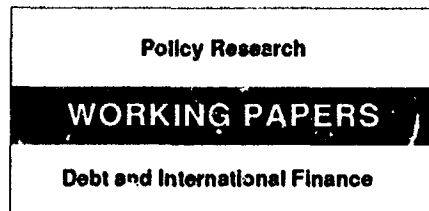


WPS0842



International Economics Department
The World Bank
January 1992
WPS 842

JBB/150

HB1-151

Capital Flows to South Asian and ASEAN Countries

Trends, Determinants, and Policy Implications

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and
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Foreign direct investment has been more influential than other types of resource flows in shaping economic growth in ASEAN countries. South Asian policymakers can also facilitate the infusion of foreign direct investment flows if they pursue policies and nondistortionary incentive systems similar to those of ASEAN countries.

Policy Research

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This paper — a product of the Debt and International Finance Division, International Economics Department — is part of a larger effort in the Department to analyze the trends and determinants of capital flows to developing countries. Copies of the paper are available free from the World Bank, 1818 H Street NW, Washington DC 20433. Please contact Sheila King-Watson, room S8-040, extension 31047 (50 pages). January 1992.

Husain and Jun compare the experiences of selected Asian countries in attracting different forms of external financing and examine how that financing has contributed to growth. They carry out the analysis for two subgroups — South Asian and ASEAN countries — with distinctly different dominant forms of capital flows.

After reviewing recent trends in financial flows to individual countries, Husain and Jun perform a statistical analysis of the effects of foreign capital flows on the macroeconomic performance of developing countries in the region. They find that foreign direct investment has been a more significant positive factor than

other types of resource flows in shaping the economic growth of ASEAN countries. Substantial increases in ODA flows are unlikely, and so is the resumption of significant bank lending, so policymakers in South Asia should pursue policies and nondistortionary incentive systems conducive to the infusion of foreign direct investment flows.

Husain and Jun's major findings are consistent with the Bank's emphasis on an increasingly important role for the private sector — and direct investment flows — in development. A focus on foreign direct investment is appropriate, given current constraints on external financing, particularly through traditional bank credits.

The Policy Research Working Paper Series disseminates the findings of work under way in the Bank. An objective of the series is to get these findings out quickly, even if presentations are less than fully polished. The findings, interpretations, and conclusions in these papers do not necessarily represent official Bank policy.

**CAPITAL FLOWS TO SOUTH ASIAN AND ASEAN COUNTRIES:
TRENDS, DETERMINANTS, AND POLICY IMPLICATIONS**

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I. INTRODUCTION

The role of external finance in promoting economic growth in developing countries has long been recognized and debated over the years. Theoretically, less developed countries that are short of domestic resources can further their economic expansion by utilizing foreign savings to the extent that the marginal rate of return on domestic investment exceeds the marginal cost of external resources. Under conditions of perfect capital mobility, these flows would also help equalize rates of return on capital across countries and narrow development gaps. Nevertheless, it is difficult to draw any clearcut generalization on the way external capital affects domestic economies of developing countries. Differences in the absorptive capacity of diverse developing economies and alternative forms of capital flows that exert heterogeneous economic impacts tend to complicate the empirical analysis of development finance. In addition, the interpretation and cross-country comparison of aggregate data often pose a number of pitfalls.

Throughout the 1980s aggregate net resource flows to developing countries as a whole have been stagnant. While official development assistance (ODA) from all sources has increased somewhat, private flows have experienced a drastic decline since the onset of the debt crisis. There are, however, important differences in the trend of capital flows across regions and individual countries. This paper focuses on capital flows to two selected groups of Asian countries; South Asia and ASEAN.

The primary objective of this paper is to examine the comparative experience of South Asian countries and ASEAN countries in attracting external finance considering the different development strategies pursued by the two sub-groups in recent years.

The paper is structured as follows:

Section II reviews trends of capital flows to South Asia and ASEAN countries by major types of flows, namely; official flows (which include official grants, official concessional loans, and official non-concessional loans) and private flows (which include commercial bank loans, bond issues, and foreign direct investment). One of the most distinctive patterns across the regions has been that foreign direct investment (FDI) was a dominant form of external financing for ASEAN countries, whereas it remained a very insignificant source of financing for South Asian countries.

Section III discusses a conceptual underpinning of the role of external capital in economic growth and its relationship with domestic savings and investments. It then considers some of the key issues related to the evolving nature of capital flows, including an empirical analysis of the effects of foreign capital flows on macroeconomic performance of developing countries. Empirical results of simultaneous regression equations indicate that FDI, as well as export performance, has been a significant positive factor determining the economic growth in the region.

Section IV assesses prospects for external flows to developing countries and the region, and explores implications of these and empirical findings for development policies of South Asia. In view of poor prospects for substantial increases in ODA flows (due to economic slowdowns in industrial countries and the Gulf war) and the fact that significant international bank lending is unlikely to be resumed, policy-makers in South Asia should adopt policies and non-distortionary incentive systems that are conducive to the infusion of foreign direct investment (FDI). Domestic savings should also be mobilized to the largest extent possible.

Section V provides a summary and concluding remarks.

II. RECENT TRENDS IN NET RESOURCE FLOWS

1. Classification of Resource Flows and Global Setting

External capital may be classified and analyzed in several dimensions such as origin, type and conditions. Following the standard classification adopted by the World Bank and OECD, capital flows to developing countries can be decomposed broadly into official flows and private flows.

Official flows, i.e. official development finance (ODF) as commonly called, include: (a) official grants; (b) concessional loans from either bilateral or multilateral sources, and (c) non-concessional loans from bilateral, multilateral sources, or export credit agencies. Official development assistance (ODA) refers to the sum of official grants and concessional loans. Private flows encompass: (a) commercial bank loans; (b) foreign direct investment (FDI), and; (c) other private flows such as portfolio investment.

Aggregate net resource flows to developing countries as a whole reached an estimated \$71 billion in 1990, a 12% increase over 1989, but still lower than \$83 billion recorded in 1980. The estimated increase is attributed to the increased net lending from official sources, much of which went to Severely Indebted Middle-Income Countries (SIMICs) to purchase collateral or buy-back debt in Brady Initiative operations. Total private lending, net of amortization, has become negligible compared with the levels of the 1970s and early 1980s. FDI in 1990 surged upwards due in part to the growth of debt-equity swap programs [see Table A.1 on Aggregate Net Resource Flows].

The composition of external flows to developing countries has changed dramatically in the 1980s. Official grants (28%), official loans net of

amortization (39%), and foreign direct investment (31%) accounted for almost the whole of aggregate net flows in 1990, as has been the case since 1987. This represents a major shift from the dominance of commercial bank lending in the late 1970s and early 1980s, and a return to the pattern of net flows prevailing in the 1960s and early 1970s. The composition of the official flows also has shifted. Official grants and concessional lending (ODA) have grown, while nonconcessional, bilateral official lending has declined markedly, compared with the early 1980s. The share of multilateral lending has increased relative to bilateral lending.

The record of the 1980s shows that the total ODA flows have remained stagnant in real terms. ODA flows from DAC have increased in volume terms but declined in relation to GDP from 0.36% in 1980 to 0.33% in 1989. Non-DAC ODA has fallen more drastically during this period as assistance from the CMEA and OPEC donors has declined from the 1980 level.

The shift in the composition of aggregate net flows and private lenders' interest in supporting private sector projects means that in some countries the public sector now has less access to external private funds than the private sector, a major change compared with the late 1970s and early 1980s. This shift also means that countries that relied on external borrowing from commercial sources have suffered a sharp fall in access to external resources compared with countries that can attract FDI.

The total amount of FDI flows to developing countries declined in the first half of the 1980s, then increased thereafter in both nominal and real terms. The decline during the first half of the decade may have been accounted for by several reasons: declining real GNP growth in a number of developing countries, falling domestic investment, increased domestic imbalances and loss of

international liquidity that adversely affected investors' confidence, and worsening creditworthiness because of debt-service difficulties. During the second half of the decade some of these inhibiting factors were reversed. A number of developing countries that have undertaken macroeconomic adjustment showed improved economic performance, particularly in Latin America. In particular, FDI flows to Mexico and Chile have surged as progress has been made to stabilize, liberalize trade, restructure and privatize public enterprises, and attract foreign investors to export zones.

Many developing countries were also able to attract FDI flows in conjunction with their debt-equity conversion programs. The real level of international interest rates fell sharply, increasing the relative attractiveness to investors of direct investment. However, difficult economic prospects of developing countries as a whole made industrial countries a relatively more attractive destination for direct investment. As a consequence, the share of developing countries in the total FDI flows worldwide fell from 20% in the early 1980s to 11% by the end of the decade [see Table A.2 on FDI Flows].

While FDI has become a dominant source of private flows to developing economies, it has been thus far highly concentrated. Asia has been the most successful region in attracting and maintaining FDI flows. The experience may be attributed to the comparative success of many countries in the region in avoiding high inflation and high levels of external debt, to maintaining skilled, motivated and cost-efficient labor and to liberalization of the investment regime.

2. External Flows To South Asian Countries

Aggregate net flows to South Asian countries as a group has increased steadily since the mid-1980s, reaching \$9.3 billion in 1989, compared with \$1.3

billion in 1970 and \$5.8 billion in 1980, respectively. During the 1980s, however, the growth pattern of various sources of external flows shows a marked difference. While the region's reliance on official flows is still great, the share of concessional ODA in the total resource flows has declined from 80.7% in 1980 to 54.3% in 1989. Offsetting this decline was a significant increase in the share of private flows. India and Pakistan resorted to attracting foreign exchange deposits from their non-residents. India also expanded its commercial bank and bond financing. FDI remains an insignificant source of capital flows to these countries [see Table A.3 on Net Resource Flows to South Asia].

Bangladesh. The country is heavily dependent on foreign capital for its investment. Some 70 percent of gross domestic investment is still financed from external resources, despite the fact that the level of these flows has remained stagnant and has declined in real terms. Concessional official flows from bilateral and multilateral sources are the mainstay of the country's development finance. The ratio of aggregate resource flows to GNP has declined over time, but the low level of domestic savings means that external resources would continue to play an important role in the country's domestic production and economic growth.

India. From the low levels of the early 1980s the country received steady increases in external resources, reaching about \$5 billion in 1989, an increase of two and a half times the 1980 level. This increase was due to an expansion in commercial bank credits, non-resident deposits and new bond issues, despite generally unfavorable market conditions for developing countries during the period. Contribution of external flows to domestic production and investment has increased during the last decade: total external resource flows to GDP ratio has gone up from 1.2% in 1980 to 2.0% in 1989, and total resource flows to GDI ratio

increased from 5.3% to 8.5% for the same period. The share of concessional ODA fell markedly: the ratio of concessional ODA to total resource flows was 70 percent in 1980, and dropped to only 32 percent in 1989. One unusual aspect of capital flows to India has been that FDI flows to the country remained low.

Pakistan. Long-term external flows to Pakistan have been stagnant for most of the 1980s, although the 1989 figure of \$1.6 billion was the highest level achieved during the 1980s in nominal terms. Closer scrutiny of annual flows reveals an usually high degree of volatility, attributable to wide variations in bilateral concessional loans, multilateral non-concessional loans, and commercial bank loans. However, FDI flows, although at a very low level, have shown a steady growth since the early 1980s, reaching \$200 million in 1989, three times higher than the level recorded in 1980. During the last decade Pakistan has become less dependent upon concessional ODA. Not only was the absolute amount of ODA (in nominal terms) in 1989 lower than that in 1980, but its share of total resource flows declined substantially to below 50% in 1989, from 75 percent in the beginning of the 1980s. In addition, commercial bank lending has been erratic and varied from \$480 million in 1982 to negative flows exceeding \$100 million in 1988. Ratios of total resource flows to GDP and GDI have declined during the 1980s, mirroring the increase in national savings brought about by rising workers' remittances from abroad.

Sri Lanka. Total net inflows to the country have not grown during the recent decade, and they actually fell since the peak of 1982. Considerable declines in all major components of private flows more than offset steady increases in official flows. In fact, net private flows have been negative since 1987, reflecting diminishing new lending by commercial banks. During the course of the 1980s Sri Lanka has become more reliant on ODA: share of concessional ODA

in total resource flows has increased from 71% in 1980 to 96% in 1989. The stagnant capital flows to the country also resulted in a lower contribution of external capital to the domestic economy, as reflected in declining ratios of total resource flows to GDP and GDI.

3. External Flows to ASEAN Countries

Annual aggregate net flows to ASEAN developing countries (i.e. excluding Singapore) varied widely during the 1980s, ranging from less than \$4 billion in 1987-88 to more than \$12 billion in 1983. This gyration was attributable to fluctuating flows from private sources, especially commercial banks and bond issues. The most noticeable trend in capital flows to dynamic ASEAN economies was steady and strong growth in FDI, amounting to \$4.8 billion in 1989 (compared with \$1.2 billion in 1980); and accounting for almost all of the private flows to the region in the recent years. Substantial prepayments by some ASEAN countries also contributed to the contraction of private flows in 1987-88. The contribution of other types of external capital inflows to domestic economic activity is declining gradually although official flows are still important for Indonesia and the Philippines [see Table A.4 on Net Resource Flows to ASEAN Countries].

Indonesia. Significant growth was registered in official flows to the country during the 1980s. Virtually all components of official flows expanded, and multilateral non-concessional loans experienced the fastest growth. Like many other countries, private flows showed considerable year-by-year fluctuations, mainly because of wide variations in the amount of loans from commercial sources. FDI flows to Indonesia, however, have grown exceptionally fast and more than quadrupled during the last decade.

Malaysia. From the 1982 peak of \$5.3 billion, capital flows to Malaysia

have shown a declining trend, reaching \$1.2 billion in 1989. This trend has been reinforced by steadily declining official flows and large drops in private loans due to substantial prepayments in some years. FDI is the only source of external flows that is significant and expanding. In fact, aggregate net flows excluding FDI were negative for the last three years of the 1980s. The decline in external capital flows was attributable, in part, to improvements in gross domestic savings.

Philippines. Unlike other ASEAN countries, the Philippine economy has suffered since the onset of the debt crisis. Voluntary new private flows, pending the Brady Initiative operation, have dried up in recent years, and thus the country has become increasingly dependent upon official flows. For example, the share of concessional ODA in total resource flows has gone up substantially from 12% in 1980 to 58% in 1989. For the three years ending 1989 the total net private flows were negative, despite large increases in FDI flows to the country during that period.

Thailand. The sound macroeconomic performance helped improve the country's access to international capital markets and enhanced its attractiveness as an FDI destination. The great majority of resource flows has come from private sources during the 1980s, and data for the most recent year indicate a clear intensification of this trend. FDI has increased dramatically, from a \$200-300 million level during early to mid-1980s to \$1.7 billion in 1989, reflecting more than anything else economic and political stability maintained through the period. The official non-concessional flows turned negative as the country's improved current account prompted prepayments of loans from multilateral institutions.

4. External Debt Burden

Unlike Africa and Latin America, Asian countries both in ASEAN and South Asia have been able to avoid external debt difficulties. Except the Philippines, no other country in the region falls in the category of severely indebted countries. The debt indicators have, by and large, remained manageable although those for Indonesia and Pakistan signify a larger burden than others [see Table A.5]. In both these cases, however, new money flows at appropriate terms mainly from official multilateral and bilateral sources have offset the outflows on account of debt service obligations. Both these countries have received positive aggregate net transfers.

There are several reasons that explain why Asia (except for the Philippines) largely escaped the debt crisis of the 1980s. First, most of them pursued stable and prudent macroeconomic policies during this period, although they followed different development strategies. Second, export growth rates exceeded the growth in debt and debt service particularly in the ASEAN sub-group. Third, the ratio of concessional debt to total debt was relatively high (except in the cases of Malaysia and Thailand) but more pronounced in South Asian countries. Fourth, the share of variable interest rate in total debt was comparatively lower than the Latin American countries, and thus the rise in interest rates did not result in immediate difficulties [see Table A.6]. Finally, these countries did not resort to short-term borrowing at any significant level.

III. ROLE OF EXTERNAL CAPITAL IN DEVELOPMENT AND DETERMINANTS OF PRIVATE CAPITAL FLOWS

1. Theoretical Considerations

The role of foreign capital in economic growth of developing countries has

been an important and controversial subject. Prevalent theories during the 1950s-60s were that external capital flows would have positive effects on growth under the assumption that all capital inflows constitute net additions to the capital-importing developing country's productive resources without substituting for domestic savings or affecting incremental capital-output ratio. Alternative theories advanced in the early 1970s, however, argued that optimal resource allocation implied by plausible utility functions would lead to at least a partial allocation of additional resources to present consumption.¹ Previous empirical findings generally suggest a negative relationship between foreign capital inflows and domestic savings, but with the coefficient of foreign capital far less than unity (in absolute value), implying that domestic savings would be only partially crowded out by foreign capital infusion.

It has been suggested, for instance, that the availability of general purpose external commercial finance, although in response to oil price shocks, reinforced the negative savings effect during the 1970s. Kharas and Levinson's [1985]² empirical analysis of this hypothesis, covering twenty-six developing countries for 1961-82, confirms that foreign borrowing did reduce domestic saving on the margin but there was no evidence that shifts in sources and patterns of foreign financing altered country behavior. From a macroeconomic viewpoint, foreign funds were sufficiently fungible with domestic resources so that their impact on domestic investment and consumption remained minimal.

External finance or borrowing in the context of developing countries is primarily viewed as a source of increased resources for investment to generate

¹ For a review of these literatures, see Lee, Rana, and Iwasaki, "Effects of Foreign Capital Flows on Developing Countries of Asia," ADB Economic Staff Paper No.30, April 1986.

² Kharas, H. and Levinson, "Savings Rates and Debt Crisis," World Bank CPD Discussion Paper No.1985-47, October 1985.

growth relaxing the constraints of domestic savings and foreign exchange. As the marginal productivity of investment in capital-scarce countries is believed to be higher than the global real interest rate, it is surmised that developing countries should borrow from international capital markets and use borrowings to increase investment and output growth rates.

2. Macroeconomic Factors Affecting Growth and Private Capital Flows:

Some Empirical Evidence

In their seminal paper on international capital mobility, Feldstein and Horioka [1980]³ examined the extent to which international capital flows depend on domestic savings rates in OECD countries, and thereby tested the degree of capital mobility as a function of yield differentials. The statistical results they obtained generally suggested that capital mobility across countries was imperfect, and increases in domestic savings were reflected primarily in additional domestic investments. An important implication of this study is that countries which face such limitations in the capital mobility would have to consider non-market policy factors to facilitate long-term external capital flows. Therefore, we first replicate the Feldstein-Horioka regression equation to investigate how responsive international private capital flows are to domestic savings rates in South Asia and ASEAN countries and whether major implications of Feldstein and Horioka's study are applicable to these developing countries. The regression takes the following simple form:

$$(I/Y)_i = a + b (S/Y)_i, \quad (1)$$

where $(I/Y)_i$ is the ratio of gross domestic investment to GDP in country i and $(S/Y)_i$ is the corresponding ratio of gross domestic savings to GDP. Since the

³ Feldstein, M. and C. Horioka, "Domestic Savings and International Capital Flows," The Economic Journal, 90, June 1980.

excess of gross domestic investment over gross domestic savings is equal to the net inflow of foreign investment, a regression of the ratio of net foreign investment inflow to GDP on the domestic savings ratio would have a coefficient of $(b - 1)$. Therefore, testing the hypothesis that b equals one is equivalent to testing the hypothesis that the international capital flows do not depend on domestic savings rates. By using average ratios for the sample period 1968-1988, regression results, as well as summary variables, for nine countries -- Bangladesh, India, Nepal, Pakistan, Sri Lanka, Indonesia, Malaysia, The Philippines, and Thailand -- are presented in Table 1.

Table 1. Summary of Input Variables and Parameter Estimates

<u>Country</u>	<u>Mean (S/GDP)</u>	<u>Mean (I/GDP)</u>
Bangladesh	0.031	0.114
India	0.195	0.211
Nepal	0.087	0.145
Pakistan	0.090	0.172
Sri Lanka	0.130	0.213
Indonesia	0.250	0.227
Malaysia	0.307	0.271
Philippines	0.210	0.234
Thailand	0.221	0.255
Mean	0.169	0.205
Standard deviation	0.089	0.052

	<u>Intercept (a)</u>	<u>Regression Coefficient (b)</u>
Parameter Estimates	0.113	0.541
(t-statistics)	(7.944)	(7.178)

R-square (adjusted) = 0.863

Note: The results are based on a sample period of 1968-88.

As one might expect, the average gross savings ratio (0.169) for South Asian and ASEAN countries is found to be lower than the OECD figure (0.250)

reported by Feldstein and Horioka. Likewise, developing countries in the region had, on average, a lower investment ratio (0.205), compared with the OECD figure (0.254). The estimate of b in the regression equation is 0.54 (S.E.= 0.075) and its t-statistics is significant at the 0.01 level.⁴ The result indicates that investment yield differential is insufficient for international capital mobility in these countries, the normative implication being that there are non-market factors that are important in facilitating capital inflows to them.

To gain further insight about the effects of external capital inflows on the economies of the region, we adopt an empirical methodology developed by Lee, Rana and Iwasaki [1986]. We consider the following simultaneous equation model, devised to eliminate specification bias resulting from the simultaneity between growth rate and domestic savings rate. The model consists of a growth equation and a savings equation, where the former is the traditional export-augmented neoclassical production function and the latter the traditional Keynesian-type saving function augmented by several variables.⁵

$$G = a_1 + b_1 \cdot OF + b_2 \cdot PF + b_3 \cdot S + b_4 \cdot X + b_5 \cdot L + e \quad (2)$$

$$S = a_2 + b_6 \cdot OF + b_7 \cdot PF + b_8 \cdot X + b_9 \cdot GDP + b_{10} \cdot G + u \quad (3)$$

where G = growth rate of GDP, OF = official flows as percentage of GDP, PF = FDI as percentage of GDP, S = gross domestic saving as percentage of GDP, X = change in export as percentage of GDP, L = growth rate of labor force, GDP = GDP per

⁴ The estimate of regression coefficient is lower than 0.889 for OECD countries for the 1960-74 period, which was reported in the Feldstein-Horioka paper.

⁵ Explanatory variables are defined slightly differently from Lee, et al, *ibid*, and other previous studies. The variable PF in this study measures FDI flows only, rather broader private flows, to examine more clearly the effect of FDI on domestic economy.

capita, and e and u = error terms.⁶

The regression model that includes two endogenous variables and five exogenous variables is tested in two stages: first the reduced form of the model to test the total effects, and then the structural equation of the model to test direct effects. Table 2 reports regression results of the reduced form equation based on pooled cross-section and time-series annual data for the nine countries listed in the Table 1 during the sample period of 1970-88.⁷

Table 2. Regression Estimates: Aggregate Data

Endogenous Variable	Exogenous Variable						MSE
	Intercept	OF	PF	X	L	GDP	
Growth rate	0.036 (2.351) ¹	-0.084 (-0.819)	0.923 (2.545) ¹	0.300 (3.958) ¹	0.349 (0.636)	-0.000 (-1.627)	0.035
Savings rate	0.251 (11.787) ²	-1.749 (-12.186) ²	0.813 (1.606)	0.644 (6.085) ²	-3.261 (-4.250) ²	0.000 (4.782) ²	0.048

Adjusted R-square (F-statistics in the parentheses):

Growth equation = 0.124 (5.810)
Savings equation = 0.740 (97.817)

Note: Asymptotic t-statistics are in the parentheses.

¹ significant at 0.05 level.

² significant at 0.01 level.

Sample period: 1970-88.

⁶ It is noted that the coefficients of the reduced form equation of the model are composites of the coefficients in Equations (2) and (3). Since the simultaneous equation system is fully determined, the estimates of the coefficients in Equations (2) and (3) can be derived from the composite coefficients. For the specification of the reduced form equation and the justification for the selection of explanatory variables, see Lee, et al, pp. 18-19.

⁷ The pooling procedure could be problematic for countries that are heterogeneous in terms of economic and social characteristics. To cope with this drawback, therefore, we also tested the regression model for two sub-groups of countries; South Asian and ASEAN.

Empirical results from the growth equation suggest that economic growth in the region has been most significantly related to exports and foreign direct investment. Both parameter estimates are positive and statistically significant (both at the 0.05 level). It is also interesting that domestic savings in the region as a group have been strongly negatively associated with capital flows from official sources, but somewhat positively, albeit statistically insignificant, related to FDI component of capital flows.

Table 3. Regression Estimates: ASEAN Countries

Endogenous Variable	Exogenous Variable						MSE
	Intercept	OF	PF	X	L	GDP	
Growth rate	0.050 (1.835)	0.022 (0.050)	0.951 (2.952) ¹	0.257 (3.452) ¹	0.096 (0.098)	-0.000 (-2.526)	0.030
Savings rate	0.250 (7.100) ²	-2.058 (-3.618) ¹	0.527 (1.261)	0.471 (4.873) ²	-1.174 (-0.920)	0.000 (2.966) ¹	

Adjusted R-square (F-statistics in the parentheses):

Growth equation = 0.199 (4.719)

Saving equation = 0.527 (17.714)

Note: Asymptotic t-statistics are in the parentheses.

¹ significant at 0.05 level.

² significant at 0.01 level.

Sample period: 1970-88.

Since economic and social characteristics in South Asian and ASEAN countries are not homogeneous, we also ran the regression for the two different groups of countries. Results, which are reported in Tables 3 and 4, were substantially different in terms of significance of individual exogenous

variables and explanatory power of the model. For example, the while effect of FDI on growth was positive and statistically significant in ASEAN countries, it was insignificant for South Asian countries. Official flows were found to be an insignificant explanatory variable for growth: the coefficient was positive for the two country groups, but it was statistically insignificant in both cases.⁸

Table 4. Regression Estimates: South Asian countries

<u>Endogenous Variable</u>	<u>Exogenous Variable</u>						<u>MSE</u>
	<u>Intercept</u>	<u>OF</u>	<u>PF</u>	<u>X</u>	<u>L</u>	<u>GDP</u>	
Growth rate	-0.011 (-0.396)	0.011 (0.073)	-0.595 (-0.325)	0.288 (1.342)	0.868 (1.151)	0.000 (2.190)	0.038
Savings rate	0.258 (8.469) ²	-1.353 (-7.659) ²	-1.256 (-0.598)	0.403 (1.637)	-4.662 (-5.388) ²	0.000 (1.337)	

Adjusted R-square (F-statistics in the parentheses):
 Growth equation = 0.052 (1.823)
 Saving equation = 0.611 (24.528)

Note: Asymptotic t-statistics are in the parentheses.
¹ significant at 0.05 level.
² significant at 0.01 level.
 Sample period: 1970-88.

It is also interesting to note that domestic savings in the two country groups were negatively related to official flows and the coefficients were

⁸ Empirical testing was also performed on alternative data specification, e.g. three-year moving averages to adjust for annual fluctuation and lagged relationships. While we obtained different parameter estimates, the significance of FDI was robust (in fact, even greater with the three-year averages) in terms of data specification, and official flows were consistently insignificant. In order to manifest true relationship between these variables, a causality test should be useful. More refined empirical analysis of this subject, including causality test by using Box-Jenkins ARIMA models, are left for our future research.

significant statistically. In contrast, FDI was found to be an insignificant factor in explaining savings rates.

The above results confirm the earlier evidence that foreign capital inflows have made a positive contribution to economic growth in the South Asian and ASEAN countries. Table A.7 shows that GDP and exports have increased at a rapid rate in ASEAN-4 during the last 25 years, while South Asian countries also registered modest rates of growth. The efficiency of investment as captured by the incremental capital output ratio (ICOR) was also higher in ASEAN as compared to South Asian countries.⁹ It is interesting to note that the level of net flows to ASEAN-4 in the 1980s was consistently higher than that of South Asia, although the latter started with an initial advantage in 1970. While FDI has contributed to growth both by augmenting resources available for capital formation and by improving the efficiency of investments, foreign aid may have been used, in some instances, to finance projects which were unnecessarily capital intensive. As was the case in Lee, et al, our study also found that, in relative terms, FDI and export performance contributed more to economic growth than aid, supporting the view that developing countries should adopt policies based predominantly on well-functioning market mechanisms rather than rely on foreign aid for the bulk of their development assistance.

Rapid growth in intra-Asian trade, particularly trade between the newly industrializing economies (NIEs) and South East Asia, and Japan and NIEs, Japan and South East Asia has been accompanied by rising FDI.¹⁰ In 1988 Asian investors accounted for 64 percent of total FDI approved by ASEAN. Approvals of

⁹ Previous empirical studies showed that foreign direct investment made a positive contribution in augmenting ICOR, whereas foreign aid tended to have a negative impact on ICOR, See Lee, et al, *ibid*.

¹⁰ Rana and Dowling, "Foreign Capital and Asian Economic Growth", *Asian Development Review*, 1990, Vol 8, No. 2.

Japanese investment in Thailand, Philippines, increased by over 200 percent, and by over 100 percent in Malaysia. Among the NIEs, Hong Kong and Taiwan have been the leaders in promoting FDI.

The process of rapid growth in output and intra-regional trade and investment in Asia is sometimes referred to as a "virtuous circle" of economic development. Foreign capital inflows have combined with a favorable policy environment, industrialization and trade expansion. Most Asian countries avoided external debt crises in the first half of the 1980s despite the exposure of the trade-dependent Asian countries to the external shocks of the preceding decade. Policy implications of this virtuous circle of economic development for South Asia are traced in the next section.

IV. PROSPECTS FOR RESOURCE FLOWS AND POLICY IMPLICATIONS

The economic outlook for developing countries in general appears fuzzy as a result of external uncertainties they face. First, the rate of growth of the industrial countries in the 1990s, and thus the growth of markets for developing country exports, is expected to slow down. Second, world interest rates and exchange rate movements are beset with uncertainty. Non-dollar interest rates have risen sharply. At the same time the dollar has depreciated against other major currencies.

In addition to uncertainties about the international trading environment and the cost of external finance, developing countries have to confront the uncertainty surrounding the availability of external finance.

External finance availability for developing countries will continue to remain difficult. It is projected that net flows will increase at 8 to 9 percent a year on average in 1990-95, slightly faster than the nominal growth rate of

industrial countries. But, because of the larger stock of developing country debt, relatively high real interest rates, and rising remittances from profits on the growing stock of foreign direct investment, aggregate net transfers would be only slightly positive by 1995 [see Table A.8 on Projected Net Flows].

We estimate, on a conservative basis, that aggregate net flows in 1995 will be around \$117 billion and support a current account deficit of about \$70 billion or 1.6 percent of GDP of developing countries.

The composition of flows in the 1990s could revert to what it was in the 1960s -- with official flows and FDI assuming greater importance, and private commercial lending remaining limited. Both bilateral and multilateral lending in the first half of the decade are expected to grow ahead of the GNP of industrial countries.

It is more difficult to project financial flows to developing countries from private sources. However, two important factors would suggest that it is likely to remain modest in the 1990s. First, international banks and capital markets are unlikely to consider most developing countries creditworthy unless there is compelling evidence over a fairly long period of a strong external payments situation and stable economic policies. Second, the recent erosion in the capital base of Japanese and U.S. commercial banks will inhibit bank lending to developing countries in the short term, but even when the capital base of these banks is restored, it is likely that domestic borrowers will be given preference over developing country clients.¹¹

Finally, the projections on financial flows show steady growth in FDI through the 1990s. But this is especially uncertain because much will depend on

¹¹ See Global Economic Prospects and the Developing Countries, p. 39, IEC, The World Bank (May 1991).

developing country policies. The growing use of portfolio investments could also generate interest among large savers in industrial countries.

Among the Asian countries, China and ASEAN-4 are expected to meet their external financing requirements without much difficulty, if the pattern of their economic performance is similar to that achieved in the 1980s. There are some questions about the level and type of resources flows to South Asia.

South Asia improved its economic performance in the 1980s compared to the earlier three decades. The adjustment to external shocks was managed reasonably well. Per capita income and consumption growth rates were higher. Inflation was kept under control. Trade imbalances were moderate. A large middle-income group has emerged in all these countries and the proportion of population living below the poverty line has declined.

Despite these accomplishments, the development agenda for the South Asian countries in the 1990s has become more onerous. While the emergence of a growing and large middle class has dispersed the benefits of growth to some extent, the rising expectations of this middle class coupled with the goal of mitigating absolute poverty among more than one billion people in the subcontinent have intensified pressures to make difficult policy choices.

There are three major concerns that temper an optimistic outlook for South Asia in this decade. First, the commitment to and therefore the pace of economic reform has been erratic, delaying the introduction of measures expected to make the economies more diversified, flexible and responsive to external shocks. The recent experience of the Middle East crisis showed that while the ASEAN countries (with the exception of the Philippines) were able to adjust rapidly, the impact on all the four South Asian countries was quite adverse. Efficiency, productivity and competitiveness in these countries need considerable

improvement. Protection of manufacturing industries continues to be high in Bangladesh, India and Pakistan. Pricing of capital and labor remain highly distorted in Bangladesh, Pakistan and Sri Lanka. Attempts at deregulation and privatization have been sporadic. The anti-export bias has not been reduced significantly. Direct government controls and interventions in price setting are still rampant. The credit ratings of both India and Pakistan, which had access to international financial markets in the 1980s, have been downgraded recently by private rating agencies. It is also not obvious that private transfers (workers' remittances), a significant source of external financial resources for South Asia during the 1980s, can be relied upon as a stable form of financing in any future projections.

Policies that reward cost reduction and technical change and place pressures on domestic manufacturing to bring about such change would have to be implemented. Protected markets make enterprises soft and encourage obsolete technologies. Y. K. Alagh refers to a study of the Indian tire industry for the 1981-84 period where price increases were higher than increases in material costs, and the top four companies consistently maintained their share of production, while the technology used was obsolete.

Second, fiscal imbalances are becoming a matter of growing concern as they are being financed by internal and external borrowing which is unsustainable in the medium term. Public expenditures grew much faster than revenues and widening fiscal deficits have been financed by internal borrowing and limited external borrowing. According to one recent estimate, public sector bearer bonds and certificates issued in Pakistan equalled Rs. 100 billion, while the total currency in circulation was Rs. 135 billion. Interest payments are growing and amounted to Rs. 47 billion, or 30 percent of the current expenditure in last

fiscal year. Similarly in India, interest payments have been rising and take up almost one-fourth of the government expenditure. Problems in the heavily indebted countries (HICs) are exacerbated precisely because of large public sector deficits which were financed through monetary expansion and large borrowing. The South Asian countries should learn from the lessons of the HICs and take steps to contain their fiscal imbalances.

Third, among its sources of external finance, the South Asian countries have traditionally relied heavily upon official bilateral and multilateral concessional assistance, supplemented by workers' remittances. But in recent years there has been a marked shift toward short-term debt (non-resident deposits) and commercial borrowing. The growth potential and structure of exports of goods and services is neither adequately robust nor sufficiently buoyant to support this type of financing, at least in the next few years. The vulnerability to external shocks such as the Middle East crisis is also high.

On a more general level, the factors that stimulated large scale lending by commercial banks in the 1970s are unlikely to repeat themselves. The negative real rates of interest, the shift in world savings to oil exporting countries (that did not have a high short-term domestic absorptive capacity) and undue emphasis on "physical capital" (to the exclusion of human capital, policy regime and institutional capacity) enabled about fifty developing countries to attract commercial bank lending in that period. The commercial banks have become more cautious and selective in providing general obligation financing to developing countries. It is unlikely that the South Asian countries will attract significant resources from commercial sources.

Competition is also keen for limited ODA funds. There is a feeling among several donor governments that at least India and Pakistan should not receive the

same level of concessional bilateral assistance funds as they have received in the past. The only viable source of financing that has not been seriously exploited by South Asia is FDI.

Foreign direct investment flows have become an important source of capital, technology and exports among the ASEAN countries. South Asian countries have not benefitted from these flows so far, because of severe restrictions placed by governments. Governments' concerns with FDI include the political implications of foreign control over domestic resources, the transfer pricing mechanism and the appropriateness of the transferred technology. Nationalistic sentiment against ownership and control by foreigners also places psychological barriers against FDI flows.

The recent evidence and experience of East Asian countries suggests that the benefits of FDI outweigh both the real and perceived costs, and the competition among developing countries (including Eastern Europe) to attract FDI has become more intense. The challenge for South Asian governments is not to restrict these flows but to attract these flows, maximizing their positive impact and controlling adverse effects.

A recent study ¹² shows that the liberalization of restrictions on FDI can generate positive direct and indirect effects on income and welfare in developing countries. Foreign capital inflows stimulate specialization and raise the productivity of the industry that uses them. The impact of foreign capital occurs through two mechanisms: a relative factor price effect and an extent of the market effect. A capital inflow lowers the economy's rental rate, reducing the fixed cost of setting-up and operating new services and stimulating entry of

¹² F. L. Rivera-Batiz and L. A. Rivera-Batiz, The Effects of Direct Foreign Investment in the Presence of Increasing Returns due to Specialization, 34, Journal of Development Economics, November, 1990.

firms into that sector. The extent of the market effect, on the other hand, indicates that, at given relative factor prices, capital inflows induce entry into the service sector by augmenting industrial output. Both of these mechanisms act to raise industrial productivity and in fact, work to raise national welfare. Foreign capital inflows could be considered to be the result of the elimination of barriers to foreign investment in LDCs.

In comparing the financial attributes of FDI to those of borrowing from commercial sources, FDI is thought to possess four advantages.¹³ First, equity financing requires payments only when the investment earns a profit while debt requires repayments irrespective of the economic, and particularly the balance of payments situation of the developing countries. Second, payments on FDI can be regulated by the host country while debt repayments are outside its control as they are affected by interest rates set in the international market. Third, because much of FDI consists of reinvested earnings, only a portion of the returns on investment typically is repatriated, as opposed to the need to repay interest and principal on loans. This reinvestment involves lesser constraints and has an almost built-in rollover mechanism compared with the fluctuations in commercial bank lending. Fourth, FDI permits a closer match between the maturity structures of the earnings from an investment and that of the required payments to the capital used to finance it, thus avoiding the mismatch created when developing countries borrow short-term to finance long-term investments.

In examining the advantages of FDI in terms of the variability of payments resulting from it, it is well to remember that the "payments" involve in large part reinvested earnings which have no impact on the short-term demand for

¹³ Michalopoulos, C., "Private Direct Investment, Finance and Development," *Asian Development Review*, Vol 3, No. 2, 1985.

foreign exchange. In practice, there is not as much variability in the actual outflows of remittances as debt servicing but there is a lot of variability in reinvested earnings which have little bearing on the short-term financing problems of developing countries.

Perhaps more important than this variability in earnings is the fact that for non-oil developing countries the actual level of repatriated earnings relative to the stock of investment calculated on the basis of book value is typically less than interest payments relative to the stock of foreign debt. In 1982 i.e., before the onset of the debt crisis, the ratio was 3.8 percent for FDI compared with 8.3 percent for lending. Even this ratio understates the relative advantage of such investment since the book value of assets frequently understates the real value of the investment. This means that in the longer-term less of the earnings on investment associated with FDI is "taken out" of the country than with pure lending.

On balance, FDI has some important financial advantages over borrowing, but these should not be exaggerated as a source of support for greater flows of such investment in the future. In case of South Asia there are some additional factors which favor foreign direct investment. The cultural heritage of these societies puts a premium on acquisition of knowledge and education as desirable objectives. This attribute is conducive to the development of technology and industry. The assimilation and dissemination of technological innovation should thus be relatively rapid and easier in South Asia compared to some developing countries.

Second, the scope for absorbing FDI in these countries is quite large, as they start with a relatively low base. The share of FDI in total financial flows to South Asia has historically averaged 1 percent while the comparable figures

for the NIEs are 32 percent and 16 percent for ASEAN countries. In the most recent year, FDI accounted for 8 percent of total financial flows in South Asia and 50 percent for ASEAN countries [see Table A.9 on Components of Capital Flows]. The size of the domestic market and the emergence of a growing and dynamic middle class with purchasing powers comparable to East Asian countries are natural magnets for this type of investment.

Finally, the countries in this sub-region are endowed with relatively cheap labor and a large educated and skilled manpower reservoir. Of course, the productivity is relatively low but the organizational and managerial improvements that are implicit in the FDI should be able to make better use of these skills.

The external financial requirements of these countries in the 1990s are still substantial. Our preliminary estimates show that average annual inflows of \$14-\$15 billion are required between 1991-99 to sustain a GDP growth rate of 4.6 percent for South Asia. Of this, \$4-4.5 billion are expected private remittances from migrant workers, \$1.5-2 billion foreign direct investment, \$1.5-2 billion from international financial markets, \$3-3.5 billion from multilateral institutions, \$1.5 billion as bilateral loans and \$1 billion as official grants [see Table A.10 on Potential Sources of Flows to Asia].

The above estimates clearly indicate, in addition to attracting FDI and opening up the trade regimes, that South Asia would continue to rely on concessional assistance from bilateral and multilateral sources. Given the relatively good economic record of these countries, their effectiveness in proper utilization of such assistance in past and the fact that several hundred million people live below the poverty line in these countries, an adequate level of ODA resources is essential to meet their financing needs. ODA can also contribute to improve the economic environment for FDI through investment in physical and

human infrastructure and strengthening the institutional base in developing countries which, in turn, increases the profitability of FDI.

But a word of caution is necessary.

If FDI takes place in countries with high rates of effective protection and economic rents accruing to producers are significant due to the various distortions in the host country economic policies, the net economic benefits are likely to be modest, insignificant or even negative, depending on the magnitude of the distortions. In South Asian countries, liberalization of policies towards FDI needs to be accompanied by a reduction in rates of effective protection and the fostering of competition in domestic markets. Otherwise, the opening up to FDI by itself may not be beneficial.

V. CONCLUDING REMARKS

A comparison of two sub-groups of countries in Asia that followed different development strategies -- ASEAN-4 and South Asia -- reveals that external capital flows have made a positive contribution in fostering growth and improving living standards in both sets of countries. Except for the Philippines, all other countries avoided the debt crisis that characterized Latin America and Africa in the 1980s. The common thread in the two sub-groups was pursuit of prudent and stable macroeconomic policies during the period under review. Fiscal imbalances in South Asian countries in recent years are, however, creating severe pressure and need to be effectively tackled.

Empirical analysis carried out in this paper and elsewhere also suggests that careful consideration should be given to the type of capital flow. The various types of external flows can have different impact on domestic saving, capital formation and long-term economic development, despite their financial

fungibility. Foreign direct investment and export expansion are found to contribute more to output growth than official aid flows through economy-wide efficiency gains. Official flows, usually tied to specific projects and imports of specific goods and services, may in some instances finance activities that are not socially profitable.

Beyond its role as a source of risk capital for investment, FDI can play an important role in development by transferring new technology and business practice, by stimulating innovation and investment in the host country through its linkage to domestic firms, and by securing access to international goods and capital markets. In ASEAN countries, where substantial inflows are taking place, FDI has been a driving force in the expansion and diversification of manufactured exports. While the ASEAN-4 and China are expected to meet their external financing requirements in 1990s, the prospects for increased ODA and commercial bank lending to South Asia do not appear promising although their requirements would continue to be substantial. Official flows to this region are not likely to grow faster than in the past, and they may be directed to other regions facing urgent needs. There will also be an increasing competition for private loans, which would be reinforced by tightening international credit and potential new borrowings related to the Middle East crisis. Moreover, the capacity of South Asian countries to borrow on market terms is also limited for the time being.

Considering the comparative advantage of South Asian economies -- an ample supply of low wage skilled and educated labor -- countries in this region must pursue more actively policies that would attract FDI inflows. There is no simple explanation of what policies attract FDI, but it is generally conceived that macroeconomic stability, a stable exchange rate regime, a non-distortionary incentive system (including transparent tax policies), and legal and regulatory

reforms are important factors. Adequate domestic financing and external official resources would have to be mobilized to help support the expansion of complementary infrastructure and social services that are essential to growing FDI.

Finally, portfolio investment in the form of country or regional funds offers another source of capital flows to the region in the 1990s. In view of the increasingly significant role that institutional investors play in cross-border investment, government policies should foster further development of domestic capital markets through financial sector reforms. Market liberalizing measures recently envisaged by the governments of India and Pakistan must be viewed as a move in the right direction.

Table A1. Financial Flows (Long-term) to Low- and Middle-Income Countries, 1980-90

(in billions of US\$)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990 ^e
Aggregate net resource flows (long-term)	82.8	99.9	88.4	68.2	61.9	56.6	51.2	46.1	60.9	63.3	71.0
Official development finance	32.6	33.7	33.8	31.6	34.0	31.8	33.6	32.2	36.3	36.6	46.9
Official grants	12.5	11.4	10.4	9.9	11.4	13.2	14.0	14.9	18.0	18.6	19.5
Official loans (net)	20.1	22.3	23.4	21.7	22.6	18.6	19.6	17.3	18.3	18.0	27.4
Bilateral	12.2	12.9	11.9	10.6	10.3	6.4	6.3	4.9	6.8	6.1	10.4
Multilateral	7.8	9.4	11.5	11.0	12.4	12.2	13.3	12.4	11.5	11.9	16.9
Private loans (net)	41.1	53.3	43.6	28.1	19.6	14.3	8.1	0.7	5.5	4.3	2.3
Commercial banks	30.8	44.0	30.9	19.8	14.6	4.7	2.4	-1.1	0.7	3.0	..
Bonds	1.1	1.3	4.8	1.0	0.3	5.0	1.3	0.2	2.2	0.3	..
Other	9.2	8.0	7.8	7.4	4.7	4.5	4.4	1.6	2.6	1.0	..
Foreign direct investment (FDI)	9.1	12.9	11.1	8.5	8.3	10.5	9.5	13.2	19.1	22.4 ^e	21.8
Aggregate net transfers (long-term)	37.0	45.7	27.4	10.5	-0.9	-7.4	-10.0	-16.8	-9.5	-1.0	9.3
Memorandum items:											
Private grants	2.3	2.0	2.3	2.3	2.6	2.9	3.3	3.5	4.2	4.2	4.3
Net Use of IMF Credit	3.9	6.9	6.6	11.1	4.4	-0.2	-2.5	-5.8	-5.5	-2.3	2.1

Notes and Sources: Country coverage: 110 low- and middle-income countries; as covered in World Debt Tables, 1990-91. Loans: DRS; excludes short-term flows. FDI: IMF, balance of payments figures, which include reinvested profits. Official and private grants: OECD. Aggregate net transfers equals aggregate net resource flows less interest payments (DRS basis) and reinvested and remitted profits (IMF).

p/ Projection.

e/ Estimate.

Table A2. Flows of Foreign Direct Investment, 1981-90

(in billions of US\$)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Net flows ¹										
Developing countries (IBRD)	10.9	10.7	7.4	8.2	8.7	8.6	11.4	15.7	16.2	20.1
Africa	0.5	1.9	1.1	1.7	1.2	1.4	1.2	1.2	1.5	1.7
Asia & Pacific	2.6	2.5	2.8	2.9	2.9	3.4	4.6	7.4	8.8	7.7
Europe & Mediterranean	0.2	0.1	0.1	0.2	0.1	0.1	0.1	0.4	0.8	1.1
Middle East	0.1	0.2	0.2	0.2	0.2	0.2	0.0	-0.2	-0.2	0.1
Latin America & Caribbean	7.5	6.0	3.2	3.2	4.3	3.5	5.5	6.9	5.3	9.5
Gross flows ²										
Total all countries	62.3	53.7	48.9	53.4	48.0	76.0	109.7	138.0	181.8	..
Developing countries (IBRD)	12.3	11.0	8.2	8.6	10.2	9.4	12.9	19.3	20.7	..
Flows to developing countries as share of total (percent)	19.7	20.5	16.8	16.1	21.3	12.4	11.8	14.0	11.4	..

Source: International Monetary Fund: World Economic Outlook data base and Balance of Payments Statistics.

1/ Based on WEO data base, data are net of investment made abroad; flows are to low-middle-income countries; data exclude flows to offshore financial centers.

2/ Based on the Balance of Payments Statistics; data include only investments made in a country by foreigners. Data are incomplete as those for several countries are not available.

Table A.3(1)

Aggregate Net Resource Flows (Long-Term) to SOUTH ASIA
(US\$ Millions)

	1970	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Official Development Finance	1,257.8	4,745.9	4,275.6	4,646.4	4,143.8	4,205.6	4,336.5	5,057.0	6,037.0	7,020.0	7,105.8
Official Dev. Assistance	1,169.3	4,547.0	3,969.7	4,247.4	3,583.9	3,854.7	3,947.0	4,431.0	4,858.7	4,938.2	4,810.8
Official Grants /1	266.5	2,362.3	1,844.6	1,693.0	1,581.6	1,673.4	1,401.7	1,755.3	1,838.7	2,145.0	2,244.8
Off. Concess. Loans	902.8	2,184.7	2,125.1	2,554.4	2,002.3	2,181.3	2,545.3	2,675.7	3,020.0	2,793.2	2,566.0
Bilateral	834.3	1,093.4	828.2	772.7	535.5	520.5	659.0	1,142.8	1,174.7	1,129.1	1,061.8
Multilateral	68.5	1,091.3	1,297.0	1,781.7	1,466.9	1,660.8	1,886.2	1,532.9	1,845.3	1,664.2	1,504.2
Off. Non Concess. Loans	88.4	198.9	305.9	399.0	559.9	350.9	389.6	626.0	1,178.4	2,081.8	2,295.1
Bilateral	25.2	63.8	(45.6)	80.0	123.9	46.2	101.5	37.0	75.7	112.1	494.6
Multilateral	63.2	135.2	351.5	319.0	435.9	304.7	288.1	589.0	1,102.7	1,969.7	1,800.4
Private flows	45.9	899.1	948.0	1,579.0	738.4	1,975.8	1,301.0	1,958.2	1,743.6	1,956.8	2,082.6
Private Loans	17.2	784.8	781.1	1,391.9	610.9	1,828.6	984.0	1,624.9	1,362.3	1,454.9	1,538.6
Commercial Banks	6.2	645.1	568.0	882.7	388.6	799.7	582.6	831.7	1,333.5	995.1	849.0
Bonds	(3.4)	0.0	0.0	9.5	18.7	232.1	319.9	339.1	110.3	602.6	678.4
Other	14.4	139.6	213.1	499.7	203.6	796.9	81.6	454.1	(81.5)	(142.9)	11.2
Foreign Direct Investment /2	28.7	114.3	166.9	187.1	127.5	147.2	317.0	333.3	381.3	501.9	544.0
AGGREGATE NET FLOWS	1,303.7	5,645.0	5,223.6	6,225.4	4,882.2	6,181.4	5,637.5	7,015.2	7,780.6	8,976.8	9,188.4
AGGREGATE NET TRANSFERS	1,004.5	4,745.8	4,301.2	5,047.7	3,387.9	4,552	3,658.9	4,549	4,907.3	5,643.8	5,393.3

INDICATORS OF FLOWS:

Conc. ODA/Tot. Resource Flows (%)	89.7%	80.5%	76.0%	68.2%	73.4%	62.4%	70.0%	63.2%	62.4%	55.0%	52.4%
TDS/Total Resource Flows (%)	58.5%	36.1%	39.9%	36.9%	64.7%	50.1%	66.4%	73.7%	70.1%	67.7%	70.3%
Total Resource Flows/GDP (%)	1.5%	2.3%	2.3%	2.6%	1.9%	2.5%	2.1%	2.4%	2.4%	2.6%	2.6%
Total Resource Flows/GDI (%)	30.3%	10.6%	8.5%	10.5%	8.2%	10.5%	7.9%	9.6%	10.1%	10.4%	11.1%
Tot. Res. Flows Per Cap. (units)	2	6	6	7	5	6	6	7	7	8	8

1/ Excluding Tech. Coop. grants

2/ IMF data

Table A.3(2)

Aggregate Net Resource Flows (Long-Term) to BANGLADESH
(US\$ Millions)

	1971*	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Official Development Finance	15.4	1,584.2	997.7	1,316.7	935.9	1,079.3	1,037.6	1,415.7	1,494.8	1,401.1	1,639.5
Official Dev. Assistance	15.4	1,587.6	990.8	1,281.2	947.7	1,079.1	1,041.9	1,349.8	1,513.7	1,404.5	1,644.3
Official Grants /1	0	1,001.0	543.5	759.0	507.6	595.3	472.1	552.8	709.4	669.4	766.7
Off. Concess. Loans	0	586.6	447.3	522.2	440.1	483.8	569.8	797.0	804.3	735.1	877.6
Bilateral	0	323.4	202.8	276.7	165.7	142.6	115.4	290.4	290.1	227.7	281.6
Multilateral	0	263.3	244.4	245.5	274.4	341.2	454.4	506.7	514.1	507.3	596.0
Off. Non Concess. Loans	0	(3.5)	7.0	35.4	(11.8)	0.2	(4.3)	65.9	(18.9)	(3.4)	(4.8)
Bilateral	0	(3.8)	1.8	7.6	5.6	0.0	6.5	27.5	3.1	(4.9)	0.3
Multilateral	0	0.4	5.2	27.9	(17.4)	0.2	(10.8)	38.4	(22.0)	1.6	(5.0)
Private Flows	0	12.5	13.2	20.8	48.1	26.7	(6.5)	56.9	5.6	(19.4)	(31.2)
Private Loans	0	12.5	13.2	20.8	47.7	27.3	(6.5)	54.5	2.4	(21.2)	(32.3)
Commercial Banks	0	0.0	0.0	4.0	(0.5)	(0.4)	(0.5)	(0.7)	(0.8)	(0.7)	(0.7)
Bonds	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0	12.5	13.2	16.8	48.2	27.7	(6.0)	55.1	3.2	(20.4)	(31.6)
Foreign Direct Investment /2	0	0.0	0.0	0.0	0.4	(0.6)	0.0	2.4	3.2	1.8	1.1
AGGREGATE NET FLOWS	15.4	1,596.7	1,011.0	1,337.5	984.0	1,106.0	1,031.1	1,472.5	1,500.4	1,381.7	1,608.3
AGGREGATE NET TRANSFERS	15.4	1,549.8	956.1	1,278.4	918.6	1,034.0	940.2	1,364.1	1,362.1	1,241.1	1,469.5

INDICATORS OF FLOWS:

Conc. ODA/Tot. Resource Flows (%)	100.0%	99.4%	98.1%	95.8%	96.3%	97.6%	101.0%	91.7%	100.9%	101.5%	100.2%
TDS/Total Resource Flows (%)	0.0%	6.9%	13.4%	11.4%	13.0%	14.2%	19.5%	17.6%	20.1%	24.5%	19.5%
Total Resource Flows/GDP (%)	0.2%	12.5%	7.1%	10.1%	8.1%	7.9%	6.4%	9.5%	8.5%	7.3%	8.0%
Total Resource Flows/GDI (%)	2.0%	82.9%	44.4%	67.3%	59.6%	64.0%	51.5%	76.8%	67.6%	61.7%	68.1%
Tot. Res. Flows Per Cap. (units)	0	18	11	14	10	11	10	14	14	13	14

1/ Excluding Tech. Coop. grants

2/ IMF data

* No data available for 1970

Table A.3(3)

Aggregate Net Resource Flows (Long-Term) to INDIA
(US\$ Millions)

	1970	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Official Development Finance	763.1	1,583.0	1,926.8	1,775.5	1,880.8	1,716.8	1,825.4	1,950.9	3,034.7	3,359.5	3,274.0
Official Dev. Assistance	760.9	1,450.8	1,595.0	1,559.0	1,370.9	1,480.6	1,564.5	1,487.1	2,058.4	1,747.6	1,708.0
Official Grants /1	157.4	648.6	809.3	455.6	545.3	582.7	449.9	595.6	531.3	721.3	755.8
Off. Concess. Loans	603.5	802.2	785.7	1,103.4	825.6	897.9	1,114.6	891.5	1,527.1	1,026.3	952.2
Bilateral	550.3	134.3	(16.0)	(46.9)	(32.4)	77.2	103.3	299.0	664.4	343.3	497.3
Multilateral	53.2	667.9	801.7	1,150.3	858.0	820.8	1,011.4	592.5	862.7	683.0	454.9
Off. Non Concess. Loans	2.2	132.2	331.8	216.5	509.9	236.2	260.9	463.8	976.3	1,611.9	1,568.0
Bilateral	(5.0)	23.3	(11.8)	8.3	125.3	44.6	29.8	(15.4)	78.3	66.7	384.2
Multilateral	7.3	108.8	343.6	208.3	384.6	191.6	231.1	479.2	898.0	1,545.2	1,183.8
Private Flows	(5.8)	498.1	521.5	705.9	632.0	1,623.2	1,329.8	1,752.4	1,477.0	2,000.4	2,030.7
Private Loans	(11.8)	490.1	511.5	645.9	572.0	1,563.2	1,169.8	1,556.4	1,287.2	1,731.6	1,700.4
Commercial Banks	6.2	490.3	491.9	289.3	494.9	590.4	704.9	809.4	1,214.9	1,187.3	862.3
Bonds	0.0	0.0	0.0	9.5	18.7	232.1	319.9	339.1	110.3	602.6	678.4
Other	(18.0)	(0.2)	19.6	347.1	58.4	740.8	145.0	407.9	(37.9)	(58.3)	159.7
Foreign Direct Investment /2	6.0	8.0	10.0	60.0	60.0	60.0	160.0	196.0	189.8	268.8	330.3
AGGREGATE NET FLOWS	757.3	2,081.1	2,448.3	2,481.4	2,512.8	3,340.0	3,155.2	3,703.3	4,511.7	5,359.9	5,306.7
AGGREGATE NET TRANSFERS	564.6	1,577.6	1,899.5	1,759.9	1,579.6	2,315.3	1,844.2	1,978.5	2,442.3	2,849.6	2,352.3

INDICATORS OF FLOWS:

Conc. ODA/Tot. Resource Flows (%)	100.5%	69.7%	65.1%	62.8%	54.6%	44.3%	49.6%	40.2%	45.6%	32.6%	32.2%
TDS/Total Resource Flows (%)	66.9%	54.7%	47.9%	52.7%	64.7%	50.1%	66.6%	91.2%	78.1%	75.6%	83.5%
Total Resource Flows/GDP (%)	1.3%	1.2%	1.4%	1.3%	1.3%	1.7%	1.5%	1.6%	1.8%	2.0%	2.0%
Total Resource Flows/GDI (%)	7.7%	5.3%	5.3%	5.7%	5.6%	7.7%	5.8%	6.6%	7.7%	8.1%	8.5%
Tot. Res. Flows Per Cap. (units)	1	3	3	3	3	4	4	5	6	7	6

1/ Excluding Tech. Coop. grants

2/ IMF/WEO data

Table A.3(4)

Aggregate Net Resource Flows (Long-Term) to PAKISTAN
(US\$ Millions)

	1970	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Official Development Finance	430.0	1,022.4	689.7	873.4	599.5	674.0	700.0	762.9	697.2	1,382.5	1,436.2
Official Dev. Assistance	348.4	938.5	726.5	750.4	576.5	574.8	560.5	662.1	489.7	929.2	751.7
Official Grants /1	78.9	482.0	259.1	252.0	277.3	245.7	257.4	314.5	300.8	424.1	408.3
Off. Concess. Loans	269.5	456.5	467.4	498.4	299.2	329.1	303.1	347.6	188.9	505.1	343.4
Bilateral	252.1	365.4	347.7	276.7	130.8	56.5	55.4	146.7	(51.3)	253.3	65.0
Multilateral	17.4	91.1	119.7	221.7	168.3	272.6	247.6	200.9	240.2	251.8	278.4
Off. Non Concess. Loans	81.6	83.8	(36.8)	123.0	23.0	99.2	139.6	100.8	207.5	453.4	684.4
Bilateral	27.0	56.7	(38.1)	48.1	(34.2)	(3.4)	71.9	21.4	(20.2)	31.2	63.3
Multilateral	4,554.5	27.2	1.3	74.8	57.2	102.6	67.7	79.4	227.8	422.2	621.1
Private Flows	48.7	230.6	87.2	510.9	(57.2)	218.3	(33.0)	163.3	265.6	32.8	183.8
Private Loans	25.7	167.3	(20.4)	447.4	(86.5)	163.1	(163.8)	58.1	136.8	(152.8)	(9.2)
Commercial Banks	0.9	93.3	5.7	479.9	(178.9)	154.3	(153.0)	44.3	199.6	(118.3)	43.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	24.8	74.0	(26.1)	(32.5)	92.4	8.8	(10.8)	13.8	(62.8)	(34.5)	(52.1)
Foreign Direct Investment /2	23.0	63.3	107.6	63.5	29.3	55.2	130.8	105.2	128.8	185.6	193.0
AGGREGATE NET FLOWS	478.7	1,252.9	776.9	1,384.3	542.4	892.4	667.0	926.2	962.8	1,415.3	1,620.0
AGGREGATE NET TRANSFERS	395.2	998.5	570.0	1,122.6	219.3	545.2	294.8	525.8	516.0	922.7	1,121.6

INDICATORS OF FLOWS:

Conc. ODA/Tot. Resource Flows (%)	72.8%	74.9%	93.5%	54.2%	106.2%	64.4%	84.0%	71.4%	50.9%	65.6%	46.4%
IDS/Total Resource Flows (%)	40.3%	48.0%	71.8%	42.4%	203.5%	103.5%	156.6%	113.1%	119.9%	90.6%	78.2%
Total Resource Flows/GDP (%)	4.8%	5.3%	2.8%	4.5%	1.9%	2.9%	2.1%	2.9%	2.9%	3.7%	0%
Total Resource Flows/GDI (%)	30.2%	28.6%	14.7%	23.4%	10.1%	15.7%	11.7%	15.5%	15.1%	20.4%	22.8%
Tot. Res. Flows Per Cap. (units)	8	15	9	16	6	10	7	9	9	13	15

1/ Excluding Tech. Coop. grants

2/ IMF data

Table A.3(5)

Aggregate Net Resource Flows (Long-Term) to SRI LANKA
(US\$ Millions)

	1970	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Official Development Finance	54.1	295.5	340.4	344.3	424.0	439.8	447.6	505.1	442.5	484.5	469.9
Official Dev. Assistance	47.9	302.6	344.0	341.3	416.5	433.2	447.3	502.7	430.6	467.3	422.2
Official Grants /1	14.4	161.0	177.9	170.7	183.7	180.1	150.9	174.5	192.3	198.1	200.4
Off. Concess. Loans	33.5	141.6	166.1	170.6	232.8	253.1	296.4	328.2	238.3	269.2	221.8
Bilateral	34.1	112.9	108.0	95.5	141.9	144.5	187.8	202.9	106.4	153.2	127.0
Multilateral	(0.7)	28.7	57.2	75.1	90.8	108.6	108.6	125.3	131.9	116.0	94.8
Off. Non Concess. Loans	6.2	(7.1)	(3.6)	3.0	7.6	6.6	0.3	2.5	11.9	17.2	47.7
Bilateral	3.8	(5.3)	(1.5)	(2.0)	(4.6)	(3.9)	(0.6)	4.3	12.7	16.3	46.8
Multilateral	2.4	(1.7)	(2.0)	5.0	12.2	10.5	0.9	(1.8)	(0.8)	0.9	0.9
Private Flows	(3.8)	129.1	231.7	285.8	96.4	114.4	69.2	39.0	(3.5)	(46.0)	(30.0)
Private Loans	(3.5)	86.1	182.4	222.2	58.6	81.8	43.0	9.3	(63.0)	(91.7)	(49.6)
Commercial Banks	(0.8)	59.2	94.8	114.8	58.7	56.6	39.1	(13.5)	(76.2)	(66.3)	(48.6)
Bonds	(3.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.7	26.9	87.6	107.4	(0.1)	25.1	3.9	22.7	13.2	(25.5)	(0.9)
Foreign Direct Investment /2	(0.3)	43.0	49.3	63.6	37.8	32.6	26.2	29.7	59.5	45.7	19.6
AGGREGATE NET FLOWS	50.3	424.6	572.1	630.1	520.4	554.2	516.8	544.1	439.0	438.5	439.9
AGGREGATE NET TRANSFERS	30.0	377.2	515.7	550.8	417.4	436.3	389.4	407.4	295.7	294.0	309.4

INDICATORS OF FLOWS:

Conc. ODA/Tot. Resource Flows (%)	95.6%	71.2%	60.1%	54.1%	80.0%	78.2%	86.5%	92.4%	98.1%	106.5%	96.0%
TDS/Total Resource Flows (%)	83.8%	19.8%	16.6%	22.8%	31.9%	35.8%	44.1%	49.4%	75.7%	75.2%	66.4%
Total Resource Flows/GDP (%)	2.5%	10.6%	13.0%	12.8%	9.9%	9.2%	8.5%	8.4%	6.5%	6.2%	6.2%
Total Resource Flows/GDI (%)	13.3%	31.3%	46.6%	43.0%	34.9%	35.5%	36.3%	35.9%	28.1%	27.6%	29.0%
Total Res. Flows Per Cap. (units)	4	29	38	41	34	35	33	34	27	26	26

1/ Excluding Tech. Coop. grants

2/ IMF data

Table A.4(1)

Aggregate Net Resource Flows (Long-Term) to ASEAN COUNTRIES
(US\$ Millions)

	1970	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Official Development Finance	569.1	2,101.5	2,971.1	2,715.2	3,608.8	4,001.5	2,453.5	2,285.4	3,836.8	3,768.9	3,854.4
Official Dev. Assistance	515.1	1,001.9	1,400.5	1,021.5	1,116.9	1,321.6	1,108.4	1,405.7	2,920.6	2,634.5	2,729.4
Official Grants /1	110.3	249.2	279.1	230.3	279.8	385.8	404.2	775.9	683.2	539.0	657.2
Off. Concess. Loans	404.8	752.7	1,121.4	791.2	837.1	935.8	704.2	629.8	2,237.4	2,095.5	2,072.2
Bilateral	383.4	713.6	1,031.6	695.9	730.2	849.3	644.6	568.2	2,191.6	2,018.0	2,005.1
Multilateral	21.3	39.1	89.9	95.3	107.0	86.5	59.6	61.6	45.8	77.5	67.1
Off. Non Concess. Loans	54.1	1,099.5	1,570.6	1,693.7	2,491.8	2,679.9	1,345.1	879.7	916.2	1,134.4	1,124.9
Bilateral	31.1	185.0	274.1	288.0	678.2	1,080.5	20.7	(113.8)	(497.4)	(85.1)	(340.1)
Multilateral	23.0	914.5	1,296.5	1,405.7	1,813.6	1,599.4	1,324.4	993.5	1,413.6	1,219.5	1,465.1
Private Flows	499.7	5,189.2	6,653.7	8,629.9	8,739.4	5,358.5	3,098.6	2,346.4	94.4	165.0	5,311.9
Private Loans	304.7	3,991.4	4,793.4	6,800.8	6,732.3	3,929.0	1,918.7	1,210.0	(1,433.2)	(3,138.1)	549.7
Commercial Banks	298.7	3,546.1	4,167.6	4,731.2	3,561.1	2,398.2	(1,203.1)	1,232.7	(610.1)	(1,779.6)	2,005.4
Bonds	(30.8)	153.7	77.3	979.5	1,737.9	183.4	2,113.1	247.4	(137.2)	(663.0)	(467.3)
Other	36.8	291.6	548.6	1,090.1	1,433.3	1,347.4	1,008.7	(270.1)	(685.8)	(695.4)	(988.4)
Foreign Direct Investment /2	195.0	1,197.8	1,860.3	1,829.1	2,007.1	1,429.5	1,179.9	1,136.4	1,527.6	3,303.1	4,762.2
AGGREGATE NET FLOWS	1068.9	7,290.6	9,624.8	11,345.0	12,348.2	9,359.9	5,552.1	4,631.8	3,931.3	3,933.9	9,166.3
AGGREGATE NET TRANSFERS	584.2	68.5	881.9	2,289.5	3,028.5	126.2	(3,214.9)	(3,726.8)	(5,347.6)	(6,281.2)	(1,619.3)

INDICATORS OF FLOWS:

Conc. ODA/Tot. Resource Flows (%)	48.2%	13.7%	14.5%	9.0%	9.0%	14.1%	20.0%	30.3%	74.3%	67.0%	29.8%
TDS/Total Resource Flows (%)	66.9%	80.3%	73.1%	72.4%	71.5%	110.2%	257.3%	297.9%	420.2%	511.7%	198.4%
Total Resource Flows/GDP (%)	51.4%	4.3%	5.0%	5.8%	6.5%	4.8%	2.9%	2.6%	2.1%	1.8%	3.7%
Total Resource Flows/GDI (%)	18.4%	15.9%	16.9%	20.4%	22.3%	18.7%	11.9%	10.8%	8.0%	6.6%	12.4%
Tot. Res. Flows Per Cap. (units)	1	28	36	42	45	33	19	16	13	13	29

1/ Excluding Tech. Coop. grants

2/ IMF data

Table A.4(2)

Aggregate Net Resource Flows (Long-Term) to INDONESIA
(US\$ Millions)

	1970	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Official Development Finance	438.5	915.4	1,110.1	1,218.2	1,289.9	1,464.7	1,167.6	1,176.2	2,727.7	3,122.8	2,552.6
Official Dev. Assistance	8.4	561.9	719.0	555.6	482.4	424.2	388.2	330.2	1,528.2	1,249.2	1,334.5
Official Grants /1	3,357.6	108.6	124.3	92.1	103.9	123.1	136.4	135.7	195.2	201.3	211.9
Off. Concess. Loans	353.7	453.3	594.7	463.5	378.5	301.1	251.8	194.5	1,333.0	1,047.9	1,122.6
Bilateral	3.9	409.6	524.0	384.0	319.3	244.6	206.4	167.3	1,299.1	977.1	1,069.7
Multilateral	(3.0)	43.7	70.7	79.5	59.2	56.5	45.4	27.2	33.9	70.8	52.9
Off. Non Concess. Loans	(3.0)	353.6	391.2	662.6	807.5	1,040.5	779.4	846.0	1,199.5	1,873.6	1,218.1
Bilateral	0.0	4.0	43.6	123.7	258.6	229.3	33.0	98.3	(86.5)	242.4	(139.1)
Multilateral		349.6	347.5	538.8	548.9	811.2	746.4	747.8	1,286.0	1,631.1	1,357.1
Private Flows	244.9	986.2	1,202.5	1,567.2	2,995.2	1,544.3	525.8	1,118.2	283.9	(657.4)	584.8
Private Loans	161.9	806.2	1,069.5	1,342.2	2,703.2	1,322.3	215.8	860.2	(162.1)	(1,199.4)	(150.2)
Commercial Banks	133.7	825.2	935.7	410.8	1,459.6	572.2	(170.8)	682.4	210.4	(405.5)	802.8
Bonds	0.0	39.7	41.2	311.3	358.5	(44.9)	(40.4)	268.6	(51.7)	(158.3)	(176.4)
Other	28.2	(58.8)	92.6	620.1	885.1	795.0	427.0	(90.8)	(320.7)	(635.6)	(776.7)
Foreign Direct Investment /2	83.0	180.0	133.0	225.0	292.0	222.0	310.0	258.0	446.0	542.0	735.0
AGGREGATE NET FLOWS	683.4	1,901.6	2,312.6	2,785.3	4,285.1	3,009.0	1,693.4	2,294.4	3,011.6	2,465.3	3,137.4
AGGREGATE NET TRANSFERS	509.9	(2,513.9)	(3,140.1)	(2,676.0)	(952.0)	(1,661.8)	(2,372.1)	(1,499.2)	(996.9)	(1,772.1)	(1,646.8)
INDICATORS OF FLOWS:											
Conc. ODA/Tot. Resource Flows (%)	64.6%	29.5%	31.1%	19.9%	11.3%	14.1%	22.9%	10.5%	50.8%	50.7%	47.5%
TDS/Total Resource Flows (%)	24.1%	148.0%	139.2%	125.5%	84.9%	139.2%	295.7%	239.7%	221.5%	343.1%	257.7%
Total Resource Flows/GDP (%)	7.1%	2.4%	2.5%	2.9%	5.0%	3.4%	1.9%	2.7%	4.0%	2.9%	3.3%
Total Resource Flows/GDI (%)	44.7%	10.0%	8.4%	10.7%	17.5%	13.1%	6.9%	9.7%	12.6%	9.3%	9.6%
Tot. Res. Flows Per Cap. (units)	6	13	15	18	27	19	10	13	18	14	18

1/ Excluding Tech. Coop. grants

2/ IMF data

Table A.4(3)

Aggregate Net Resource Flows (Long-Term) to MALAYSIA
(US\$ Millions)

	1970	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Official Development Finance	27.4	138.9	292.3	172.0	310.6	859.6	73.8	17.3	(111.2)	(58.7)	(154.4)
Official Dev. Assistance	25.1	55.1	82.5	9.9	93.1	287.9	71.1	95.4	90.7	64.6	87.4
Official Grants /1	4.0	6.4	7.4	5.3	10.6	16.8	8.9	87.8	28.4	19.2	17.8
Off. Concess. Loans	21.1	48.7	75.1	4.6	82.5	271.1	62.2	7.6	62.3	45.4	69.6
Bilateral	12.1	61.0	88.2	18.4	90.3	284.2	77.8	27.8	82.5	59.2	78.7
Multilateral	9.0	(12.3)	(13.0)	(13.8)	(7.7)	(13.1)	(15.6)	(20.2)	(20.2)	(13.7)	(9.0)
Off. Non Concess. Loans	2.2	83.8	209.7	162.1	217.5	571.7	2.7	(78.0)	(201.9)	(123.3)	(241.8)
Bilateral	(5.6)	(13.1)	94.9	17.2	96.0	498.6	(29.9)	(72.6)	(237.2)	(133.2)	(271.0)
Multilateral	7.9	96.9	114.8	144.8	121.5	73.1	32.6	(5.4)	35.3	9.9	29.2
Private Flows	71.4	1,912.8	3,312.0	5,146.6	4,121.2	2,320.7	792.8	1,086.8	(49.8)	(1,030.2)	1,336.0
Private Loans	(22.6)	978.9	2,047.3	3,749.4	2,860.7	1,523.2	98.1	597.9	(472.5)	(1,749.6)	(509.8)
Commercial Banks	2.8	715.7	1,806.6	2,903.0	1,293.7	1,181.2	(2,303.7)	455.9	(371.1)	(1,016.2)	(116.3)
Bonds	(29.9)	(10.7)	(3.6)	594.0	1,223.4	180.6	2,252.8	149.4	147.9	(442.3)	(92.8)
Other	4.5	273.9	244.3	252.4	343.6	161.4	149.0	(7.3)	(249.3)	(291.0)	(300.8)
Foreign Direct Investment /2	94.0	933.9	1,264.7	1,397.2	1,260.5	797.5	694.7	488.9	422.7	719.4	1,845.8
AGGREGATE NET FLOWS	98.8	2,051.7	3,604.3	5,318.6	4,431.8	3,180.3	866.6	1,104.2	(161.0)	(1,088.8)	1,181.6
AGGREGATE NET TRANSFERS	-92.5	524.0	2,073.2	3,585.3	2,229.1	523.0	(1,810.8)	(1,127.9)	(2,743.5)	(3,904.6)	(1,480.6)

INDICATORS OF FLOWS

Conc. ODA/Tot. Resource Flows (%)	25.4%	2.7%	2.3%	0.2%	2.1%	9.1%	8.2%	8.6%	-56.4%	-5.9%	7.4%
TDS/Total Resource Flows (%)	82.8%	33.3%	26.3%	24.8%	37.8%	77.1%	593.9%	292.9%	-2539.5%	-484.4%	341.4%
Total Resource Flows/GDP (%)	2.4%	8.4%	14.4%	19.8%	14.7%	9.4%	2.8%	4.0%	-0.5%	-3.1%	3.2%
Total Resource Flows/GDI (%)	10.5%	27.5%	41.2%	53.2%	38.9%	27.9%	10.1%	15.3%	-2.2%	-12.1%	10.6%
Tot. Res. Flows Per Cap. (units)	9	149	256	367	297	208	55	69	(10)	(64)	68

1/ Excluding Tech. Coop. grants

2/ IMF data

Table A.4(4)

Aggregate Net Resource Flows (Long-Term) to PHILIPPINES
(US\$ Millions)

	1970	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Official Development Finance	75.9	425.3	846.9	604.5	1,086.8	911.8	511.3	619.8	1,052.2	1,004.3	1,357.4
Official Dev. Assistance	31.1	148.3	328.1	210.8	245.8	301.1	324.7	651.4	979.8	972.9	869.8
Official Grants /1	16.2	59.2	70.0	69.5	83.1	138.9	138.5	400.8	330.6	219.6	304.3
Off. Concess. Loans	14.9	89.1	258.1	141.3	162.7	162.2	186.2	250.6	649.2	753.3	565.5
Bilateral	11.6	78.1	244.4	129.9	132.0	151.3	177.3	218.4	613.8	725.2	531.1
Multilateral	3.4	11.0	13.7	11.3	30.7	10.9	8.9	32.2	35.5	28.1	34.4
Off. Non Concess. Loans	44.8	277.0	518.8	393.7	841.1	610.8	186.6	(31.6)	72.4	31.3	487.5
Bilateral	36.0	12.3	11.7	102.5	171.8	246.9	(53.3)	(131.2)	(27.6)	(19.3)	200.7
Multilateral	8.7	264.6	507.1	291.2	669.2	363.8	239.9	99.7	100.0	50.7	286.9
Private Flows	72.0	845.3	899.8	1,057.8	856.8	243.8	678.1	330.3	(491.3)	245.9	147.3
Private Loans	97.0	951.3	727.8	1,041.8	751.8	234.8	666.1	203.3	(798.3)	(690.1)	(334.7)
Commercial Banks	100.6	771.2	668.6	969.5	508.5	35.3	535.6	257.2	(631.3)	(683.6)	(246.5)
Bonds	(0.9)	80.4	(5.8)	34.0	41.3	(54.2)	(115.5)	(51.1)	(148.5)	(163.3)	(174.0)
Other	(2.7)	99.7	64.9	38.3	201.9	253.7	245.9	(2.7)	(18.4)	156.7	85.9
Foreign Direct Investment /2	(25.0)	(106.0)	172.0	16.0	105.0	9.0	12.0	127.0	307.0	936.0	482.0
AGGREGATE NET FLOWS	147.9	1,270.6	1,746.6	1,662.2	1,943.6	1,155.6	1,189.4	950.1	560.9	1,250.1	1,504.7
AGGREGATE NET TRANSFERS	79.8	498.3	734.1	537.0	841.0	126.1	107.8	(328.8)	(1,029.4)	(535.9)	(487.2)

INDICATORS OF FLOWS:

Conc. ODA/Tot. Resource Flows (%)	21.0%	11.7%	18.8%	12.7%	12.6%	26.0%	27.3%	68.6%	174.8%	77.8%	57.8%
TDS/Total Resource Flows (%)	205.1%	8.7%	88.3%	113.7%	90.8%	125.4%	131.5%	237.7%	501.4%	229.6%	178.3%
Total Resource Flows/GDP (%)	2.1%	3.6%	4.5%	4.2%	5.6%	3.6%	3.6%	3.1%	1.6%	3.2%	3.4%
Total Resource Flows/GDI (%)	9.7%	11.8%	14.8%	14.7%	21.0%	21.0%	25.9%	23.9%	10.4%	18.4%	18.2%
Tot. Res. Flows Per Cap. (units)	4	26	35	32	37	21	21	17	10	21	25

1/ Excluding Tech. Coop. grants

2/ IMF data

Table A.4(5)

Aggregate Net Resource Flows (Long-Term) to THAILAND
(US\$ Millions)

	1970	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Official Development Finance	27.4	621.9	721.9	720.6	921.4	765.4	700.7	472.1	168.2	(299.5)	98.8
Official Dev. Assistance	17.3	236.8	271.0	245.2	295.7	308.4	324.4	328.8	322.0	347.8	437.7
Official Grants /1	6.2	75.0	77.4	63.4	82.2	107.0	120.4	151.6	129.0	98.9	123.2
Off. Concess. Loans	11.1	161.8	193.6	181.8	213.5	201.4	204.0	177.2	193.0	248.9	314.5
Bilateral	6.0	165.0	175.0	163.5	188.6	169.3	183.1	154.7	196.3	256.6	325.7
Multilateral	5.1	(3.2)	18.6	18.2	24.8	32.1	20.8	22.5	(3.3)	(7.7)	(11.2)
Off. Non Concess. Loans	10.1	385.1	450.9	475.4	625.7	456.9	376.4	143.3	(153.8)	(647.2)	(338.9)
Bilateral	3.7	131.8	123.9	44.5	151.7	105.6	70.9	(8.2)	(146.1)	(175.0)	(130.8)
Multilateral	6.4	203.4	327.0	430.9	474.0	351.3	305.5	151.5	(7.7)	(472.2)	(208.1)
Private Flows	111.4	1,444.9	1,239.4	858.3	766.3	1,249.6	1,102.0	(188.9)	351.6	1,606.8	3,243.8
Private Loans	68.4	1,255.0	948.8	667.4	416.7	848.6	938.8	(451.4)	(0.3)	501.1	1,544.4
Commercial Banks	61.5	1,234.0	756.6	447.8	299.3	609.4	735.8	(162.7)	181.9	325.6	1,565.4
Bonds	0.0	44.3	45.5	40.3	114.7	101.9	16.2	(119.4)	(84.9)	100.9	(24.2)
Other	6.9	(23.3)	146.8	179.4	2.7	137.3	186.8	(169.3)	(97.3)	74.5	3.2
Foreign Direct Investment /2	43.0	189.9	290.6	190.9	349.6	401.0	163.2	262.5	351.9	1,105.7	1,699.4
AGGREGATE NET FLOWS	18.8	2,066.8	1,961.2	1,578.9	1,687.7	2,015.0	1,802.7	283.2	519.8	1,307.3	3,342.6
AGGREGATE NET TRANSFERS	87.0	1,560.1	1,214.6	843.1	910.4	1,133.9	860.3	(771.0)	(577.8)	(68.7)	1,995.3

INDICATORS OF FLOWS:

Conc. ODA/Tot. Resource Flows (%)	12.4%	11.5%	13.8%	15.5%	17.5%	15.3%	18.0%	116.1%	61.9%	26.6%	13.1%
TDS/Total Resource Flows (%)	117.1%	60.2%	67.7%	95.4%	104.0%	110.4%	142.4%	1077.4%	567.4%	270.0%	101.3%
Total Resource flows/GDP (%)	2.0%	6.4%	5.6%	4.4%	4.3%	4.9%	4.8%	0.7%	1.1%	2.2%	4.8%
Total Resource Flows/GDI (%)	7.7%	24.3%	21.4%	19.2%	16.4%	19.6%	20.1%	3.1%	4.2%	7.6%	15.4%
Tot. Res. Flows Per Cap. (units)	4	44	41	32	34	40	35	5	10	24	61

1/ Excluding Tech. Coop. grants

2/ IMF data

Table A5. External Debt Indicators - 1989
(percentage)

	<u>Debt/GNP</u>	<u>Debt/Exports</u>	<u>Debt Service Ratio</u>	<u>Interest/ Exports</u>
Indonesia	60	211	35	15
Malaysia	52	64	15	5
Philippines	66	226	26	17
Thailand	34	85	15	6
Bangladesh	53	438	20	8
India	24	258	26	14
Pakistan	47	243	23	10
Sri Lanka	74	223	18	7

Table A6. Vulnerability Coefficients - 1989
 (percentage shares in total debt)

	<u>Share of Concessional Debt</u>	<u>Share of Multilateral Debt</u>	<u>Share of Variable Debt</u>	<u>Share of Short-term Debt</u>
Indonesia	28.6	22.4	32.5	13.2
Malaysia	9.9	7.9	44.8	14.7
Philippines	18.2	17.2	36.9	13.7
Thailand	15.2	14.2	38.0	26.0
Bangladesh	90.5	47.8	0.0	0.6
India	41.2	31.5	17.3	7.5
Pakistan	60.7	29.8	9.2	15.0
Sri Lanka	69.1	24.0	5.0	7.7

Table A7. Economic Indicators

	<u>GDP Growth</u>	<u>Exports of Goods & NFS</u>	<u>ICOR</u>
	<u>1965-89</u>	<u>1965-89</u>	<u>1965-89</u>
Bangladesh	3.2	5.1	4.1
India	4.1	5.9	5.1
Pakistan	5.8	5.2	3.3
Sri Lanka	4.8	1.4	4.8
S.Asia	<u>4.1</u>	<u>5.2</u>	<u>5.1</u>
Indonesia	6.5	5.4	3.8
Malaysia	6.8	8.2	4.3
Philippines	4.3	5.5	6.3
Thailand	6.9	9.6	3.6
ASEAN	<u>6.2</u>	<u>7.0</u>	<u>4.2</u>

**Table A8. Projected Long-term Net Flows of External Finance
to Developing Countries**

(in billions of US\$)

	<u>Actual</u> 1989	<u>Est.</u> 1990	<u>Average</u> 1991-95	<u>Projected</u> <u>Growth</u> 1990-95
OFFICIAL	34	49	60	5.3
Grants	18	20	25	5.6
Loans	16	29	35	5.0
Bilateral	12	17	21	7.4
Multilateral	6	10	12	5.7
IMF	-2	2	2	..
PRIVATE	32	28	45	14.2
Grants	4	4	5	7.6
Loans	4	2	10	42.0
FDI	24	22	30	10.3
<u>TOTAL</u>	<u>66</u>	<u>77</u>	<u>105</u>	<u>8.9</u>

Table A9. Components of Capital Flows

(US\$ million)

	Official				FDI	Workers <u>Total</u>	Remittances
	Offici. Grants	Multi. Loans	Private Loans				
Bangladesh	208	282	591	-32	--	1049	771
India	332	882	1639	1700	425	4978	2650
Pakistan	408	128	900	-9	193	1620	1902
Sri Lanka	105	174	96	-50	20	345	338
S. Asia	<u>1053</u>	<u>1466</u>	<u>3226</u>	<u>1600</u>	<u>638</u>	<u>7992</u>	<u>5661</u>
Indonesia	365	931	1410	-150	735	3291	125
Malaysia	114	-192	20	-510	1846	1278	--
Philippines	253	732	321	-335	482	1454	1358
Thailand	286	195	-219	1545	1699	3506	--
ASEAN	<u>1018</u>	<u>1856</u>	<u>1.5</u>	<u>0.5</u>	<u>4752</u>	<u>9529</u>	<u>1483</u>

Table A10. Potential Sources of Net Flows to Asia

Annual Average \$ billion

1990-99

	<u>South Asia</u>		<u>ASEAN</u>	
	<u>Amount</u>	<u>% Share</u>	<u>Amount</u>	<u>% Share</u>
Official grants	1.0	7.0	0.5	4.0
Bilateral loans	1.5	11.0	2.0	15.0
Multilateral loans	3.0-3.5	23.0	1.5-2.0	13.0
Commercial loans	1.5-2.0	12.0	2.0-2.5	17.0
FDI	1.5-2.0	13.0	5.0	42.0
Workers' remittances	4.0-4.5	29.0	0.5	4.0
Others	0.5	4.0	0.5	4.0
<u>TOTAL</u>	<u>13.6</u>	<u>100.0</u>	<u>11.8</u>	<u>100.0</u>
	<u>14.0-15.0 b.</u>		<u>12.0-13.0 b.</u>	

Table 11.(1) Aggregate Net Resource Flows to South Asia
(in millions of US\$)

	<u>1970</u>	<u>1980</u>	<u>1990</u>
<u>Banqladesh</u>			
Aggregate Net Resource Flows	n.a.	1,597	1,608
As % of GDP	n.a.	12.5%	7.0%
As % of GDI	n.a.	82.9%	61.3%
As % of Imports	n.a.	67.0%	39.0%
<u>India</u>			
Aggregate Net Resource Flows	757	2,073	4,552
As % of GDP	1.3%	1.2%	1.6%
As % of GDI	7.7%	5.3%	7.0%
As % of Imports	29.4%	11.9%	14.0%
<u>Pakistan</u>			
Aggregate Net Resource Flows	479	1,253	1,620
As % of GDP	4.8%	5.3%	4.0% ^{a/}
As % of GDI	30.2%	28.6%	22.8%
As % of Imports	32.7%	21.9%	19.9%
<u>Sri Lanka</u>			
Aggregate Net Resource Flows	50	425	345
As % of GDP	2.5%	10.6%	6.2%
As % of GDI	13.3%	31.3%	29.0%
As % of Imports	8.8%	19.3%	11.4%
<u>Total South Asia</u>			
Aggregate Net Resource Flows	1,304	5,637	8,858 ^{a/}
As % of GDP	1.6%	2.6%	2.5%
As % of GDI	10.1%	11.6%	11.7%
As % Imports	22.9%	19.5%	19.9%

^{a/} 1989 data

Table 11.(2) Aggregate Net Resource Flows to South Asia
(in millions of US\$)

	<u>1970</u>	<u>1980</u>	<u>1990</u>
<u>Indonesia</u>			
Aggregate Net Resource Flows	683	1,902	3,291
As % of GDP	71%	2.4%	3.2%
As % of GDI	44.7%	10.0%	9.0%
As % of Imports	47.2%	12.1%	12.8%
<u>Malaysia</u>			
Aggregate Net Resource Flows	99	2,053	1,278
As % of GDP	2.4%	8.4%	3.0%
As % of GDI	10.5%	27.5%	10.6%
As % of Imports	6.2%	15.2%	4.0%
<u>Philippines</u>			
Aggregate Net Resource Flows	148	1,271	1,454
As % of GDP	2.1%	3.6%	3.1%
As % of GDI	9.7%	11.8%	16.6%
As % of Imports	10.6%	13.9%	10.9%
<u>Thailand</u>			
Aggregate Net Resource Flows	139	2,067	3,506
As % of GDP	2.0%	6.4%	4.3%
As % of GDI	7.7%	24.3%	15.4% ^{a/}
As % of Imports	10.1%	21.0%	10.7%
<u>Total ASEAN</u>			
Aggregate Net Resource Flows	1,069	7,291	9,166 ^{a/}
As % of GDP	3.8%	4.3%	3.7%
As % of GDI	18.4%	15.9%	12.4%
As % Imports	18.4%	15.1%	10.6%

^{a/} 1989 data

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