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To: Members of the Executive Board
From: The Secretary
Subject: World Economic Outlook - Classification of Countries

There is attached for the information of the Executive Directors a paper describing how the new arrangements with respect to the classification of countries will be implemented in the forthcoming world economic outlook papers.

Att: (1)

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Department Heads



INTERNATIONAL MONETARY FUND

Research Department

World Economic Outlook--Classification of Countries

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Approved by Wm. C. Hood

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Executive Directors, at their meeting of January 23, 1985 (EBM/85/10), endorsed the proposal in SM/85/8 to streamline the classification of countries used in the Annual Report, the World Economic Outlook, and the publications of the Bureau of Statistics, provided that the staff continue publication for an interim period of aggregates based on the former classification. The purpose of the present paper is to describe how these new arrangements with respect to the classification of countries will be implemented in the forthcoming World Economic Outlook papers.

It will be recalled that the former classification was based on a three-way partition of the Fund membership into industrial countries, oil exporting developing countries, and non-oil developing countries. Although essential to meaningful analysis from the early to mid-1970s to the early 1980's, continued primary reliance on this partitioning of countries was increasingly hampering analysis of the problems of the mid-1980s. The essential difficulty was that other characteristics of a country's external economic relations had come to the fore. For instance, with the advent of the debt crisis of 1982, developments in countries' current account balances became much more a function of the type of financing (private vs. official) that they relied upon than of the commodity composition of their exports. Moreover, the problems associated with the primacy attached to the oil/non-oil distinction were compounded by the out-of-date criterion used to make the distinction which ignored the many "non-oil" countries which had in fact become significant producers and exporters of oil.

In the light of these considerations, the Executive Board approved a new, streamlined classification scheme which, while preserving continuity through continued publication for an interim period of the old aggregates, 1) eliminates the primacy of the oil/non-oil distinction among developing countries, 2) redefines the regional sub-groups of developing countries to include the oil exporting countries, and 3) provides the scope for more elaborate and meaningful analytical distinctions among developing

countries. With regard to the latter, it is expected that, again with due regard to the requirements of continuity, these analytical groupings will evolve over time in the light both of structural changes in member countries and of changes in the circumstances facing the world economy. In particular, it is anticipated that the base periods, currently centered around 1980, used to classify countries will be gradually rolled forward, perhaps every two or three years.

The analytical groupings retained by the staff for purposes of the forthcoming World Economic Outlook reports are: (1) countries grouped by predominant export; (2) countries grouped by financial criteria; (3) countries grouped by other criteria; and (4) countries grouped by the former classification criteria. At present, two financial criteria are distinguished: by predominant type of creditor and by the degree of debt servicing difficulties faced by countries. The country groups shown under the heading of "by other criteria" are, unlike those in the other major categories, neither exhaustive nor mutually exclusive. The groups shown under this heading include: low-income countries except China and India; sub-Saharan Africa (excluding Nigeria); and a breakdown of the Middle Eastern region into "oil" and "non-oil" countries. Table 1 presents the standard set of stubs to be used in many of the tables for developing countries as well as the proportion of developing country GDP, exports of goods and services, and indebtedness accounted for by the groups in question. Further details on the classification scheme are given below.

The basic distinction between industrial countries and developing countries, adopted by the Fund in December 1979 and utilized in IFS for the March 1980 and subsequent issues, remains unchanged. Industrial countries comprise:

Australia	Germany, Fed. Rep. of	New Zealand
Austria	Iceland	Norway
Belgium	Ireland	Spain
Canada	Italy	Sweden
Denmark	Japan	Switzerland
Finland	Luxembourg	United Kingdom
France	Netherlands	United States

The developing countries include all other Fund members (as of January 1, 1985) together with certain essentially autonomous dependent territories for which adequate statistics are available. ^{1/} The regional

^{1/} It should be noted that the term "country" used in this report does not in all cases refer to a territorial entity that is a state as understood by international law and practice. The term also covers some territorial entities that are not states but for which data are maintained and provided internationally on a separate and independent basis.

breakdowns of data for "developing countries" conform to the regional classification to be used in IFS, with the oil exporting countries assigned to their respective regions.

The first analytical criterion used to group developing countries is by predominant export category. Four categories are distinguished: fuel (SITC 3); other primary commodities (SITC 0, 1, 2, 4, and diamonds and gemstones); manufactures (SITC 5 to 8 less diamonds and gemstones); and "services and remittances". On the basis of data for 1980, countries are assigned to that commodity grouping which accounts for 50 percent or more of their exports. Specifically, countries are assigned to the "services and remittances" category if their receipts on these transactions account for at least half of their exports of goods and services. If countries do not meet this criterion, they are assigned to that trade category (of the three listed above) which accounts for at least half of their total merchandise exports. 1/

Given these definitions, the fuel exporters comprise the following countries:

Algeria	Iraq	Saudi Arabia
Bahrain	Kuwait	Syrian Arab
Congo	Libya	Republic
Ecuador	Mexico	Trinidad and Tobago
Gabon	Nigeria	Tunisia
Indonesia	Oman	United Arab Emirates
Iran, I.R. of	Qatar	Venezuela

The primary product exporters, i.e., countries whose exports of agricultural and mineral primary products other than fuel accounted in 1980 for over 50 percent of their total exports, comprise:

Afghanistan	Gambia, The	Paraguay
Argentina	Ghana	Peru
Bangladesh	Guatemala	Philippines
Belize	Guinea	Rwanda
Benin	Guinea-Bissau	Sao Tome and Principe
Bhutan	Guyana	Senegal
Bolivia	Haiti	Sierra Leone
Botswana	Honduras	Solomon Islands
Brazil	Ivory Coast	Somalia
Burma	Jamaica	South Africa
Burundi	Kenya	Sri Lanka
Cameroon	Lao P. D. Rep.	St. Kitts-Nevis

1/ Two countries which did not meet any of the above criteria were assigned to that trade category which accounted for the largest share of their exports.

Central African Rep.	Liberia	Sudan
Chad	Madagascar	Suriname
Chile	Malawi	Swaziland
Colombia	Malaysia	Tanzania
Comoros	Mali	Thailand
Costa Rica	Mauritania	Togo
Djibouti	Mauritius	Turkey
Dominican Republic	Morocco	Uganda
El Salvador	Mozambique	Uruguay
Equatorial Guinea	Nicaragua	Zaire
Ethiopia	Niger	Zambia
Fiji	Papua New Guinea	Zimbabwe

The exporters of manufactures include:

China	Israel	Viet Nam
Hong Kong	Korea, Republic of	Yugoslavia
Hungary	Romania	
India	Singapore	

The service and remittance countries, i.e., those countries whose receipts from services (such as tourism) and private transfers (such as workers' remittances) amount to over 50 percent of their total current external receipts, comprise:

Antigua and Barbuda	Grenada	Pakistan
Bahamas	Jordan	Panama
Barbados	Kampuchea	Portugal
Burkina Faso	Lebanon	Seychelles
Cape Verde	Lesotho	St. Lucia
Cyprus	Maldives	St. Vincent
Dominica	Malta	Vanuatu
Egypt	Nepal	Western Samoa
Greece	Netherlands	Yemen Arab Republic
	Antilles	Yemen, P.D. Republic

The last three categories taken together are referred to as the "non-fuel exporters".

A second set of analytical groupings of developing countries is based on financial criteria. These pertain only to indebted developing countries, for present purposes all developing countries except the eight Middle Eastern oil exporters for which external debt statistics are either not available or small in relation to external assets.

Within the indebted developing country group, two types of distinctions are made. The first distinguishes among countries on the basis of their predominant type of creditor. Market borrowers are defined as

those countries which obtained at least two thirds of their external borrowings from 1978 to 1982 from commercial creditors. The group includes:

Algeria	Congo	Korea	Portugal
Antigua and Barbuda	Cyprus	Malaysia	Singapore
Argentina	Ecuador	Mexico	South Africa
Bahamas	Gabon	Nigeria	Suriname
Bolivia	Greece	Panama	Trinidad and Tobago
Brazil	Hong Kong	Papua New Guinea	Uruguay
Chile	Hungary	Paraguay	Venezuela
Colombia	Indonesia	Peru	Yugoslavia
	Ivory Coast	Philippines	

Among the market borrowers, a subgroup of major borrowers is distinguished. This group comprises those seven countries with the largest total outstanding external indebtedness. These countries are:

Argentina	Brazil	Indonesia	Korea
Mexico	Philippines	Venezuela	

Official borrowers comprise those countries, except China and India, which obtained two thirds or more of their external borrowings from 1978 to 1982 from official creditors. The countries are:

Afghanistan	Equatorial Guinea	Malawi	Somalia
Bahrain	Fiji	Maldives	St. Lucia
Bangladesh	Gambia, The	Mali	St. Vincent
Bhutan	Ghana	Malta	Sudan
Burkina Faso	Grenada	Mauritania	Swaziland
Burma	Guatemala	Nepal	Syrian Arab Republic
Burundi	Guinea	Netherlands Antilles	Tanzania
Cape Verde	Guinea Bissau	Nicaragua	Togo
Central African Republic	Guyana	Pakistan	Uganda
Chad	Honduras	Rwanda	Viet Nam
Comoros	Jamaica	Sao Tome and Principe	Western Samoa
Djibouti	Jordan	Senegal	Yemen Arab Republic
Dominica	Lao, P.D. Rep.	Seychelles	Yemen, P.D. Republic
Dominican Republic	Liberia	Sierra Leone	Zaire
El Salvador	Madagascar		Zambia

China and India, which satisfy the criterion for this grouping, have been excluded because of the twin circumstances that these two countries, first, are large enough to significantly affect the group composites and, second, have experienced developments that are at variance with those of most other countries in the group.

A second financial distinction is based on whether countries have or have not experienced debt servicing difficulties in the recent past. Countries having experienced debt servicing difficulties are defined as those countries which incurred external payments arrears during the period from 1981 to mid-1984 as reported in the relevant issues of the Fund's Annual Report on Exchange Arrangements and Exchange Restrictions. Countries classified as not having experienced debt servicing difficulties are defined as all other indebted developing countries.

Several other analytical groups are also used in the report. One of these is the group of low-income countries, which comprises 43 countries whose per capita GDP, as estimated by the World Bank, did not exceed the equivalent of \$410 in 1980. The countries in this group are:

Afghanistan	Comoros	Lao, P.D. Rep.	Sao Tome and
Bangladesh	Equatorial	Madagascar	Principe
Benin	Guinea	Malawi	Sierra Leone
Bhutan	Ethiopia	Maldives	Somalia
Burkina Faso	Gambia, The	Mali	Sri Lanka
Burma	Ghana	Mauritania	Sudan
Burundi	Guinea	Mozambique	Tanzania
Cape Verde	Guinea Bissau	Nepal	Togo
Central African	Haiti	Niger	Uganda
Republic	India	Pakistan	Viet Nam
Chad	Kampuchea	Rwanda	Zaire
China	Kenya		

References to the small or smaller low-income countries refer to the above group less China and India.

Reference is also made to subgroups which reflect a combination of regional and analytical criteria. The most common of these groups are: 1) sub-Saharan Africa (excluding Nigeria) which comprises all African countries except Algeria, Morocco, Nigeria, South Africa, and Tunisia; 2) Middle Eastern oil exporters which includes:

Iran, I.R. of	Oman
Iraq	Qatar
Kuwait	Saudi Arabia
Libya	United Arab Emirates

and 3) the group of non-oil Middle Eastern countries which refers to all Middle Eastern countries except the eight oil exporters listed above, namely:

Bahrain	Lebanon
Egypt	Syrian Arab Republic
Israel	Yemen Arab Republic
Jordan	Yemen, P.D. Republic

Finally, many of the tables present data on the developing countries grouped in accordance with the former classification categories here referred to as "alternative analytical categories". In this system, the developing countries were divided into two groups--"oil exporting countries" and "non-oil developing countries." The countries covered under the heading oil exporting countries ^{1/} are:

Algeria	Kuwait	Qatar
Indonesia	Libya	Saudi Arabia
Iran, I.R. of	Nigeria	United Arab Emirates
Iraq	Oman	Venezuela

Among the "non-oil developing countries," four analytical subgroups of countries were distinguished. These subgroupings were based primarily on the character of the countries' economic activity and on the predominant composition of their exports. Since the large "non-oil" group in the basic classification included some countries that had significant production and/or exports of oil, one of the analytic subgroups shown separately comprised countries (outside the main oil exporting group mentioned above) whose oil exports exceeded their oil imports in most years of the 1970s.

The countries classified in the subgroup net oil exporters are:

Bahrain	Egypt	Peru
Bolivia	Gabon	Syrian Arab Republic
Congo	Malaysia	Trinidad and Tobago
Ecuador	Mexico	Tunisia

Within the great majority of developing countries and areas that were net importers of oil (net oil importers), three subgroups were distinguished. The first was major exporters of manufactures which included:

Argentina	Israel	Singapore
Brazil	Korea	South Africa
Greece	Portugal	Yugoslavia
Hong Kong		

^{1/} The countries included here were those whose oil exports (net of any imports of crude oil) both accounted for at least two thirds of total exports and were at least 100 million barrels a year (roughly equivalent to 1 per cent of annual world exports). These criteria were applied to 1978-80 averages.

A second subgroup was low-income countries, the same group as that of the same name defined above. The third subgroup, other net oil importers, comprised middle-income countries (according to the World Bank's estimates) the majority of which exported mainly primary commodities. The countries in this subgroup comprised all non-oil developing countries that are not included among "net oil exporters," "major exporters of manufactures," or "low-income countries."

Except where otherwise specifically indicated, the Union of Soviet Socialist Republics and other nonmember countries of Eastern Europe, Cuba, and North Korea are excluded from the following tables. Also, it has not been possible to include in the tables a number of small countries or territories for which trade and payments data are not available.

Table 1. Developing Countries: Shares of Various Subgroups in Aggregate GDP, Exports of Goods and Services, and Debt Outstanding, 1980

(In percent)

	GDP	Exports of Goods and Services	Debt <u>1/</u>	Memorandum: Number of Countries in each subgroup
<u>Developing countries</u>	100.0	100.0	...	131
<u>By region</u>				
Africa	13.7	14.2	16.6	48
Asia	31.4	25.1	23.8	26
Europe	10.5	7.5	11.9	8
Middle East	16.7	36.7	...	16
Western Hemisphere	27.7	16.4	40.3	33
<u>By predominant export</u>				
Fuel exporters	32.4	49.8	...	20
Non-fuel exporters	67.6	50.2	75.0	111
Primary product exporters	33.1	21.6	44.8	72
Exporters of manufactures	29.0	23.0	21.3	11
Service and remittance countries	5.5	5.6	8.9	28
<u>By financial criteria</u>				
Indebted developing countries	86.0	67.5	100.0	123
Of which:				
Market borrowers	51.4	49.1	67.7	35
Of which,				
Major borrowers	28.0	17.8	41.7	7
Official borrowers	7.2	5.1	10.8	59
Countries with recent debt servicing problems	42.8	26.6	59.5	57
Countries without debt servicing problems	43.3	41.0	40.5	66
<u>By miscellaneous criteria</u>				
Small low-income countries	5.6	2.8	8.3	41
Sub-Saharan Africa <u>2/</u>	4.6	4.0	7.3	43
Middle Eastern oil exporters	14.0	32.5	...	8
Non-oil Middle Eastern countries	2.7	4.3	7.4	8
<u>By alternative analytical categories</u>				
Oil exporting countries	24.0	43.9	...	12
Non-oil developing countries	76.0	56.1	86.6	119
Net oil exporters	11.1	10.0	18.1	12
Net oil importers	65.0	46.1	68.5	107
Major exporters of manufactures	26.8	26.1	33.9	11
Low-income countries	22.8	7.2	13.3	43
Other net oil importers	15.4	12.9	21.3	53

1/ In percent of outstanding debt of indebted developing countries.

2/ Excluding Nigeria and South Africa.

