestic value is kept stable in terms of a fixed gold price and in terms of other currencies based on gold by means of its free redemption into gold and/or gold coins at the Central Bank.

GOLD TRANCHE POSITION—Country's automatic drawing right at IMF, amounting to original gold portion (25%) of the nation's subscription quota.

GROSS DOMESTIC PRODUCT—Nation's total public and private output of goods and services in terms of its market value less net international transactions on current account.

HANDPAYMENTS TRANSACTIONS—Illegal cash payment of sums of money for account of foreign principal. Money is delivered by hand and against receipt to payee's residence. Such a transaction, for obvious reasons, is never done through banks. Currencies involved in transaction never leave their respective countries and are merely objects of local clearings.

HARD CURRENCY—Term usually applied to freely convertible and fully transferable monetary unit.

HIDALGO—Mexican 10-Peso gold coin containing 8.333 grams 900 fine, or 7.5 grams fine gold.

HOARDER—Individual having no confidence in skill of his country's monetary management and who prefers illegal ownership of gold or hard currency to legal expropriation by patriotic possession of paper money.

HONG PING TAEL—Hong Kong unit of weight for precious metals equal to 1.203 troy ounces.

INCONVERTIBILITY—Restricted use of monetary units by both residents and nonresidents for all trade and capital transactions and payments with any other country.

INFLATION—Increase in volume of money and credit in relation to availability of goods, resulting in substantial and continuing rise in general price level.

INTERVENTION CURRENCY—Foreign currency (usually U.S. Dollars) bought or sold by a country to maintain limits of fluctuation range of its currency.

INVISIBLES TRANSACTION—Export and import of services which include tourism, insurance, transportation, royalties, licensing fees, etc.

KEY CURRENCY—Unit used as monetary reserve component by other countries under Gold Exchange Standard, usually U.S. Dollar and Pound Sterling.

KING FUAD—Egyptian gold coins of 20 Piastres (1.75 grams 875 fine, or 1.53 grams fine gold), 50 Piastres (4.25 grams 875 fine, or 3.72 grams fine gold), 100 Piastres (8.5 grams 875 fine, or 7.44 grams fine gold), and 500 Piastres (42.5 grams 875 fine, or 37.19 grams fine gold).

KORONA (100)—Hungarian gold coin (official restrike) containing 33.875 grams 900 fine, or 30.49 grams fine gold.

KRONE(20)—Austrian gold coin containing 6.775 grams 900 fine, or 6.10 grams fine gold.

KRONE (100)—Austrian gold coin (official restrike) containing 33.875 grams 900 fine, or 30.49 grams fine gold.

KRUGERRAND—South African gold coin containing 33.933 grams $916^2/_3$ fine, or exactly one troy ounce (31.103 grams) fine gold.

LEADS AND LAGS—Timing of payments or of covering arrangements associated with foreign trade, adjusted in order to prevent losses or secure profits via anticipated change in exchange rate.

MAPLE LEAF—Canadian C$50 gold coin containing 31.103 grams 999 fine, or exactly one troy ounce fine gold.

MARCHE PARALLELE—(See Black or Free Market Rate)

METRIC TON—Unit of weight equal to 1,000 kilograms, or 32,150.74 troy ounces.

MOMME—Japanese unit of weight for precious metals equal to 3.75 grams.

MONETARY RESERVES—A country's gold and foreign exchange holdings used to settle trade and capital flow deficits. IMF drawing rights (Gold Tranche) and SDRs are also considered as reserves.

MULTILATERALISM—System of free interchangeability of currencies and account balances for trade purposes only among specified group of nations.

MULTIPLE EXCHANGE RATE—System whereby more than one official exchange value of a national currency in terms of other currencies exists, in order to (1) encourage certain domestic production and/or inhibit other transactions, (2) control and restrict imports or exports and depress or expand trade with certain nations through use of different rates for various trade receipts and payments, and (3) regulate flow of capital.

NAPOLEON—French 20-Franc gold coin containing 6.4516 grams 900 fine, or 5.806 grams fine gold.

NATIONAL INCOME—Aggregate earnings of labor and property, which arise from current production of goods and services by a nation's economy.

NATIONALIZATION—Government confiscation of foreign and/or domestically owned enterprises, with or without compensation.

NET MATERIAL PRODUCT—Soviet and Iron Curtain countries' system of computing gross national product excluding services and private industry activities.

NONRESIDENT ACCOUNT—Bank balance of person not residing in country in which account is located. May be either freely transferable or blocked depending on foreign exchange controls in force.

NUGGET—Australian gold coin containing 31.103 grams 999 fine, or exactly one troy ounce fine gold.

ONZA—Mexican gold coin containing 34.556 grams 900 fine, or exactly one troy ounce (31.103 grams) fine gold.

OVERINVOICING—Importer obtains extra foreign exchange by shipper invoicing him at price above actual value, with difference deposited to importer's overseas account.

PAHLEVI—Iranian gold coin containing 8.100 grams 900 fine, or 7.29 grams fine gold.

PANDA—Chinese gold coin containing 31.103 grams 999 fine, or exactly one troy ounce fine gold.

PARTIAL DEVALUATION —Creation of another exchange rate variety of a currency, such as Tourist Rate for exchange of banknotes at a preferential rate, or Trade Rate benefiting or restricting exports and/or imports. Official gold content or link remains unchanged.

PEG—Link of exchange rate of currency to another at a fixed value. Maintained by official buying or selling of unlimited amounts of the currency.

PETRODOLLARS—Oil-exporting nations' U.S. Dollar holdings.

PLANNED ECONOMY—Authoritarian system whereby nation's economy is arbitrarily governed by a "Plan," which bureaucratically directs investments and controls production of goods.

REICHSMARK (20)—Imperial German gold coin containing 7.965 grams 900 fine, or 7.168 grams fine gold.

RESERVE REQUIREMENT—Minimum ratio of gold and/or foreign exchange to specific outstanding Central Bank liabilities, usually currency circulation and/or demand deposits.

RESIDENT ACCOUNT—Bank balance of person legally resident in a country. May be fully transferable or blocked, depending upon exchange controls in force.

REVALUATION—Increase in value of currency resulting from official increase in gold content or change in link.

SMITHSONIAN AGREEMENT—December 18, 1971 Washington accord for realignment of major currencies based on U.S. Dollar devaluation of 7.89% in terms of gold.

SOVEREIGN—British Pound Sterling gold coin containing 7.988 grams 916²/₃ fine, or 7.32 grams fine gold.

SPOT EXCHANGE—Sale or purchase of currency for immediate delivery.

SUBSIDY—Government grant to assist an enterprise deemed advantageous to general public.

SURCHARGE—Levy on already existing tax.

SWAP—Buying or selling of spot exchange against simultaneous sale or purchase of forward exchange.

SWAP ARRANGEMENT—Reciprocal currency agreement whereby one Central Bank exchanges certain amount of its currency for like amount of another, so that both participants can use these funds to make price-supporting purchases of their own currencies in exchange markets.

SWITCH—Transaction whereby a third country becomes participant in what is ordinarily bilateral trade agreement in order to obtain or dispose of goods, usually at discount, through the use of clearing currencies resulting from the aforementioned agreement.

TAEL—Precious metals weight in Far East. Also Chinese unit of value based on worth of tael weight of silver. Varies in different parts of China (see also Hong Ping Tael).

TERMS OF TRADE—Relative price level of exported and imported goods.

TOLA—Indian unit of weight equal to 11.664 grams, or 0.375 troy ounce.

TRADE BALANCE—Difference between value of a country's exports and imports.

TRANSFERABILITY—Degree to which a currency can officially be taken out of or brought into a country.

UNDERINVOICING—Exporter obtains foreign exchange in excess of his order by invoicing buyer of his goods at price lower than actual value, with difference deposited to exporter's overseas account.

UNION LATINE—Gold coin containing 6.4516 grams 900 fine, or 5.806 grams fine gold, used as legal tender by countries of defunct Latin Monetary Union.

UNITS OF ACCOUNT—Arbitrary accounting units, usually defined in terms of gold or in currency mix, and applicable as standard for valuation of monetary units:

1. Arab Currency-Related Unit (ARCRU)—Devised in November 1974 by Hambros Bank of London and comprising currencies of Algeria, Bahrain, Egypt, Iraq, Kuwait, Lebanon, Libya, Oman, Qatar, Saudi Arabia, Syria and United Arab Emirates. Unit's value determined by eliminating two strongest and two weakest of 12 units relative to base date of June 28, 1974.
2. Arab Dinar—Equivalent of SDR3.00.
3. Asian Monetary Unit (AMU)—Created in December 1974 and equivalent of SDR1.00; used by Asian Clearing Union composed of Bangladesh, India, Iran, Nepal, Pakistan and Sri Lanka.
4. European Composite Unit (EURCO)—Created in September 1973 by N.M. Rothschild & Sons of London and composed of: DM0.90 (28.8%), F1.20 (21.1%), Lit80.00 (10.3%), BF4.50 (9.4%), £0.075 (14.6%), LuxF0.50 (1.0%), DKr0.20 (2.8%), *f*.0.35 (11.0%) and £Ir0.005 (1.0%).
5. European Currency Unit (ECU)—Unit of account and artificial reserve asset created in March 1979 linking members of European Monetary System and based on a "basket of currencies" which was periodically revised. By September 17, 1984, the composition was: DM0.719, £0.0878, F1.31, Lit140.00, *f*.0.256, BF3.71, LuxF0.14, DKr0.219, £Ir0.00871 and Dr1.15. Central Banks of EMS gain ECU's in exchange for 20% of their gold and U.S. Dollar reserves which are deposited with European Monetary Cooperation Fund.
6. European Monetary Unit (EMU)—Created in December 1970 with exchange value fixed at either/or BF50.00, Lit625.00, LuxF50.00, DM3.66, F5.55419 and *f*.3.62.
7. European Unit of Account (EUA)—Officially used by Common Market, European Investment Bank and European Coal and Steel Community. Introduced in 1950 by European Payments Union (later adopted by European Monetary Agreement) and defined as 888.671 milligrams of fine gold. Revamped in March 1975 to form "basket of currencies" composed of: DM0.828 (27.3%), £0.0885 (17.5%), BF3.66 (7.9%), LuxF0.14 (0.3%), DKr 0.217 (3.0%), Lit109.00 (L14.0%), F1.15 (19.5%), *f*.0.286 (9.0%) and £Ir0.00759 (1.5%).
8. Islamic Dinar—Equivalent of SDR1.00.
9. Special Drawing Right (SDR)—Unconditional and artificial reserve asset created by the IMF to influence total international reserve levels. Distributed to participating members according to the proportion of their fund quota. Originally linked to gold at 888.671 milligrams of fine gold per SDR, or SDR1.00 = US$1.00. Subsequently changed to SDR1.00 = US$1.08571 after December 18, 1971, and to SDR1.00 = US$1.20635 after February 13, 1973. Effective June 28, 1974, SDR valued in terms of "basket of 16 currencies" with amount and trade-weighted proportion as follows: US$0.40 (33%), DM0.38 (12.5%), £0.045 (9%), F0.44 (7.5%), ¥26.0 (7.5%), Can$0.071 (6%), Lit47.0 (6%), *f*.0.14 (4.5%), BF1.6 (3.5%), Skr0.13 (2.5%), $A0.012 (1.5%), DKr0.11 (1.5%), NKr0.099 (1.5%), Ptas1.1 (1.5%), S0.22 (1%), and R0.0082 (1%). On July 1, 1978, the South African Rand and the Danish Krone were replaced by the Iranian Rial and Saudi Riyal with the proportions of the 16 currencies revised as follows: US$0.40 (33%), DM0.32 (12.5%), ¥21.0 (7.5%), F0.42 (7.5%), £0.05 (7.5%), Lit52.0 (5%), *f*.0.14 (5%), Can$0.07 (5%), BF1.6 (4%), SRls0.13 (3%), SKr0.11 (2%), Rls1.7 (2%), $A0.017 (1.5%), Ptas1.5 (1.5%), NKr0.1 (1.5%), and S0.28 (1.5%). On January 1, 1981, the "basket of currencies" was reduced to five monetary units with trade-weighted proportions as follows: US$0.54 (42%), DM0.46 (19%), £0.071 (13%), F0.74 (13%) and ¥34.00 (13%). On January 1, 1986, the trade-weighted proportions were changed to US$0.452 (42%), DM0.527 (19%), £0.0893 (12%), F1.02 (12%) and ¥33.40 (15%).
10. Transferable Ruble—Used by nations of COMECON group as inconvertible and nontransferable clearing unit for foreign trade among themselves. Defined as 987.412 milligrams of fine gold.

UPVALUATION—(See Revaluation)

VRENELI—Swiss 20-Franc gold coin containing 6.4516 grams 900 fine, or 5.806 grams fine gold.

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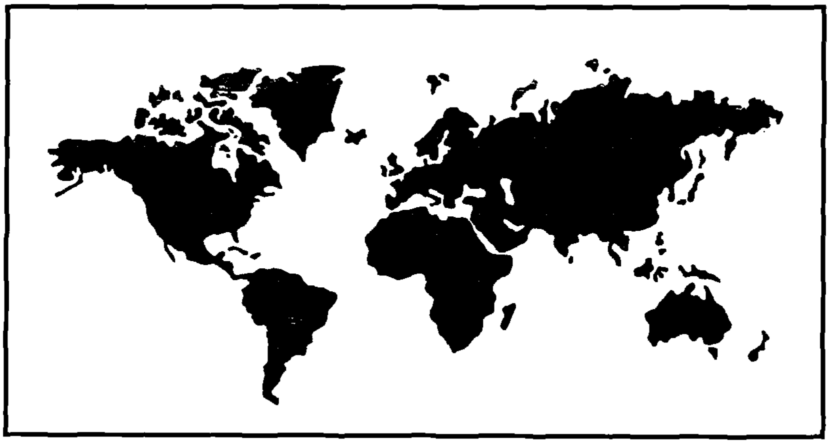
CURRENCIES . . .

CURRENCY AND TRADE AREAS



Currency areas are geographically defined territories of protective legislation for monetary units. Sometimes pooled for the facilitation of trade, control of the currencies is generally centralized in the hands of Central Banks, which do not always reach summits of wisdom.

The transition from the European Payments Union (EPU) to the European Monetary Agreement, effected on December 27, 1958, took place without difficulty. The European Common Market (EEC), formed by Belgium, Luxembourg, Germany (West), France, Italy and the Netherlands on January 1, 1958, began to function at the same time. In 1962, Greece became an associate member of the group. Turkey was granted similar status two years later. Nigeria achieved a special associated status in 1966, joining 18 other African nations which were former dependencies of EEC countries and already held associated status under the Yaoundé Convention. Morocco and Tunisia were granted associated membership in 1969. Malta gained the same status in 1971, as did Kenya, Tanzania and Uganda. U.K. membership became effective January 1, 1973. Ireland and Denmark were admitted at the same time. Norway, which had been accepted for entry on the same date, was excluded as the result of an unfavorable Norwegian popular referendum vote. Meanwhile, the European Monetary Agreement had been liquidated at the end of 1972. Sudan became an associated member in 1975. Greece was granted full membership on January 1, 1981, as was Portugal and Spain on January 1, 1986. Turkey applied for full membership in 1987.

The U.S. Dollar devaluation in 1973 and the ensuing currency debacle brought the "currency snake" into being, whereupon the monetary units of Belgium, Denmark, France, Germany (West), Luxembourg, the Netherlands, Norway and Sweden were joined in a common float vis-à-vis the American currency, linked together by maintenance of a 2.25% fluctuation range against one another. A European Monetary Cooperation Fund (EMCF) was also established to help implement the joint currency float. France defected from the "snake" in 1974, rejoined in 1975, and pulled out again in 1976. Sweden defected in August 1977, as did Norway in September 1978. On March 13, 1979, the European Monetary System, the successor to the "currency snake", was activated, and included Belgium, Denmark, France, Germany (West), Ireland, Italy, Luxembourg, the Netherlands and the United Kingdom. Greece was admitted in 1984, Portugal and Spain in 1986. With the ECU as its monetary unit, fluctuations were set at 2.25% on either side of a fixed rate, except for Italy whose margin was limited to 6%. Greece, Portugal, Spain and the United Kingdom have not yet participated in the fluctuation limits mechanism.

The European Free Trade Association (EFTA), which had come into existence on May 3, 1960, was practically defunct. Originally, the "Outer Seven" was composed of the United Kingdom, Austria, Denmark, Norway, Portugal, Sweden and Switzerland. Finland gained associate status in 1961, and Iceland became a full member in 1970. Denmark and the U.K. pulled out on January 1, 1973, and joined the EEC. The remaining EFTA members signed free trade agreements with the EEC in 1972 and 1973. The largest free trade area was created on July 1, 1977, when tariffs were finally eliminated on industrial products traded between the EEC and the EFTA.

The Sterling Area itself began to disintegrate in 1966/67 after the Sterling's devaluation, as a number of countries withdrew from the group, while others, especially in the Middle East, started to reduce their Sterling balances. However, to deal with fluctuations in the Sterling balances held by official institutions, the Second Basle Agreement was instituted in 1968 (renewed in 1973 and 1974, and allowed to lapse at the end of 1974), whereby all Sterling Area Central Banks would hold 90% of total reserves in the form of U.S. Dollar-guaranteed Sterling. But with the U.S. Dollar universally mistrusted and in the wake of the currency convulsions during the last semester of 1971, numerous Sterling Area currencies severed their ties to the British unit. The floating of the Pound Sterling in June 1972 gave the coup de grâce to the Sterling Area, shrinking it to encompass only Ireland, the United Kingdom, the Channel Islands and the Isle of Man. Gibraltar rejoined in 1973. By early 1977, only a handful of minor currencies was still linked to the depreciating Pound. In March 1979, Ireland broke her currency's link to the Pound and left the Sterling Area.

On September 30, 1961, the Organization for Economic

Cooperation and Development (OECD) replaced the Organization for European Economic Cooperation (OEEC) which had been functioning since 1948. The new grouping included the United States and Canada in addition to Austria, Belgium, Denmark, Finland, France, Germany (West), Greece, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey and the United Kingdom. Japan was added in 1964, Australia in 1971, and subsequently New Zealand. Yugoslavia participates with a special status.

The European trend toward trade groups led to similar efforts in Latin America. On December 13, 1960, the Central American Common Market (CACM) was formed, encompassing El Salvador, Guatemala, Honduras and Nicaragua. Costa Rica joined in 1962. Triggered by the mini-war between Honduras and El Salvador in 1969, relations within the CACM deteriorated. In 1971, Honduras de facto broke away, while Costa Rica began to raise tariffs. A subsequent compromise, reactivating the movement of goods, again broke down in 1972, as Costa Rica juggled her exchange rates, penalizing imports from the group. By October, free trade was resumed virtually on Costa Rica's terms. In 1974, the Protocol of San José was extended to November 1978. However, the CACM was again put in jeopardy in 1975, as the intra-national squabbles grew in number.

Another agreement, the "Montevideo Club," involving Argentina, Bolivia, Brazil, Chile, Mexico, Paraguay, Peru and Uruguay, was signed on February 18, 1961, establishing the Latin American Free Trade Association (LAFTA). Colombia and Ecuador became members later in 1961, Venezuela joining in 1966. The goal was to eliminate all tariffs among the member countries, as well as abolish all monetary restrictions affecting their currency areas. On January 1, 1981, the Latin American Integration Association (LAIA) took over LAFTA.

In 1969, Bolivia, Chile, Colombia, Ecuador and Peru formed the Andean Group, or Andean Common Market (ANCOM). This subregional grouping within LAFTA was originally organized to offset the dominance of Brazil, Mexico and Argentina. The Andean Investment Code, which was adopted by this group in 1971, placed severe limitations on foreign participation in the industries of member countries. After much delay, Venezuela joined the Group in 1973. In November 1976, Chile withdrew from the Group due to a disagreement over treatment of foreign investment and the common external tariff. In the late summer of 1985, the Andean Pact nations decided to ease the restrictions on foreign investment.

On May 1, 1968, the Treaty of Antigua formalized the Caribbean Free Trade Association (CARIFTA) comprising Antigua, Barbados, Guyana and Trinidad & Tobago. The group was joined in July by Anguilla, Dominica, Grenada, Montserrat, St. Kitts-Nevis, St. Lucia and St. Vincent & Grenadines, and in August by Jamaica. On July 4, 1973, Barbados, Guyana, Jamaica and Trinidad & Tobago established the Caribbean Community and Common Market (CARICOM). By July 26, 1974, Belize and the remaining members of CARIFTA had joined. The Bahamas became a member of the Caribbean Community on July 4, 1983, but not its Common Market. Observer status was granted the Dominican Republic, Haiti and Suriname. In mid-1985, the group was engulfed in a trade war over protectionism when four nations, Antigua, Belize, St. Lucia and Trinidad & Tobago failed to implement a package of measures that would increase trade within the community. However, by mid-1987, the group was talking about dismantling all barriers to regionally produced goods by September 1988. In addition, Antigua & Barbuda, Dominica, Grenada, Montserrat, St. Christopher (Kitts)-Nevis, St. Lucia and St. Vincent and The Grenadines were planning to vote on becoming a single nation.

A major monetary grouping arose at the start of 1960 in Africa. France concluded monetary and trade agreements with the nations that had emerged from her former colonial system (see CFA Franc). France considered them members of the Franc-Zone, an opinion which was not shared by some of the new North African countries. Nevertheless, the Franc-Zone's units had steadfastly clung to the Zone's kingpin, the French Franc, until Madagascar and Mauritania withdrew from the Franc-Zone in 1973.

On May 25, 1963, some 32 African nations formed the Organization of African Unity (OAU). On June 6, 1967, Kenya, Tanzania and Uganda signed the Treaty for East African Cooperation to ease commerce among the members. On December 1, 1967, the East African Economic Community (EAEC) was activated, and the formation of the East African Development Bank was announced. In July 1968, a one-year association agreement was signed with the EEC. On September 24, 1969, a new association treaty called the Arusha Convention was concluded with the Common Market and was to expire on January 31, 1975. Meanwhile, Burundi, Ethiopia, Somalia and Zambia had applied for membership in the EAEC. The group, however, came under strain as a result of growing differences between Kenya, Uganda and Tanzania in 1973 and 1974, as the common income-tax collection system was dissolved into three separate national tax systems. By July 1977, after a decade of corruption, bureaucratic bungling, financial muddling and ideological disputes, the EAEC had all but disintegrated.

The much-talked-about Maghreb Market of Algeria, Libya, Morocco and Tunisia never materialized. An Arab Common Market (ACM) was organized in 1965, open to all Arab League members, but only Egypt, Iraq, Jordan and Syria joined. Since 1969, Libya, Egypt, Sudan and Syria have discussed another common market, but no agreement has been reached. A political union between Egypt, Libya and Syria, formalized in 1971, was never activated. A union of Egypt and Syria was discussed again in 1976. In May 1977, Sudan joined the ACM.

In September 1960, the Arab oil-producing nations formed the Organization of Petroleum Exporting Countries (OPEC) which eventually encompassed Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates and Venezuela. The raising of petroleum prices near the end of 1973 and the ensuing glut of billions of Petrodollars transformed the OPEC lands into a new monetary bloc of untold currency power. In 1974, a unit of account, the Islamic Dinar equal to one SDR, was created for use in some financial dealings among the Islamic nations. During 1975, a move was made to establish a common currency among Bahrain, Kuwait, Qatar and the United Arab Emirates, an attempt that came to naught in May 1979 when the free interchangeability of the currencies of Qatar, Bahrain and the United Arab Emirates was terminated. A Gulf Common Market was proposed, comprising Bahrain, Kuwait, Qatar and Saudi Arabia. In April 1977, the Arab Monetary Fund (AMF) was established based on an Arab Dinar, equal to three SDRs. Membership included Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, United Arab Emirates, Yemen Arab Republic, People's Democratic Republic of Yemen plus the Palestine Liberation Organization. During 1978 and into 1979, the OPEC countries were discussing replacing the depreciating U.S. Dollar with a "basket of currencies" for invoicing petroleum exports.

In 1967, the Association of Southeast Asian Nations (ASEAN) was formed by Indonesia, Malaysia, the Philippines, Singapore and Thailand. Brunei joined in 1984. An Asian Clearing Union, composed of Nepal, India, Pakistan, Iran and Sri Lanka, came into force in December 1974 with a new Asian Monetary Unit (AMU), equal to one SDR, to be used in regional trade. The Bangkok Agreement was signed in July 1975 by Bangladesh, India, Korea (South), the Lao People's Democratic Republic, the Philippines, Sri Lanka and Thailand.

The Collectivistic world, ruled by the bilateral trade techniques of postwar tradition, maintained its intra-bloc system of monetary and commercial exchanges. On January 25, 1949, the U.S.S.R. along with Bulgaria, Czechoslovakia, Hungary, Poland and Romania formed the Council of Mutual Economic Assistance (COMECON). Albania joined in 1949 but ceased participation in 1961. East Germany joined in 1950, Mongolia in 1962, Cuba in 1972, and Viet Nam in 1978. Since 1964, Yugoslavia has had associate status with limited participation. Afghanistan, Angola, Ethiopia, Lao People's Democratic Republic, Mozambique, Nicaragua and the Yemen People's Democratic Republic take part as observers. The People's Republic of China was dropped from this status. Finland, Iraq and Mexico have cooperative agreements. A Communist International Bank for Economic Cooperation was established in 1963 to undertake multilateral settlements in so-called "Transferable Rubles." On January 1, 1975 the hard-currency International Investment Bank began operating in Moscow capitalized 70% in Transferable Rubles and 30% in convertible Rubles or in gold. In 1976, Moscow theoretically made the "Transferable Ruble" usable by Western banks for trade purposes and settlements. With the introduction of *glasnost* and *perestroika* in 1988, the Soviet Union began to seriously plan to make the Ruble convertible before the end of the century.

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Following the devaluation of the U.S. Dollar on December 18, 1971 and February 13, 1973, the Greenback declined against virtually all currencies, de facto devaluing the American unit even further. Finally, on April 1, 1978, the Second Amendment to the IMF's Articles of Agreement entered into force and based on U.S. Public Law 94-564, the par value of the U.S. Dollar in terms of gold and SDRs was repealed. With the link to gold severed, currencies aligned themselves to SDRs, currency baskets and also to the now "floating" Greenback, making the term devaluation all but meaningless since you cannot devalue against paper, peanuts or onions. What followed was depreciations, crawling pegs, floating, or what have you and Effective Rates replaced Basic or Official Rates. In November, a multibillion package of foreign "emergency aid" was organized to rescue the American currency. With renewed increases of OPEC petroleum prices plus unabated debasement of the U.S. Dollar along with the creation of the EMS, the gold price soared to a historic high of US$875.00 per ounce in London in January 1980. In order to restore some stability to the money and currency markets, interest rates in America also were allowed to rise to historic highs, the prime rate of U.S. commercial banks touching 21.5% in December 1980. As a result, the deflationary forces of economic contraction were released, and a business recession began to grip all trade and currency areas, increasing unemployment. Commodity prices collapsed, forcing many lesser-developed countries to increase their foreign borrowings in order to meet balance-of-payments shortfalls. By mid-1982, with the U.S. Dollar dominating currency markets, foreign debt repayment crises had erupted in Poland and Hungary, while Mexico, Brazil, Argentina and other lands verged on the brink of default on their multibillion Dollar foreign debts. During 1983 and 1984, U.S. interest rates returned to lower levels, while the Greenback rose to new heights on world currency markets. Meanwhile, the foreign debt crisis was kept from turning into a worldwide monetary collapse by international lending agency and banking consortia bailouts, rollovers and rescheduling agreements. But the problem remained, and took on dangerous proportions again in 1985 as the U.S. Dollar weakened. To further complicate matters, the United States became a debtor nation late in the year, the first such position for America since 1914. The debt dilemma continued to weigh heavy on the purse strings of international lending agencies and commercial banks in 1986 and early 1987 as more and more Third-World debtor nations fell behind on their interest and principal payments. Others tied repayment to a percentage of some index of economic activity (GNP, hard-currency export earnings, etc.) while some decreed temporary moratoriums. At the same time, the U.S. Dollar was falling to new lows against the Japanese Yen, while sinking against the Deutsche Mark, Swiss Franc and Pound Sterling. During 1988 and early 1989, the Greenback made a strong recovery despite efforts of the Group of Seven to keep the American unit depressed by a coordinated rise of interest rates across Europe and massive selling of U.S. Dollars by the Federal Reserve System of the United States. Reportedly, the Greenback was once again the preferred currency, replacing the Swiss Franc.

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MEMBERSHIP OF CURRENCY AND TRADE AREAS

(At December 30, 1988)

STERLING AREA

United Kingdom
Channel Islands
Gibraltar
Isle of Man

U.S. DOLLAR AREA

United States, Puerto Rico, U.S. Virgin Islands
Bolivia
Canada
Colombia
Costa Rica
Dominican Republic
Ecuador
El Salvador
Guatemala
Haiti
Honduras
Liberia
Mexico
Micronesia
Nicaragua
Panama
Philippines
Venezuela

FRANC-ZONE

France (Metropolitan)
Andorra
Benin
Burkina Faso
Cameroon
Central African Republic
Chad
Comoros
Congo, Peoples' Republic
Côte d'Ivoire
Equatorial Guinea
Gabon
Guadeloupe
Guiana
Mali
Martinique
Mayotte
Monaco
Niger
Polynesia (French)
Réunion
St. Peirre-et-Miquelon
Senegal
Togo
Wallis-et-Futuna

EUROPEAN ECONOMIC COMMUNITY

Belgium/Luxembourg
CFA Area (Associate)
Denmark
France
Germany, West
Greece
Ireland
Italy
Kenya (Associate)
Malta (Associate)
Mauritius (Associate)
Morocco (Associate)
Netherlands
Nigeria (Associate)
Portugal
Spain
Sudan (Associate)
Tanzania (Associate)
Tunisia (Associate)
Turkey (Associate)
Uganda (Associate)
United Kingdom

EUROPEAN FREE TRADE ASSOCIATION

Austria
Finland (Associate)
Iceland
Norway
Portugal
Sweden
Switzerland

RUBLE—YUAN AREA

Albania
Bulgaria
China, People's Republic
Cuba
Czechoslovakia
Germany, East
Hungary
Korea (North)
Mongolia
Poland
Romania
U.S.S.R.
Viet Nam

CENTRAL AMERICAN COMMON MARKET

Costa Rica
El Salvador
Guatemala
Honduras
Nicaragua

LATIN AMERICAN INTEGRATION ASSOCIATION

Argentina
Bolivia
Brazil
Chile
Colombia
Ecuador
Mexico
Paraguay
Peru
Uruguay
Venezuela

CARIBBEAN COMMUNITY AND COMMON MARKET

Anguilla
Antigua & Barbuda
Barbados
Belize
Dominica
Grenada
Guyana
Jamaica
Montserrat
St. Kitts-Nevis
St. Lucia
St. Vincent & Grenadines
Trinidad & Tobago