

**FINANCING DEVELOPMENT IN THE ASIAN AND PACIFIC REGION:  
TRENDS AND LINKAGES\***

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## 1. Introduction

According to World Bank estimates, about 22 percent of the population in Asia and the Pacific subsisted with under US\$1 a day 2004, down from 35 percent in 1990 (table 1).<sup>1</sup> While noteworthy inroads have been made in reducing poverty in terms of the proportion of the region's total population, the absolute number of people living "in poverty" in the Asian and Pacific region stood at an unacceptably high 690 million in 2004 (lower than the 1990 figure of 940 million, most of the decline being concentrated in East Asia). The United Nations Millennium Development Goal (MDG) is to reduce income poverty worldwide by about one half between 1990 and 2015.<sup>2</sup> Given that the world's population is concentrated in China and India, it is imperative that specific attention be paid to this region (UNESCAP, 2002).

But at a time of severely curtailed overseas development assistance (ODA) and other official flows, where will the *external* resources to alleviate constraints for financing development come from?<sup>3</sup> This is the key concern of the Monterrey Consensus of the International Conference on Financing for Development (Ffd) (adopted at Monterrey Mexico, on 22 March 2002).<sup>4</sup> As highlighted by the Monterrey Consensus, in an era of falling aid flows, international trade (export revenues), private capital flows, particularly foreign direct investment (FDI), and worker remittances, are crucial sources of Ffd.<sup>5</sup>

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<sup>1</sup> Based on World Bank definition of *East Asia and the Pacific and South Asia*. East Asia and Pacific: American Samoa, Cambodia, China, Fiji, Indonesia, Kiribati, Democratic People's Republic of Korea, Lao People's Democratic Republic, Malaysia, Marshall Islands, Micronesia, Mongolia, Myanmar, Northern Mariana Islands, Palau, Papua New Guinea, the Philippines, Samoa, Solomon Islands, Thailand, Timor-Leste, Tonga, Vanuatu and Viet Nam. South Asia: Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka.

<sup>2</sup> Income poverty reduction is not the only objective that constitutes the MDG to be realized by 2015. Other goals are: (a) attainment of universal primary education; (b) promotion of gender equality and empowerment of women; (c) reduction of the infant (under five) mortality rate by two-thirds; (d) improvement of maternal health by reducing by three-quarters the maternal mortality ratio; (e) halting the spread of HIV/Aids, malaria and other major diseases; (f) ensuring environmental sustainability including halving the proportion of people without sustainable access to safe drinking water; and (g) development of an open, rule-based, predictable and non-discriminatory trading and financial system. See <http://www.developmentgoals.org>.

<sup>3</sup> We recognize, but do not discuss, the importance of internally raised resources for development (domestic resources finance most of the investment expenditures in developing countries). See UNESCAP (2001) for a discussion of domestic resource mobilization in Asia, and Asher (2004) for a more specific discussion on budgetary resource mobilization in Asia.

<sup>4</sup> For details of Monterrey Consensus, see UN (2002). Some have used the term the "Monterrey development deficit" to highlight the insufficiency of financial resources to meet and surpass the MDG.

<sup>5</sup> Reducing the external debt burdens of many developing countries is a further element of the Monterrey Consensus. Indeed, debt relief initiative for the heavily indebted poor countries (HIPC) (launched in 1999) remains a key component of the Monterrey Consensus. However, agreement was

This paper discusses relative magnitudes and volatilities of the various sources of external finance in the Asian and Pacific region, linkages between the sources of finance, and lessons relating to how developing countries might harness and fortify the various sources of external finance to facilitate their growth and development.

The remainder of this paper is organized as follows. The next section examines broad trends in the various private (non-official) external sources of FfD in selected developing Asian and Pacific countries over the past decade, focusing on relative shares and volatilities. The data highlight the importance of FDI as a source of external finance. The Monterrey Consensus too has singled out FDI as a particularly vital component of development, while also underscoring the need to think about the links between the various sources of external financing. Therefore, section 3 outlines the nexus between FDI and alternative others sources of private external finance at a conceptual level. Sections 4 and 5 turn their attention to harnessing various sources of external finance for development in the Asian and Pacific region. Attention will be paid to steps that can be taken at the domestic, regional and international levels. The final section offers a few concluding remarks.

## **2. Trends and volatilities in external financing**

This section draws on World Bank data on net resource flows to developing countries between 1995 and 2003.<sup>6</sup> We examine trends in relative shares as well as volatilities of the various forms of external finance.

Figures 1 and 2 and table 2 reveal that net private capital flows including workers' remittances to all developing countries and developing Asia peaked just prior to the Asian financial crisis in 1997 and have been on a gradual recovery since then. Net private flows to all developing countries in 2003 rebounded to US\$ 194 billion compared to over US\$ 270 billion in 1995 and 1996, having fallen to a trough of US\$ 160 billion in 2002. In the case of developing Asia, the corresponding figures were US\$ 72 billion in 2003, some 40 per cent lower than the figure in 1995. Asia's share of the net total private flows to developing countries which peaked at 47 per cent in 1996 had fallen to a trough of 12 per cent in 1998 before recovering to 37 per cent by 2003, largely attributable to the continued opening up of China and India to a lesser extent.<sup>7</sup>

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not reached on debt relief for middle-income countries. There are valid concerns that debt relief could lead to a reduction in the grant component of foreign aid.

<sup>6</sup> Unless otherwise stated, the data are from the statistical annexes in the World Bank (2004b).

<sup>7</sup> For a discussion of the dynamics of capital flows during and immediately after the crisis, see Rajan and Siregar (2002).

Although private capital flows to developing countries have declined, FDI in 2003 was slightly higher than 1995 (though lower than the intervening years of 1999-2001). Thus, the share of net inward FDI in total private flows has risen significantly. Interestingly the share of FDI to total private capital inflows peaked in 1997 (67 per cent), a reflection of the relative stability of FDI (a point we return to below). Two-fifths of FDI to developing countries in 2003 was destined to China (table 3). According to the World Bank (2003b, 2004b), FDI is expected to remain the dominant form of capital flow to developing countries over the next few years. We will have more to say about FDI in section 4.

After reaching the lows in 2001 and 2002, net portfolio equity flows have bounced back in 2003 to US\$ 14.3 billion -- their highest levels since 1998 -- largely because of a revival of flows into Asia (table 4). This region accounted for over 80 per cent of portfolio inflows to developing countries in 2003, mainly India (US\$ 7 billion) and China (US\$ 3 billion).

After the outflows and deleveraging recorded between 1998 and 2001, debt to developing countries stabilized in 2001-2002 and rose markedly in 2002-2003 (table 5). While not readily apparent from the data (table 6), it is generally reported that the average maturity of bank loans has lengthened, particularly in the East Asia and India (World Bank, 2003b, 2004b). Part of the reason for this is no doubt because of conscious policies by the crisis-hit countries to lengthen debt maturities as a means of reducing their vulnerabilities against future financial shocks. Another important characteristic of debt inflows to Asia is the growing share of marketable debt instruments (i.e., bonds). This is a result of a deliberate decision by these countries to develop and upgrade their bond markets as a means of diversifying their financial systems (see section 5.2).

Workers' remittances have maintained a steady and marked upward trend between 1995 and 2003, peaking to US\$ 93 billion in 2003 compared to US\$ 51 billion in 1995 (table 7). Thus, workers' remittances have become the second most important type of private external finance to developing countries after FDI. Asia's share averaged almost 40 per cent in 2002 and 2003, half of which was destined to India and the Philippines.<sup>8,9</sup>

Net merchandise trade balances to developing countries and Asia were negative until 1998, after which they turned positive. This was largely due to the import contraction that

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<sup>8</sup> As a share of GDP, remittances are particularly important to Tonga, the Philippines and Sri Lanka in the Asian and Pacific region.

<sup>9</sup> The three main source countries of remittances are the United States, Saudi Arabia and Germany (World Bank, 2003b).

many crisis-hit countries experienced in the late 1990s.<sup>10</sup> Indeed, Table 8a reveals that developing countries' global merchandise exports have been on a steady rise, increasing by over 70 per cent between 1995 and 2003. Exports to Asia have generally constituted just over half of developing countries' global exports. China alone accounts for 15 per cent of developing country exports, up from 9 per cent in 1995. However, China also accounts for 15 per cent of all imports to developing countries in 2003, resulting in it running an aggregate merchandise trade balance (table 8b).

Table 9 summarizes available data on the direction of exports in the various subregions of the developing Asian and Pacific Region (using the standard ADB definition of sub-regions) between 1985 and 2001. As is apparent, the extent of intraregional trade remained stable at about 25 per cent of total exports between the two periods, having peaked in the mid 1990s prior to the East Asian crisis of 1997-1998. Averages hide significant variations. For instance, while intraregional exports by Central Asia and the Pacific averaged only between 10 and 13 per cent, about one-third of South-East Asia's exports were destined to the rest of the region (largely intra-East Asian). About one-third of East Asian trade was with the rest of the developing Asian and Pacific region, this proportion rising marginally in the last decade largely because of the rising trade prowess of China. South Asia's trade with the rest of the Asian and the Pacific rose from 13 per cent in 1990 to about 21 per cent in 2001, primarily due to India's decade long trade reforms (Rajan and Sen, 2002, 2003).

Overall therefore, the structure of private external financing to Asian developing countries has been weighted more heavily towards FDI and remittances. Portfolio flows remain uncertain and highly variable, while there has been a recovery in debt flows as the countries hit by the 1997-1998 crisis have repaid debts and international creditors (particularly Japanese banks) are once again actively participating in international syndicated loans in the region (World Bank, 2003b, 2004b).

What about Overseas Development Assistance (ODA)? We have available to us only data on aid to developing countries in aggregate for the decade between 1990 and 2003 (table 10). After reaching a low of US\$ 22.8 billion in 2000, aid flows have recovered modestly but

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<sup>10</sup> Three caveats should be noted. One, the trade data are from the *International Financial Statistics*, IMF. The IMF definition of Asia includes a far broader set of countries than used by the World Bank (see footnote 1). Two, the data only include merchandise trade. Services trade, which is gaining increasing significance in many developing countries, are not included in the analysis. Three, a more appropriate means of presenting trade as a source of financing would be to examine value added exports rather than overall trade balances. Data limitations preclude us from doing so.

have remained at around US\$ 28 billion, still below the US\$ 54.2 billion figure in 1990. The bulk of ODA has taken the form of grants, this figure remaining more or less stable at US\$ 30 billion during the 1990s and the beginning of 2000s. Thus, the decline since the early 1990s has been in the non-concessional loans components, particularly bilateral non-concessional loans.

As important as the relative magnitudes is the relative stability (or lack thereof) of the various sources of finance. The well known story is that during the crisis of 1997-1998 FDI in Asia remained relatively stable while debt and portfolio equity flows collapsed (Bird and Rajan, 2002).<sup>11</sup> This is clearly borne out in figure 2. Another simple way to examine relative volatilities over a short period is to compute coefficient of variations (CVs) of the various sources of financing.<sup>12</sup> Referring to figure 5, it is apparent that FDI, workers' remittances and trade flows have the lowest CVs, while debt flows -- specifically short-term debt -- have the highest CVs. This suggests that FDI and trade flows and workers' remittances are the least variable, while debt flows are the most variable, followed by portfolio flows.<sup>13</sup> This conclusion holds true when we limit the analysis to the crisis-hit economies in South-East Asia (Malaysia, Thailand, Indonesia and the Philippines) or the larger countries of China and India (figures 6 and 7).

### 3. Nexus between FDI and various forms of external financing

In view of the significance of FDI as a source of external finance, this section explores some of the possible linkages between FDI and various other private sources of external finance, viz. trade, other private capital flows, and workers' remittances.<sup>14</sup> We do not specifically examine the relationship between the impact of ODA on FDI which has been discussed extensively in the literature. In very broad terms, the impact of ODA on FDI depends on whether ODA leads to improved economic performances and policies in the recipient country, thus stimulating private capital flows including FDI, or whether it leads to profligate policies (higher fiscal deficits, postponement in necessary reforms and appreciated real exchange rates), in which case it discourages private capital flows.

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<sup>11</sup> See Kim et al. (2004) and Rajan (2003a) for analytical discussions of the crisis-inducing nature of short-term debt and portfolio equity flows.

<sup>12</sup> The CV becomes less effective (and misleading) as a measure of (in)stability if there is a trend in the data. Thus it is inadvisable to use it for longer time periods when series have unit roots (Osei et al., 2002 and Bird and Rajan, 2001).

<sup>13</sup> Also see Buch and Kuckulenz (2004).

<sup>14</sup> The links between FDI and domestic financing options are not tackled here. However, see section 4.1 for a discussion of the FDI-growth nexus in general.

### 3.1. FDI and trade

In the simplest of neoclassical worlds, trade and capital flows are viewed as substitutes, as either one leads to a convergence of factor returns across countries, i.e., trade could act as a substitute for capital mobility. It has, however, become conventional wisdom by now that trade and (export-oriented) FDI can be highly complementary, as the latter helps to exploit the country's comparative advantage and plug into export markets. It does so by providing the necessary organizational, managerial and marketing practices and global production networks as well as the resources and wherewithal to lobby against some of their home country protectionist barriers (see OECD, 2002, Chapters 1 and 3). For instance, a host of studies has found that FDI has been a major conduit to China's export and overall economic growth (Lemoine, 2000).

The East Asian subregion is the most outward oriented of all subregions in Asia and the Pacific. The shifting patterns of trade and investment in many East Asian economies have conventionally been analysed using the flying geese pattern (FGP).<sup>15</sup> According to the FGP, economies are arranged in a descending order of their stages of industrialization so that each participates in the international division of labour at different stages in the product cycle in accordance with their comparative advantage. In other words, the traditional Heckscher-Ohlin approach is extended and given a "dynamic nature". Japan has been a major player in expanding East Asian trade and regional industrial upgrading via the infusion of FDI. In other words, trade has been largely investment-driven (Athukorala and Hill, 1998 and Rajan, 1996). Japanese FDI to East Asia took off following the sharp appreciation of the yen after the Plaza Agreement of September 1985.

Inflows have essentially taken place in four sequential but overlapping stages. First, investments were made in the newly industrialized economies (NIEs) such as the Republic of Korea; Hong Kong, China; Singapore and Taiwan Province of China during 1986-1989. Second, labour-intensive Japanese investments began to be diverted to the Malaysia, Indonesia and Thailand (MIT) from 1988 to the early 1990s, attracted by the low-wage levels and rapid growth of the region. Third, as the NIEs themselves moved to more capital and skill intensive stages of production, NIE firms also began using the MIT economies as export platforms for labour intensive goods. Fourth, since the early 1990s, investments in China from Japan and other NIEs have expanded dramatically.<sup>16</sup>

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<sup>15</sup> See Kojima (2000) for a recent detailed discussion of the FGP, and Dowling and Chia (2000) and Feenstra and Rose (2000) for recent empirical analyses of this phenomenon.

The FGP pattern of production and trade in East Asia is increasingly characterized by “production sharing”, defined as the decoupling of previously integrated goods into its sub-component parts, components and accessories (PCAs) which in turn are distributed across countries on the basis of comparative advantage (Lemoine and Ünal-Kesenci, 2002 and Ng and Yeats, 1999). This cross-border multi-staged production process in turn has been facilitated immensely by major improvements in transportation, coordination and communication technologies and the expansion of the global operations of transnational corporations (TNCs) and consequent FDI. According to the UNCTAD (2002, Chapter 5), global markets increasingly involve competition between production systems that are organized by TNCs. As it notes:

“While retaining their core competencies, TNCs are setting up international production systems on the basis of corporate strategies that seek to obtain the optimal configuration of their production process by spreading production to locations that offer significant advantages in production costs and access to third markets (p.141).”<sup>17</sup>

The significance of TNCs in regional and global production networks is apparent from the fact that there is a strong overlap in the concentration of developing countries’ participation in global networks, on the one hand, and recipients of FDI, on the other (China, Singapore, Malaysia and Thailand) (World Bank, 2003b, 2004b).

Production sharing is not limited to trade in goods as TNCs have fragmented and dispersed various service functions worldwide to take advantage of marginal differences in costs, resources, logistics and markets (UNCTAD, 2002, 2004 and World Bank, 2004b). In the Asian and Pacific region, Singapore and India have benefited significantly as many TNCs have used the former as a regional headquarter (RHQ) given its excellent infrastructural quality, low tax regimes and strategic location, while they are increasingly using the former for their backroom and related operations in view of the low cost, high quality skilled labour. This is an appropriate place to note that the data on trade flows highlighted in section 2 (tables 8 and 9) are highly partial as they involve only merchandise trade.

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<sup>16</sup> In fact, the South-East Asian policy makers have expressed concerns about what they perceive as being a diversion of investments from their respective countries to China. Their response has been to hasten the implementation of the regional free trade agreement (AFTA) as well as take early steps to create an ASEAN-China Free Trade Agreement (ACFTA) (Srivastava and Rajan, 2004).

<sup>17</sup> This is not to suggest that cross-border production sharing always requires TNCs. In cases where there are no obvious benefits from “internationalization”, outsourcing could also be conducted at “arm’s-length” between independent actors, i.e., separation of ownership. TNCs play a major role in production sharing involving semiconductors, automobiles and the like, while arms-length transactions are more common in textiles and footwear and related products.

### 3.2. FDI and other types of private capital flows

Somewhat less recognized than the FDI-trade linkages are the connections between FDI and the other forms of private capital flows. Das Gupta and Ratha (2000) claim “FDI adds to the liquidity of this system in the short-term and improves the medium-term outlook of a particular sector or the economy as a whole”. On these grounds we should expect FDI and other types of capital flows to be positively related. There is basis for this argument in view of the fact that the top ten destinations for FDI among developing countries overlap significantly with the top 10 destinations of portfolio flows (World Bank, 2003b, 2004b).

It is useful to distinguish between FDI at *equity investment* and FDI and total *project cost*. The former tends, on average, to be about two-thirds of total FDI costs. The remainder therefore comes from other sources, including reinvestment earnings and intercompany debt transactions, i.e., borrowing and lending of funds between parent and subsidiaries and among subsidiaries.<sup>18</sup> In some instances, particularly where an industrial conglomerate has very close connections to financial institutions (Japan for instance), some of the project financing involve bank lending. Indeed, prior to the crisis Japanese FDI and Japanese bank loans to the South-East Asian region was highly complimentary; conversely, the sustained weaknesses in the banking sector in Japan have also curtailed FDI into South-East Asia.<sup>19</sup>

Contrary to popular belief, FDI is not “bolted down”, although the physical assets it finances are. Foreign investors can use the physical assets as collateral to obtain a loan from banks and can then place the funds abroad. In other words, the foreign direct investor may hedge the firm’s FDI exposure by borrowing domestically and taking short-term capital out of the country. Hence a firm may be doing one thing with its assets and a completely different thing with the manner in which it finances them. This appears consistent with the Malaysian experience where portfolio outflows in 1997 outweighed the cumulative inflows between 1980 and 1996. Apparently the portfolio outflows must have entered via some other account (such as FDI or bank loans) (Bird and Rajan, 2002).<sup>20</sup>

In relation to the above, part of any potential negative correlations between FDI and portfolio flows is a statistical artefact, a consequence of the 10-per cent-ownership threshold

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<sup>18</sup> The World Bank (2004b) reports that almost 45 per cent of the United States FDI in developing countries has been in the form of reinvested earnings.

<sup>19</sup> Klein et al. (2002) have confirmed this so-called “relative access to credit hypothesis”, whereby firms’ ability to engage in FDI is influenced by their ability to raise external funds.

<sup>20</sup> Part of the reason may also have been due to capital flight by domestic residents. I thank Gloria Pasadilla for pointing this out.

dividing portfolio equity from FDI. Thus, the process of withdrawing FDI by selling stocks overseas could increase portfolio flows, leading to a negative relationship between the two flows. Conversely, as the World Bank (2003b, 2004b) reports, in recent times TNCs purchased equity stock so as to gain control over the newly privatized enterprises (especially in the infrastructural sector). This has shown up in the BoP statistics as a decline in portfolio flows coinciding with a rise in the Mergers and Acquisitions (M&A) component of FDI.<sup>21</sup>

A negative correlation between the various forms of private capital flows is also consistent with the famous Modigliani-Miller theorem which argues that various forms of capital flows are just alternative ways of financing a particular activity, and that, under perfect capital markets, the manner in which projects are financed is irrelevant. Thus, if one component of capital flow increases, *ceteris paribus*, another must fall<sup>22</sup>. Another reason for a possible negative relation between FDI and capital flows has been offered by Fernández-Arias and Hausmann (2001) who maintain that that FDI tends to dominate capital inflows to countries with poor financial development, suggesting that FDI substitutes for portfolio flows. In addition, non-FDI flows could also lead to an appreciation in domestic asset values as well as in the real exchange rate, which in turn could hinder FDI.

The preceding has outlined various plausible reasons as to why FDI may be either positively or negatively linked to capital flows (bank and portfolio flows). As with most things the nature of the relationship between FDI and other capital flows is an empirical issue. In one of the few direct tests of the nexus between the various forms of capital flows, Bosworth and Collins (2000) examine the correlations between three types of capital inflows (FDI, portfolio investment, and loans). They use a data set of 58 emerging economies over the period 1978-1995. The correlations (total, cross-country and cross-period) all turn out to be slightly positive but mostly insignificant.<sup>23</sup> When they focus specifically on a subset of 18 emerging economies (eliminating those with no portfolio capital inflows) they find a slight increase in the correlations between portfolio capital and other inflows, including FDI, but none of the coefficients are statistically significant. The authors take this either as evidence

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<sup>21</sup> In view of the complex linkages between the various capital flows, Chuhan et al. (1996) and Claessens et al (1995) argue that it may be misleading to look at capital flows individually, with the latter maintaining that it is only meaningful to examine aggregate financial accounts. Also see Sarno and Taylor (1997).

<sup>22</sup> Needless to say, the “real world” does not fit the perfect capital markets assumption with taxation, information asymmetry and other frictions being prevalent.

<sup>23</sup> The only statistically significant, albeit small, correlation was between FDI and loans in the time dimension. This is consistent with the fact that FDI tends to be accompanied by an increase in bank loans, consistent with the relative access to credit hypothesis discussed previously (see footnote 19).

that positive and negative effects offset one another or that portfolio and FDI flows react to different factors.

### 3.3. FDI and Workers' Remittances<sup>24</sup>

While long ignored, it is increasingly recognized that worker remittances -- which are the financial counterpart of the outflow of migration flows -- have been and will continue to be an important and stable source of financing. As discussed, remittances have been growing in absolute terms as well as in comparison to other sources of external finance and are a relatively stable form of finance (also see table 11 which summarizes the relative importance of workers' remittances). The data in section 2 considered the narrowest definition of remittances, viz. "unrequited transfers". Broader date coverage of remittances would include "migrant transfers" and the "compensation of employees" as recorded in the balance of payments statistics. Thus, the value of remittances noted above has clearly been understated. Indeed, insofar as migrants make several payments directly to schools (tuition fees) or international airlines (airfares) on behalf of relatives or friends in their home country, the true magnitude of remittances transfers is probably much larger than captured by statistics above.

What is the nexus between remittances and other forms of capital flows? At first glance, the fact that the top developing countries that receive FDI are quite different from those that receive worker remittances suggests that the two may not be highly positively correlated. Indeed, insofar as FDI inflows create domestic employment opportunities, there may be less inducement for workers to seek employment overseas, thus reducing remittance inflows.

A comparison is often made between FDI inflows to the two Asian giants of China and India, both of which have among the world's largest overseas migrants in absolute terms. Even if one discounts round-tripping from Hong Kong, China and makes adjustments to differences in FDI data in both countries (Indian sources severely understated inward FDI though adjustments have been made to it recently),<sup>25</sup> China still shows up as having attracted far more FDI than India. Part of the difference is attributed to the relatively more aggressive

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<sup>24</sup> The discussion on remittances draws on World Bank (2003b, 2004b), Kapur (2003), Gammeltoft (2002) and Solimano (2003), among others.

<sup>25</sup> If these items are taken into account, India's actual annual level of FDI is said to rise two to three times (from a recorded US\$ 3 billion to US\$ 8 billion). See Sen and Srivastava (2003) and World Bank (2003b). India has recently altered its FDI statistics methodology to make it more internationally comparable by including reinvested earnings and intercompany loans.

rechannelling of resources by overseas Chinese to China compared to non-resident Indian (NRIs). Overseas Chinese are said to invest 10 to 20 times in China as NRIs do in India. On the other hand, China has received relatively low remittances -- about US\$ 1.5 billion annually in the last decade (1995-2003) (compared to US\$45 billion in FDI inflows), which was about one-eighth of India's receipts (US\$ 8.8 billion annually over the same period) (compared to US\$ 3 billion dollars in FDI inflows). Thus, when one combines FDI and remittances (and makes the data on FDI comparable across both countries), the total contribution by the Chinese diaspora to China may not be significantly higher than that of NRIs to India (Kapur, 2003). Figures 8 and 9 reveal the composition of capital flows to both countries. (Ideally one would have liked data on only diasporic FDI inflows, but those are not available).

It is commonly suggested that the difference in manner of capital inflows by the countries' respective diasporas is a function of the economic opportunities in both countries and economic characteristics between the two diasporas. While there may be some merit in this, when one considers the fact that a large fraction of FDI in China (about one quarter) has been invested in real estate (Tseng and Zebregs, 2002), while a significant share of remittances tend to be devoted to land and housing purchases as well (for instance, see Brown, 1994), "it reinforces the suspicion that there is a not inconsiderable statistical overlap between remittances and FDI" (Kapur, 2003). More to the point, the foregoing suggests the existence of a degree of substitutability between remittances and FDI.

As noted in section 2, apart from being the second largest source of capital inflows after FDI, worker remittances are relatively more stable than portfolio investments and bank credit. In addition, it is reasonable to expect remittances to be less pro-cyclical than FDI and other private capital flows. Why? While profit-induced capital flows tend to rise as the host country is doing well and there is general bullishness about the country's prospects, remittances are at least partly seen as a self-insurance mechanism for developing countries, or there may be an element of philanthropy/altruism in remittance decisions, in the sense that the overseas diaspora increases transfers at times when most needed (e.g., during periods of economic crises or natural disasters). This low positive correlation between remittances and other private capital flows makes it a particularly important source of finance to developing countries.<sup>26</sup> We return to this point in section 5.4.

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<sup>26</sup> Thus, remittances have generally risen in countries faced with economic and political crises, natural disasters or international sanctions.

#### 4. Harnessing sources of external finance for development: focus on FDI

This section is devoted to FDI specifically in view of its significance as a source of external finance, its linkages with other sources of finance, and its importance to overall development. We discuss other sources of external finance in section 5.

##### 4.1. FDI as a tool of growth and development

As noted above, FDI appears to be a growing and stable source of external finance for developing countries in the Asian and Pacific region. There have been a number of macro studies attempting to determine the nexus between FDI and growth. By and large the studies find a positive link between FDI and growth (via crowding in domestic investments and boosting human capital and technological capabilities), though FDI appears to have fewer positive growth-inducing effects in least developed countries, suggesting the existence of “threshold level of development” (Blomström and Kokko, 2003 and Blomström et al., 1994).

As the OECD (2002, Chapter 3) concludes:

Apparently, developing countries need to have reached a certain level of educational, technological and infrastructure development before being able to benefit from a foreign presence in their markets. An additional factor that may prevent a country from reaping the full benefits of FDI is imperfect and underdeveloped financial markets (p.69).<sup>27</sup>

In addition, as with the case of the trade and growth literature, the FDI and growth studies are open to a number of criticisms.<sup>28</sup> For instance, an important critique has to do with causality -- does FDI lead to greater productivity and overall economic growth or are these pre-requisites for attracting FDI. Athreya and Kapur (2001) have recently emphasized that since the contribution of FDI to domestic capital formation is quite small (less than 5 per

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<sup>27</sup> Nunnenkamp (2004) makes a similar point.

<sup>28</sup> For critiques of the trade and growth literature, see Berg and Krueger (2003), Rodriguez and Rodrik (2000) and Rajan (2003b, Chapter 5). In a recent review paper on the issue of trade and growth, Berg and Krueger (2003) reach the following sensible and balanced conclusion:

The most important set of relationships, in our view, has to do with positive spillovers from trade reform. In many cases, trade liberalization is itself a precondition or a complement to other sorts of reforms and thus facilitates their success. The fact that trade reform, often happens as a package, from this point of view, is a strength of trade reforms, even if it is an econometric challenge...Openness has important positive spillovers on other aspects of reform, so the correlation of trade with other pro-reform policies speaks to the advantages of making openness a primary part of the reform package. Moreover, there is little evidence that other reforms must precede an effective trade reform, though there are many that are complementary...Openness is not a “magic bullet”, however. Trade policy is only one of many determinants of growth...Trade can only be an aspect of the development process..” (pp. 35, 49 and 40).

cent), *growth-led FDI* is more likely than *FDI-led growth*. This is so as increased economic activity expands the market size, offering greater opportunities for foreign investors to reap economies of scale in a large market economy such as India. A similar conclusion arises from an empirical study by Dua and Rasheed (1998) which finds that industrial production in India has had a unidirectional positive Granger-causal impact on inward FDI flows (both approval and actual), thus inferring that economic activity is an important determinant of attracting FDI inflows in India, and not vice-versa. Similar questions regarding causality between market size/growth and magnitude of FDI inflows is relevant in the case of China (Tseng and Zebregs, 2002).

The foregoing important caveat notwithstanding, overall it is almost universally acknowledged that FDI has a potentially important role to play in a country's growth and development. Indeed, the working assumption nowadays is that in a *relatively non-distorted* domestic policy environment FDI fosters growth by promoting greater competition (both in terms of price/market structure as well as via "X-efficiency") and trade and facilitates a country's overall integration with the global marketplace. For instance, according to the UNCTAD (1999), FDI via TNCs can complement local development efforts by: (a) Increasing financial resources for development; (b) boosting export competitiveness; (c) generating employment and strengthening the skills base; (d) protecting the environment and social responsibility; and (e) enhancing technological capabilities (transfer, diffusion and generation of technology).<sup>29</sup>

#### **4.2. Regional distribution of FDI**

Table 12 offers some data on aggregate FDI flows to the individual countries in the developing Asian and Pacific region between 1991 and 2002. The bulk of FDI into the region went to the East and South-East Asian sub regions, and more specifically to China.<sup>30</sup> Other countries in the Asian and Pacific region that have been recipients of "reasonable" amounts of

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<sup>29</sup> Technology transfer operates via four related channels: (i) vertical (backward and forward) linkages with suppliers or purchasers in the host countries; (ii) horizontal linkages with competing or complementary companies in the same industry; (iii) migration skilled labour; and (iv) the internationalization of R&D (OECD, 2002, Chapter 1). While the transfer of technology from FDI to the domestic economy could be potentially significant, they are certainly not automatic. Indeed, the links between technological development and FDI are mixed at best (Blomström and Kokko, 2003 and OECD, 2002, Chapter 5). A more careful examination of the empirical studies linking FDI and technological development suggests that FDI is more likely to be a significant catalyst to overall industrial development the higher the income of the host country. This in turn is often interpreted as signifying that the host country must be capable of absorbing the new technology manifested in FDI (e.g., see Blomström et al., 1994).

<sup>30</sup> See Lemoine (2000) for a discussion of FDI to China.

FDI flows on a sustained basis (loosely defined as being above US\$ 1 billion annually on a consistent basis) include India, Kazakhstan, Malaysia and Singapore (also see figure 10).

There are two sources of concern for the Asian and Pacific region with regard to FDI inflows. One, FDI flows may not be sustained at the current levels in the future as privatization opportunities and M&A activities slow (World Bank, 2004b and UNCTAD, 2004).<sup>31</sup> Two, is the high concentration of FDI in a handful of countries, with many others being bypassed by foreign investors.<sup>32</sup>

Figure 11 summarizes the manner in which international investors informally classify selected countries in the Asian and the Pacific region and worldwide.<sup>33</sup> Expectedly, countries such as China and Thailand are in the core, while some other countries such as India and Viet Nam are considered to be close to the core (though in the last few years both countries appear to have established themselves in the core). On the other hand, countries such as Bhutan, Mongolia and Nepal are in the outer periphery and are unable to attract FDI.

The tendency for investment agglomeration or “firm-congestion”, i.e., the geographical concentration of FDI in particular countries and specific regions within a country helps explain why regions with similar underlying characteristics sometimes turn out to be very different, i.e., “history matters for economic geography”. The new economic geographers and old school development economists have stressed the existence of scale economies (or market size effects and linkages), thick labour markets and pure external economies as reasons for this cumulative causation and specific spatial configurations of production (Hanson, 2000 and Henderson et al., 2000 offer recent literature reviews on forces that drive agglomeration). However, these “centripetal” or “concentration” forces could just as easily be rationalized by the Knickerbocker Oligopolistic theory of TNCs which argues that a TNC will tend to enter a market in which a rival has already done so (“follow-the-leader” strategy) or to pre-empt competitors’ entry (“first-mover-advantage”). Alternatively, one may explain these “band-

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<sup>31</sup> Indeed, the Latin America and the Caribbean region appear to be experiencing a decline in FDI due partly to a winding down of the process of privatization and the regional recession (World Bank, 2004b).

<sup>32</sup> While the analysis above looks at FDI in absolute terms, if one considers FDI per capita or FDI as a share of GDP, one sees that some smaller Pacific countries perform quite well. However, the enclave nature of FDI to many of these smaller resource-based countries limits the growth-enhancing impact of such inflows (Nunnenkamp, 2004).

<sup>33</sup> There has been a slight decline in concentration of absolute FDI flows to developing countries -- the share of the top 10 recipient countries is at 70 per cent, down from about 79 per cent in 2000. The top ten FDI receiving countries in 2003 (in descending order of ranking) are: China, Brazil, Mexico, Argentina, Poland, the Czech Republic, Chile, Venezuela, Thailand and India. In Asia, China and India gained while Malaysia and Thailand experienced a relative decline (World Bank, 2004b).

wagon” or “herding” effects by arguing that the existence of foreign investors may act as a signal to other potential investors about the extent of investment-conduciveness of the country’s overall policy regime. This reduces uncertainty and therefore increases ex-ante expected returns. Regardless, all three bodies of the literature share a common thread in the sense of explicitly or implicitly assuming strategic complementarity as defined and discussed by Bulow et al. (1985), i.e., the output expansion of one firm raises anticipated profits of the other.

The problem with the early literature on agglomeration or “sticky places” was the near absence of considerations of factor costs and prices in the analyses. However, following Krugman and Venables (1995) and Krugman (1999), there has been a recognition that in the presence of fixed or immobile factors (such as land), and as long as there is imperfect substitutability between these factors and those which may have a perfectly elastic supply, agglomeration will eventually lead to a rise in production costs. These factor cost appreciations and other “congestion effects” may at some stage offset the “concentration effects”, hence leading to a dispersion of economic activity to peripheral regions (Henderson et al., 2000 and Hanson, 2000). In other words, “deconcentration” occurs when the centrifugal forces outweigh the centripetal ones. This suggests that there is some hope for countries that are not currently in the core.

In addition, heightened uncertainty could lead investors to consider diversifying investment bases. The recent SARS outbreak in Mainland China; Hong Kong, China and Singapore appears to have fortified the conclusion. However, if the hitherto peripheral countries are to benefit from this desire by TNCs for risk diversification, they need to have in place sound macroeconomic policies and a favourable investment climate so as to be seen as viable investment alternatives.<sup>34</sup> It is also important that they consciously try to become part of regional international production systems and division of labour (UNCTAD, 2002, 2004).

##### **5. Harnessing sources of external finance for development: selected topics**

As discussed above in some detail, there are various sources of external finance and numerous interlinkages between them. Space limitations preclude detailed analyses of policies to harness the various non-FDI sources of external finance. This section is therefore intentionally and inevitably partial in nature; it focuses on specific topics including reserve pooling, creating regional bond markets, need to boost foreign aid and remittances in Asia and improving market access for developing countries’ exports.

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<sup>34</sup> Space limitations preclude a detailed discussion of how to best attract FDI. See Brooks et al. (2004), Lim (2001) and OECD, 2002 (Chapter 1).

### 5.1. Reserve pooling

Among the key imbalances and tensions that plague the global macroeconomy are the burgeoning United States current account deficit and the rapid stockpiling of international reserves by Asia (Kim et al., 2004, World Bank, 2004b and IMF, 2003). The Asian reserves (which stood at about US\$ 2,200 billion as of early 2004 compared to about US\$ 700 billion a decade ago) have in turn been partly financing the United States current account gap (hovering at close to 6 per cent of GDP).<sup>35</sup> While Japan and China together account for about half of Asia's reserve holdings, the Republic of Korea; Taiwan Province of China; Hong Kong, China; India and Singapore each also hold over US\$ 100 billion of reserves, constituting some three-fifths of global reserves (figure 12).

An important motive behind accumulating reserves is so that they can buffer against future financial crises or shocks (for instance, see Aizenman and Marion, 2003 and Bird and Rajan, 2003). While it is generally appreciated that stockpiling reserves cannot act as a substitute for appropriate domestic policy reforms, this insurance or precautionary motive is consistent with modern second generation (escape clause-based) currency crises models *a la* Obstfeld (1994, 1996). These models emphasize the possibility of multiple equilibria in a world of substantial capital mobility where a country's underlying payments position is neither "quite strong" nor "hopelessly weak", i.e., where it is in a vulnerable zone. In such circumstances, a country's level of reserves may not only influence its ability to finance speculative runs on its currency, but can also have a bearing on their probability of occurring. Such large levels of "own liquidity" may be particularly necessary in the absence of the development of strong quasi lender of last resort capabilities by multilateral financial institutions, in particular the International Monetary Fund (IMF).

With memories of crisis still reasonably fresh, it is perhaps unsurprising that the Asian countries have exhibited a desire to build up reserves to finance international transactions, meet unexpected difficulties in the balance of payments, and most importantly, as an insurance or a "war chest" against future crises. However, an important limitation of such a reserve-hoarding policy is that it carries large implicit or opportunity costs as the country effectively swaps high yielding domestic assets for lower yielding foreign ones. In addition to this are the fiscal costs involved in the sterilizing the monetary impact of reserve build-up.

In view of these high costs, some prominent economists have gone so far as to suggest that developing countries rethink the policy of openness to capital flows (other than those

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<sup>35</sup> For instance, see Rajan (2004a).

related to foreign direct investment) (Rodrik, 2000b).<sup>36</sup> But is there any way in which the liquidity yield from holding reserves may be generated without the need for individual countries to continue to accumulate them? One way might be for regional economies to pool their reserves to strengthen regional financial stability and enjoy the benefits of scale economies from so doing. Recent empirical analysis suggests that there are indeed significant economic savings to be had from partial reserve pooling (Rajan and Siregar, 2004). As the authors envisage, both from a systemic and individual country perspective, it may be desirable to have “tiers of liquidity” (or concentric defense lines). The top tier would be owned reserves. From a government’s perception an advantage associated with international reserves is that they may be used quickly and without conditions. The second tier would be regional liquidity arrangements. This tier can be further subdivided into utilization of the country’s own reserves placed with the regional pool and other members’ reserves with the pool. The third tier would be conventional IMF lending. With such a structure, the degree of liquidity could be inversely related to the degree of conditionality.

The ASEAN+3 (China, Japan and the Republic of Korea) economies have established the Chiang-Mai Initiative (CMI) to fortify regional defenses against the vagaries of international capital markets. However, the CMI remains a series of bilateral and uncoordinated swap arrangements involving a subset of Asian countries. Beyond enhancement of the existing levels of swap arrangements (Montiel, 2004), an important step would be to consider establishing a fully-fledged reserve pooling facility.

Undoubtedly, a significant degree of effort and political will by regional countries is needed to create the conditions necessary to ensure that such a facility will function effectively. An important precondition for the effective functioning of the regional financial facility (with some independence of IMF) is that there must be a considerable strengthening of the regional surveillance mechanism with well worked out policy conditionality. While reserve pooling does not automatically imply the need for exchange rate coordination (which is a much stricter form of cooperation), the policy conditionality will invariably have to address, in some manner, the issue of exchange rate arrangements pursued by the participating member countries. For instance, if it is accepted that some exchange regimes such as soft pegs are inherently more crisis prone than others, there could be a requirement

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<sup>36</sup> In recognition of the high opportunity costs of hoarding reserves, China has already used part of its reserves to recapitalize banks, while India is contemplating using part of its reserves to finance infrastructural development. The fact that these and other countries are using reserves for purposes other than meeting liquidity requirements, suggests that reserve buildup has become “excessive” (i.e., over and above what central banks perceive they require for precautionary purposes), and has been a result or side-effect of Asia’s rigid exchange rate policies (Dean and Rajan, 2004 and Kim et al., 2004).

that policy conditionality be tighter in circumstances where countries are known to operate such a regime.

If a credible regional facility is eventually established and it includes most of Asia, it can help overcome two of the concerns raised by the Monterrey Consensus, viz. (a) susceptibility of emerging countries to financial crisis; and (b) limited developing countries' representation in the decision-making processes in international economic fora (in this case, at least in monetary affairs).

## 5.2 Creating regional bond markets<sup>37</sup>

While the regional economies are taking noteworthy steps to strengthen, upgrade and integrate their financial systems, the contagious nature of the 1997-98 crisis has led many observers and policy makers to the view that there are positive externalities from cooperating to develop regional financial markets.

There have been a number of recent proposals and initiatives to enhance regional financial cooperation. The latest manifestation of this has been the establishment of an Asian Bond Fund (ABF) which was initially proposed by Thai Prime Minister Thaksin Shinawatra. The ABF came into force in June 2003 when 11 central banks in the Asian and Pacific region created a regional fund of US\$ 1 billion by pooling a very small portion of their foreign exchange reserves. The countries involved are Australia; China; Hong Kong, China; Indonesia; Japan; Malaysia; New Zealand; Singapore; Thailand; the Philippines and the Republic of Korea, all of which are members of the Executive Meeting of East Asia-Pacific Central Banks and Monetary Authorities (EMEAP).

Individual amounts pledged to the fund ranged from US\$ 25 million by New Zealand to US\$ 120 million by Thailand (the ABF's most enthusiastic proponent), with most other economies contributing US\$ 100 million. India has confirmed that it will invest about US\$1 billion of its own reserves in the ABF. Other reform-minded countries in Asia ought also to be encouraged to join as full members, making the ABF truly pan-Asian (as its name suggests it is). The fund itself is passively managed by the investment management unit of the Swiss-based Bank for International Settlements (BIS Asset Management). Its mandate is to invest in a basket of liquid US dollar sovereign and quasi-sovereign debt issued by major member economies (excluding Australia, Japan and New Zealand).

The impetus behind the development of these initiatives is that if regional economies hold one another's bonds, this ought to facilitate diversification of financing from bank

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<sup>37</sup> See the World Bank (2003b, 2004b) for discussions of steps to enhance the infrastructure to attract portfolio equity flows.

lending to bond financing.<sup>38</sup> This is particularly so if such actions help lower risk premia of regional bonds, hence encouraging others to enter the market. But why is there a need to diversify away from bank lending? What is wrong with Asia's continued heavy dependence on bank lending as a source of private market financing?<sup>39</sup> Bond financing is considered a relatively more stable source of debt financing, as bank loans are primarily illiquid, fixed-price assets in the sense that the interest rate - which is the price of the loan - does not vary much on the basis of changing market circumstances. Thus, almost all the adjustment has to take place via rises and falls in the quantity of bank lending, which in turn leads to sharp booms and busts in bank flows. These sudden reversals in bank flows had calamitous and long-lasting effects on the domestic financial systems in the East Asian economies in 1997-98. In addition, if the regional bonds are issued in domestic or regional currencies as opposed to third country ones (mainly the US dollar), this in turn ought to reduce the vulnerability of the regional economies to currency mismatch). Another reason for creating regional bond markets is that it can be a means by which burgeoning Asian savings are galvanized and directly channeled into regional investments. If the proposed ABF involves bonds of longer-term maturity which are more "durable" and therefore less reversible, it should further enhance regional financial stability.

While a well-functioning and expanded ABF could promote the development, efficiency and integration of the Asian financial markets, its role in fostering the secondary market of Asian bonds will remain limited in view of the passive investment mandate of the BIS. In any event, the ABF should play a catalyzing role in bolstering interest in and demand for Asian fixed income instruments over time. Market evidence suggests that there is considerable latent demand for such assets. Nevertheless, for the benefits of the ABF to be enjoyed in full, it is imperative that steps be taken to improve and harmonize the regional regulatory, infrastructural and institutional frameworks. In similar vein, individual countries need to continue taking steps to carefully liberalize their individual financial sectors, capital and currency markets, so as to facilitate regional financial market integration.

While the successful implementation of these financial market initiatives ought to

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<sup>38</sup> There have been a number of papers recently describing the state of regional bond markets in South-East Asia and institutional and regulatory constraints hindering their developments (for instance, see Sharma, 2001). Elson (2002) discusses general issues pertaining to development of debt markets in Asia.

<sup>39</sup> To illustrate the dominance of bank financing: in 2000, domestic bank credit as a percent of GDP in Indonesia, Malaysia, Philippines, Singapore and Thailand was 66, 111, 63, 80 and 112, respectively. In contrast, domestic bond financing in the five ASEAN countries was 35, 62, 31, 45 and 12, respectively (Elson, 2002).

bolster the extent of regional financial integration, it is critical that they do not detract from domestic structural reforms to broaden and deepen individual capital markets. After all, a regional alliance is only as strong as its weakest link.<sup>40</sup> In addition, any regional initiative must keep in mind the transactions costs of setting up such a scheme.

### 5.3. Alleviating the “foreign aid crisis”

A notable and much discussed trend in external finance to developing countries is the declining share of ODA as the OECD countries have consciously cut back their concessional grants since the early 1990s. Indeed, most developed countries have failed miserably to meet the United Nations’ suggested aid target of 0.7 per cent of GNP in 1970 (table 13).<sup>41</sup> The reasons for the “foreign aid crisis” are almost certainly attributable to a combination of factors. These include the global political environment, in particular the end of the cold war which blurred ideological differences and removed much of the political motivation for aid; a general perception that aid has been ineffective at encouraging economic growth and reducing poverty (due to, for instance, the possibility that aid substitutes for, rather than supplements domestic resources); and the desire on the part of donors to reduce their own fiscal deficits. All these have led to a generalized “donor fatigue”.

There is growing evidence that foreign aid *is* effective at reducing poverty when combined with good domestic economic policy (Burnside and Dollar, 2000, Mosley and Hudson, 1997 and World Bank, 1998).<sup>42</sup> In recognition of this, increasing the magnitude and effectiveness of ODA was emphasized in the Monterrey Consensus (World Bank, 2003b). However, the Monterrey Consensus simultaneously cautions developing countries that they

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<sup>40</sup> In parallel with such initiatives to boost regional liquidity and financial market depth, individual countries have been actively developing local bond markets and have been liberalizing their financial sectors and generally lifting restrictions on foreign ownership and involvement (see Elson, 2002 for a discussion). At the same time, many in ASEAN (Malaysia, Indonesia and Thailand) have followed the Singapore example of tightening controls on the offshore trading of their currencies. While there may be good rationale for these measures as a means of crisis prevention or safeguards (Ishii, et al, 2001 and Rajan, 2003a), to the extent that these actions reduce the size and liquidity of currency markets, they are working against the other goal of reducing the degree of fragmentation of ASEAN capital markets.

<sup>41</sup> Exceptions have been Denmark, Norway, Netherlands and Sweden.

<sup>42</sup> Three caveats are in order. One, it might be argued that aid benefits the poor in recipient countries even if it does not contribute directly to growth, by raising expenditures on health, education, water and sanitation (see UNESCAP, 2003 for a discussion about issues concerning the mobilization of resources in health and education and improving their). Two, aid effectiveness issues may vary by categories, and in particular, whether it is tied versus untied (Mavrotas, 2003). Three, there exists a macro-micro paradox; while questions remain about the general effectiveness of *program*-aid, evidence suggests that *project*-aid has had beneficial impact when carefully targeted and administered (I thank Douglas Brooks for highlighting this point).

will need to depend relatively more on other private sources of external financing. Thus, ODA is viewed as an *additional* source of FfD, but private capital (FDI and remittances in particular) and trade flows remain the *main* sources. Indeed, one of the oft-noted and valid criticisms of the Monterrey Consensus is that it has failed to offer any specific commitments to increase ODA to developing countries; the need to do so was only accepted in principle.<sup>43</sup> However, the European Union's (EU) unilateral commitment to raise its ODA to 0.39 per cent of income by 2006 is an important step in the right direction. The United States also agreed to ramp up its ODA by 50 per cent over the next few years, though it remains unclear whether these commitments have been implemented. In addition, and disappointingly, Japan did not commit itself to any increase in its aid flows.

While the ADB has been at the forefront of helping upgrade regional financial systems and enhancing regional financial and monetary cooperation, ESCAP could play a more proactive role in: (a) helping developing countries improve their aid absorptive capacities; (b) assisting aid donor and recipients in improving the design and administration of aid programs (including untying aid); and (c) encouraging wealthier net creditor countries like Japan to loosen their purse strings to facilitate regional development and take steps to enhance the transparency of aid allocation. The increase in Japan's special assistance to the crisis-hit economies in East Asia in 1997-98 was a good example of timely and well-targeted assistance. (Indonesia being the main beneficiary).<sup>44</sup> Australia's and New Zealand's ODA to Pacific islands are also good cases in point of regional and subregional cooperation. Even a small increase in aid would go a long way to helping some of the smaller countries in the Asian and Pacific region.<sup>45</sup>

The need to encourage creditor countries in the Asian and the Pacific region to raise their regional aid commitments is particularly acute as there are concerns that aid from the United States and other donors may be influenced more by strategic considerations (the war on terrorism, financing the reconstruction in Afghanistan and Iraq, etc). This may result in a

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<sup>43</sup> Indeed, all that the final document has to say on this issue is as follows: "We acknowledge the efforts of all donors, commend those donors whose ODA contributions exceed, reach or are increasing towards the targets, and underline the importance of undertaking to examine the means and time frames for achieving the targets and goals."

<sup>44</sup> Though it is not clear whether there was a redirection from other subregions like South Asia. Japan has already been channelling nearly two-thirds of its ODA to the Asian and Pacific region, particularly East Asia (because of commercial interest of Japanese traders and investors).

<sup>45</sup> UNESCAP (2002) offers a comprehensive overview on steps to boost enhance regional aid flows and development cooperation in the Asian and Pacific region.

reallocation of aid from other countries in the Asian and Pacific region and elsewhere. ESCAP should help harmonize donor policies and practices at least at the regional level, as well as encourage a speedier and “fairer” distribution of regional aid with particular emphasis on the quality of policies and the needs-basis based on poverty level (rather than strategic or pure commercial interests) and to sectors and activities with the highest social returns (i.e., untied aid).

#### 5.4. Boosting the inflow of workers’ remittances

Even if ODA flows in the region are increased through the catalyzing actions of the UNESCAP and others, as is its effectiveness, it is unlikely to become a significant source of external finance to most developing countries -- certainly not to the larger, low-to-mid income ones such as India where remittances alone in 2001 were US\$ 10 billion (figure 13).<sup>46</sup> While India clearly dominates as a destination for workers’ remittances, these financial flows are relatively more evenly spread out than private capital flows. For instance, in 2001 the top 10 remittance recipients received 60 per cent of total remittances to developing countries (figure 14). This was below the share of the top ten recipient countries for FDI or export revenues (over 70 per cent each).

Remittances tend to be well-targeted nature (i.e., person-to-person flows) and might also be less *pro-cyclical* than FDI and other private capital flows (see discussion in section 3.3), hence making them a particularly significant source of financing in general.<sup>47</sup> To be sure, we cannot say whether remittances are actually *counter-cyclical* as market considerations and signals clearly also play some role in remittance inflows (Buch and Kuckulenz, 2004 and Solimano, 2003). Admittedly, there needs to be much more empirical work on the links between remittances and private capital flows and remittances and growth. Chami (2004) have argued that remittances could actually hinder growth for two reasons. At a micro-level there is a moral hazard problem in that remittance inflows provide less incentive for the remitter to enter the labour force. At a macro-level, they argue that large-scale remittances could lead to a Dutch Disease phenomenon of overvalued real exchange rate and might delay much-needed policy reforms. They also suggest that remittances are more likely to boost consumption rather than investment if the recipients view the transfer as a return on savings (e.g., if a child remits money to the parents who had earlier saved to finance the child’s

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<sup>46</sup> Remittances to India have kept its current account deficits at low levels, even registering surpluses in recent times despite large merchandise trade deficits (ADB, 2004).

<sup>47</sup> Such a stabilizing role was historically played by ODA.

overseas education).<sup>48</sup>

It is generally recognized that the remittances business is extremely segmented and inefficient; transactions costs are high as a few players dominate the market and charge “excessive fees”. Specifically, remittances have hitherto largely been channelled via Money Transfer Operators (MTOs), post offices, ethnic stores, couriers, and such (some of these go unrecorded). Studies suggest that the average costs of sending transfers via MTOs tends to be about 5 percentage points higher than commercial banks. Reduction of the intermediation costs by encouraging more players to enter the remittance business (particularly by establishing partnerships between retail banks with extensive branches and government post office network) can provide a significant fillip to this source of FfD. These and other steps to strengthen the infrastructure supporting remittances are elaborated upon in World Bank (2003b, 2004b) and particularly Sander (2003). Orozco (2003) offers a useful summary of steps in general that recipient countries might take to raise the levels of remittance inflows.

### **5.5. Improving market access to developing countries’ exports**

Trade remains a handmaiden of growth and is appropriately a central element of the Monterrey Consensus. Industrial countries often preach trade openness as a means of self-help to developing countries. Yet the international trading system remains inequitable, with developed country trade policies limiting market access for developing country goods and services (including offering subsidies to domestic producers which are de facto protectionist). In a lot of ways, even if industrial countries choose to limit ODA flows, they will do more good to furthering international development and poverty alleviation if they were to revoke their discriminatory trade policies. Conversely, the positive performances by some developed countries in the ODA sphere are negated by the fact that they persist with highly restrictive agricultural trade regimes and unfair subsidies to domestic producers.<sup>49</sup>

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<sup>48</sup> This suggests the need for the government to work in concert with financial institutions not only to promote more efficient financial intermediation, but also to offer remittance recipients new and innovative financial services that would be useful to them, as well as proactively encourage a “savings culture”.

<sup>49</sup> No mention will be made here of regional trade arrangements that have proliferated in the Asian and Pacific, including the revitalized Bangkok Agreement (<http://www.unescap.org/tid/Bkkagr.asp>). While such regional or subregional pacts could complement and supplement national efforts to promote FDI and trade, there remain valid concerns about the negative impacts (trade and investment diversion, problems relating to rules of origin, and such) (for instance, see Bonapace, 2004, Rajan, 2004b and Rajan et al, Sen, 2001). Anderson (2004) notes that removing distortionary subsidies and easing other trade barriers will have a far greater impact on stimulating developing country trade than will regional trade pacts.

The World Bank President James Wolfensohn hit the nail on its head when he noted:

“It makes no sense to exhort poor countries to compete and pay their way in the world while we simultaneously deny them the means to do so, by restricting their market access in areas such as agriculture where they have a comparative advantage... We must work flexibly and creatively towards a world trading system that really makes a difference for developing countries... In order to have a balanced and inclusive world trade system, we need to pay special attention to developing countries’ current problems with the design and implementation of the rules of the game in international trade (Wolfensohn, 2000).”

The IMF’s Managing Director, Horst Köhler, made a similar point when he stated:

“For many countries, and for their poor, the global marketplace remains replete with obstacles. Our task must be to remove these obstacles and provide the opportunity for all countries to reap fully the benefits of globalization...A genuine development round must have broad-based improvements in market access conditions for agricultural products, and a significant reduction in trade-distorting supports, at its core. The primary responsibility here lies with the advanced economies, which need to put in place comprehensive reforms of their agricultural policies. Without such reforms, and the opening of global trade in agricultural products, I fear that achieving the Millennium Development Goals will remain elusive (Köhler, 2003).”

While the issue of market access has been extensively elaborated elsewhere (including World Bank, 2002, 2004a and Bhattacharyya, 2004), table 14 summarizes the gains to be reaped by developing countries from the removal of trade barriers. By 2015, developing countries stand to gain about US\$ 76 billion in real income by the developed countries unilaterally liberalizing merchandise trade. To put this in some perspective, recall that ODA granted to developing countries has averaged about US\$ 40 billion annually in recent times.

Apart from agriculture and labour intensive merchandise products (such as textiles and clothing), another aspect of market access of particular significance to developing countries pertains to the temporary movement of workers (Mode 4 under General Agreement on Trade in Services – GATS) which in turn could curtail the inflow of remittances.<sup>50</sup> This has not been factored in the above figures, thus significantly understating the potential gains from unhindered market access.

While the interim framework agreement reached in the multilateral trade talks in August 2004 offers room for optimism for a successful completion and implementation of the Doha Development Agenda (DDA), it is critical that developing countries continue to

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<sup>50</sup> While there is the open question about the economic consequences of permanent out-migration of skilled labour (“brain drain” or “brain bank”?), it is generally agreed that the net gains to developing countries can be maximized by facilitating temporary migration.

undertake far-reaching domestic policy reforms and adjustments to boost their level of export and investments as a means of alleviating poverty. Indeed, referring again to table 14, developing countries stand to gain US\$ 116 billion by undertaking unilateral liberalization. This point cannot be sufficiently stressed. While improved market access into developed countries can undoubtedly benefit many developing countries by allowing them to expand and diversify their exports (though, as always, some countries stand to benefit more than others), it is imperative that developing countries take necessary actions on their own to dismantle their own restrictive policies, as well as barriers that hinder South-South trade (for instance, see World Bank, 2003a). After all, the Monterrey Consensus endorses the model of universal, rules-based, nondiscriminatory global trade architecture to promote development<sup>51</sup> and commits the international community to scaling up funds to finance development, *contingent on* developing countries helping themselves by taking responsibility for good governance and implementing sound economic policies. Economic openness must be seen as one component of a broader and more systematic development strategy (Rodrik, 2000a).

## 6. Concluding remarks

The Monterrey Consensus was a notable milestone in the partnership on global development. For the first time specific attention was placed on ways of raising financial resources to further the Millennium Development Goals (MDGs), and in particular, the goal of halving the number of people living in absolute poverty by 2015. The Monterrey Consensus took a holistic approach to development finance, focusing on mobilization of external and internal sources of finance, trade, financial and technical cooperation, external debt and questions relating to how to ensure the coherence and consistency of international monetary, financial and trading systems, so as to complement national, regional and local development endeavors.

With regard to the specific issue of external sources of finance, while it is important that the developed world be urged to raise their longer-term aid commitments that are untied and non-strategic and non-commercial, realistically, FDI flows, remittances and export revenues have become the most vital components and will probably remain so for some time to come.

While the Asian and Pacific region as a whole is clearly better placed than some other regions in the world to achieve and surpass the MDG targets -- and much of East Asia has already done so (see UNESCAP, 2002) -- the absolute levels of impoverishment in region remains unacceptably high. Better economic policies and performances in the world's two most populous countries provide room for much optimism in the future (as far as poverty

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<sup>51</sup> The reshaping of the global trade architecture is the focus of World Bank (2002).

reduction is concerned). Nonetheless, regional associations such as the ESCAP and ADB can play significant roles in facilitating the flow of funds to the various countries to and within the region and enhance the effectiveness with which they are utilized. Specific attention ought to be paid to helping alleviate the supply-side constraints -- physical, informational and financial -- that might hinder developing countries from attracting FDI and exporting, as well as to enhancing the efficiency of financial intermediation, particularly important in the case of flows of workers' remittances.

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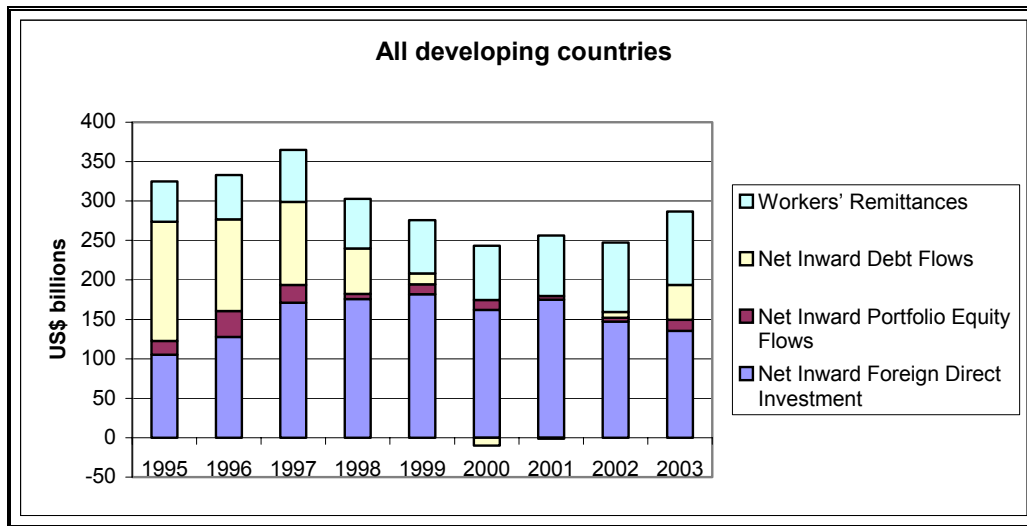
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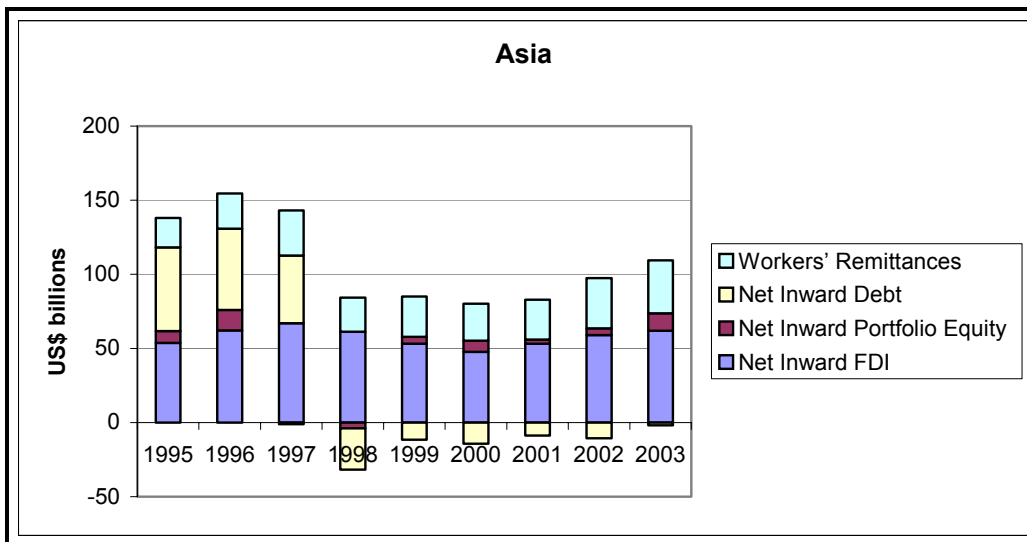
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**Figure 1. Components of private flows and workers' remittances, 1995-2003  
(billions of US dollars)**



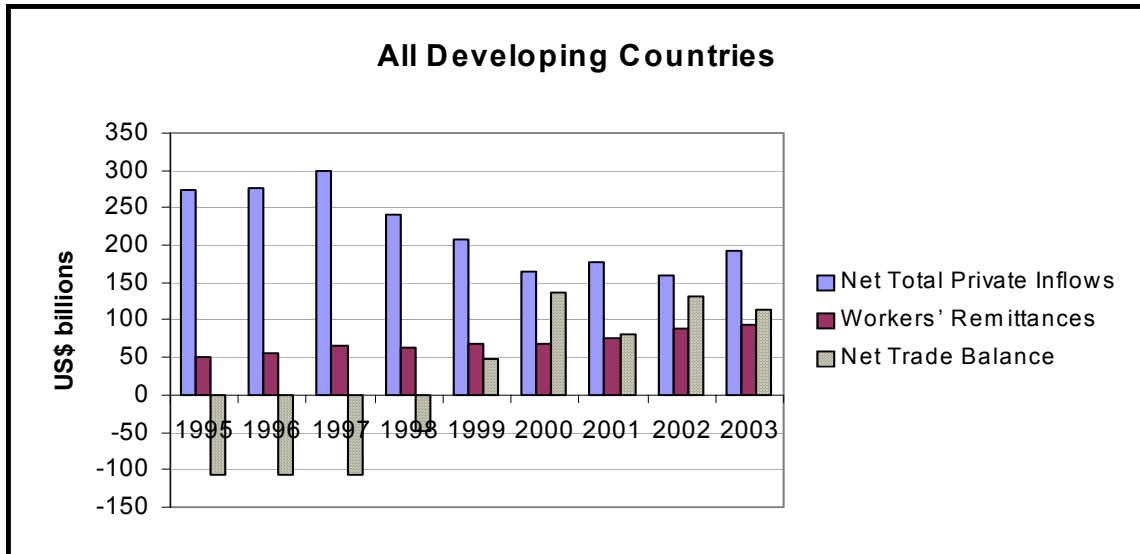
Source: Calculated from data in World Bank (2004b).

**Figure 2. Components of private flows and workers' remittances, 1995-2003  
(billions of US dollars)**



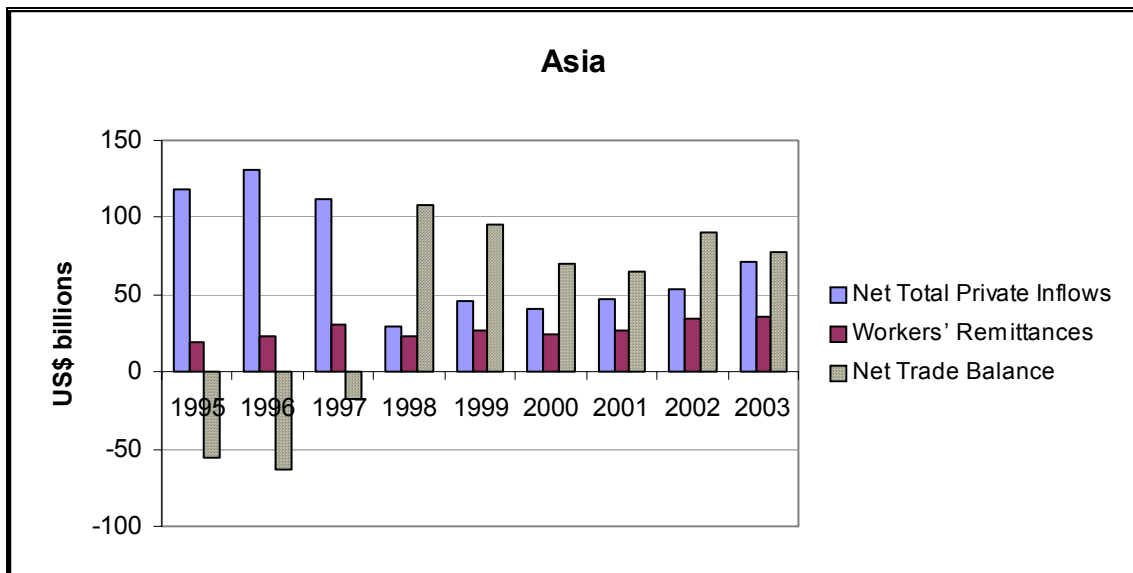
Source: Calculated from data in World Bank (2004b).

**Figure 3. Components of private flows, workers' remittances and net merchandise trade balance, 1995-2003 (billions of US dollars)**



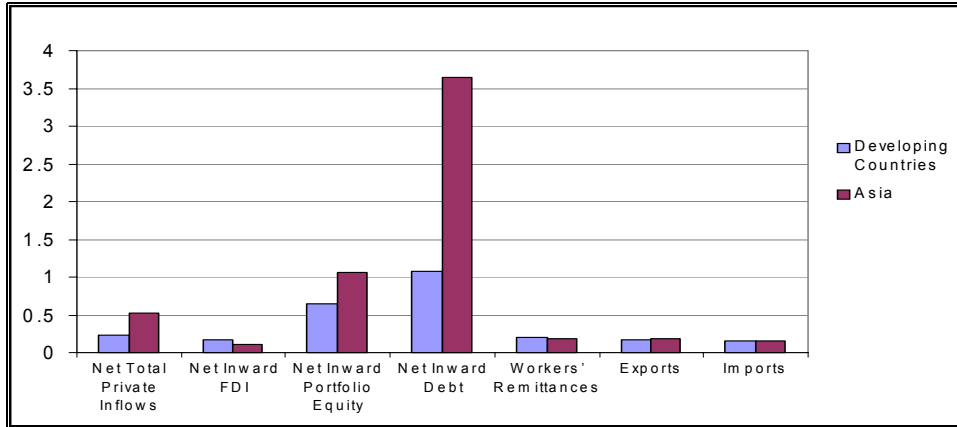
Source: Calculated from data in World Bank (2004b) and IFS.

**Figure 4. Components of private flows, workers' remittances and net merchandise trade balance, 1995-2003 (billions of US dollars)**

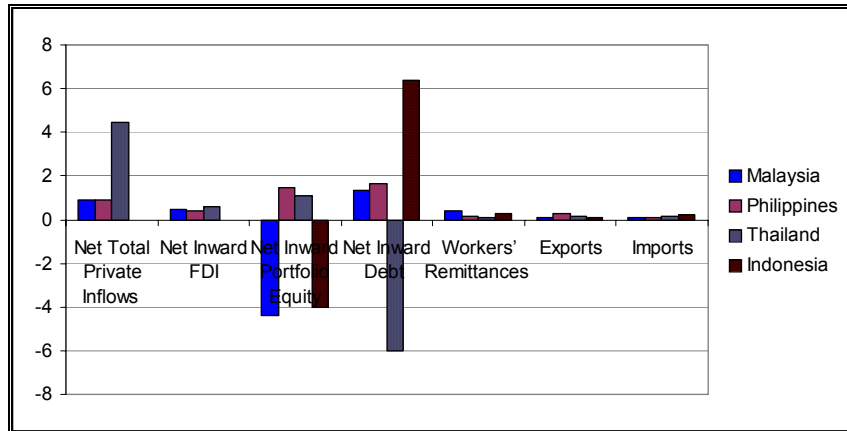


Source: Calculated from data in World Bank (2004b) and IFS.

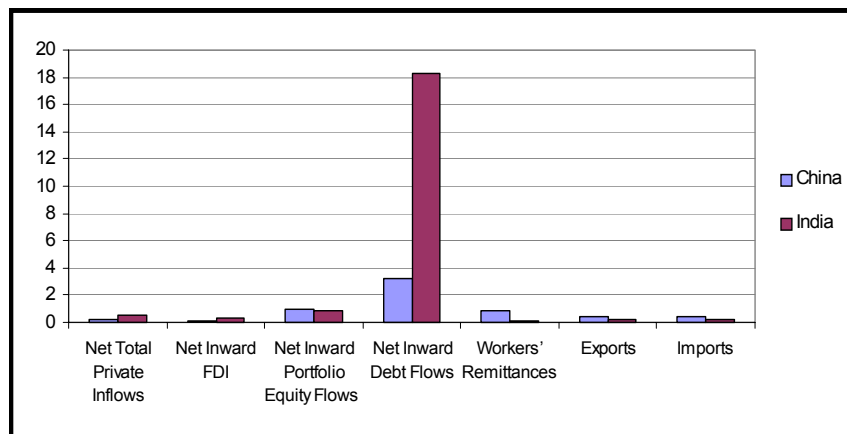
**Figure 5. Volatility of components of private external financing to developing countries and Asia, 1995-2003**



**Figure 6. Volatility of various components of private external financing to Malaysia, Thailand, Indonesia and the Philippines, 1995-2003**



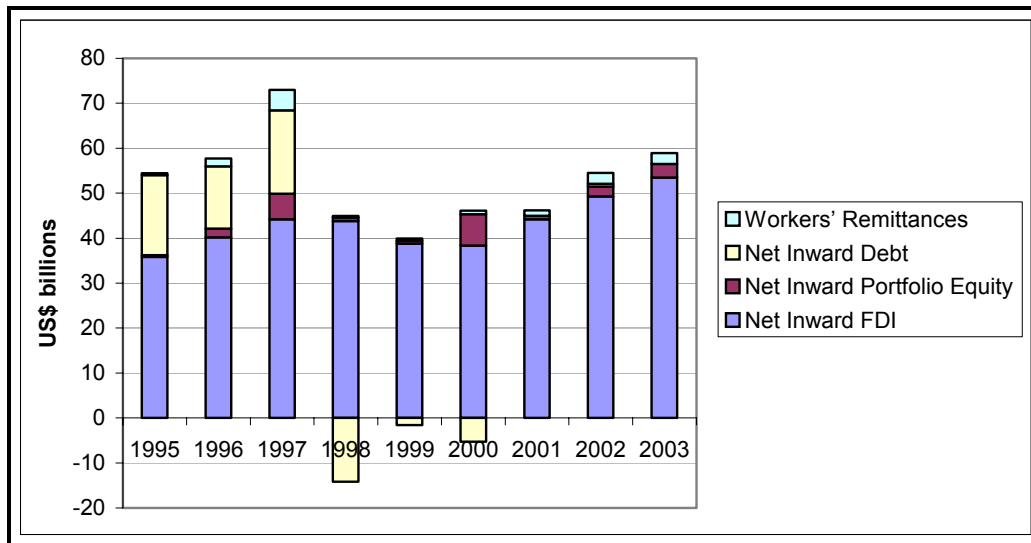
**Figure 7. Volatility of components of private external financing to China and India, 1995-2003**



Source for figures 5-7: Calculated from data in World Bank (2004b) and IFS.

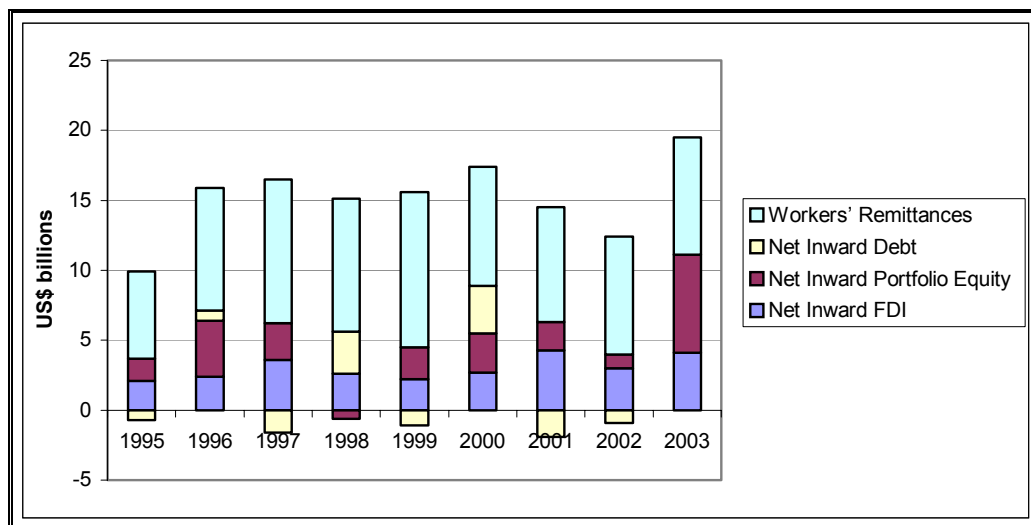
Notes for figures 5-7: Volatility based on coefficient of variation (CV).

**Figure 8. Components of private capital flows and workers' remittances to China, 1995-2003 (billions of US dollars)**



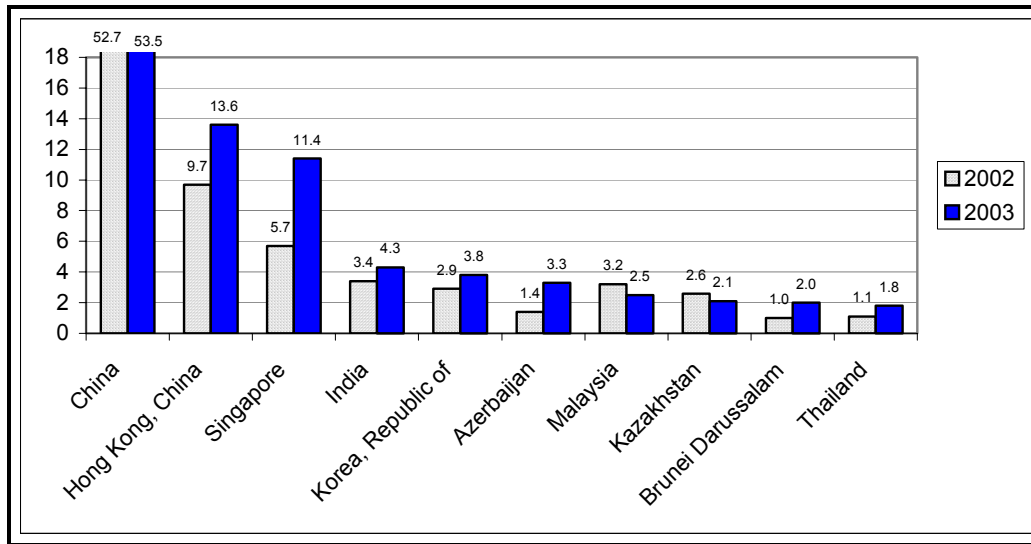
Source: Calculated from data in World Bank (2004b).

**Figure 9. Components of capital private flows and workers' remittances to India, 1995-2003 (billions of US dollars)**



Source: Calculated from data in World Bank (2004b).

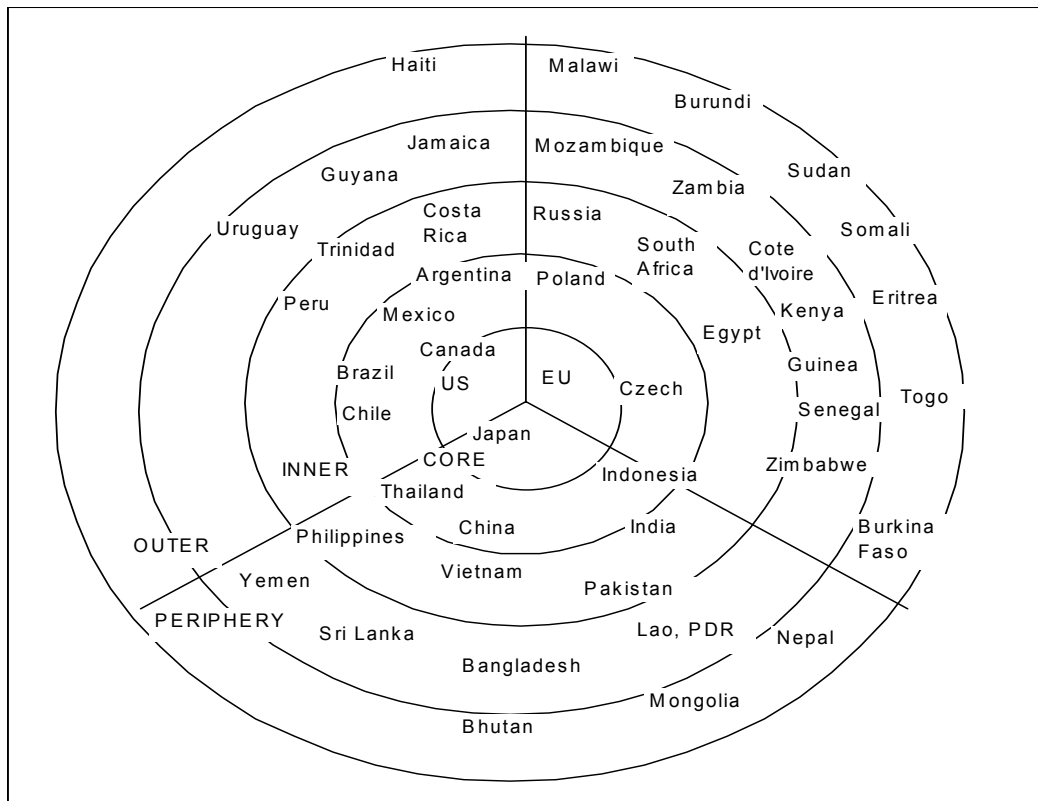
**Figure 10. Top 10 recipients of FDI inflows in the Asian and Pacific region, 2002- 2003<sup>1</sup> (billions of US dollars)**



Source: UNCTAD (2004).

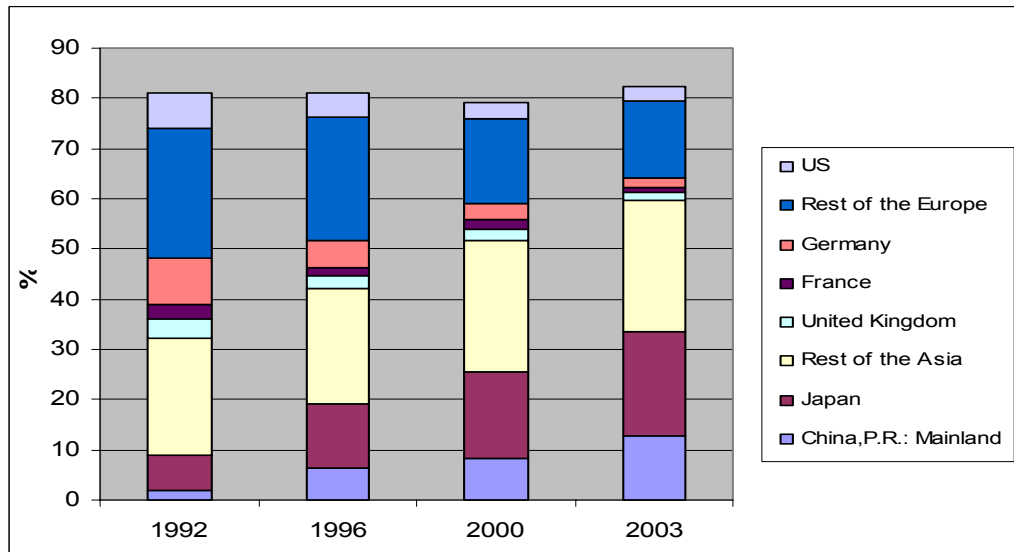
Note: <sup>1</sup> Ranked on the basis of the magnitude of 2003 FDI inflows.

**Figure 11. FDI: core versus periphery countries**



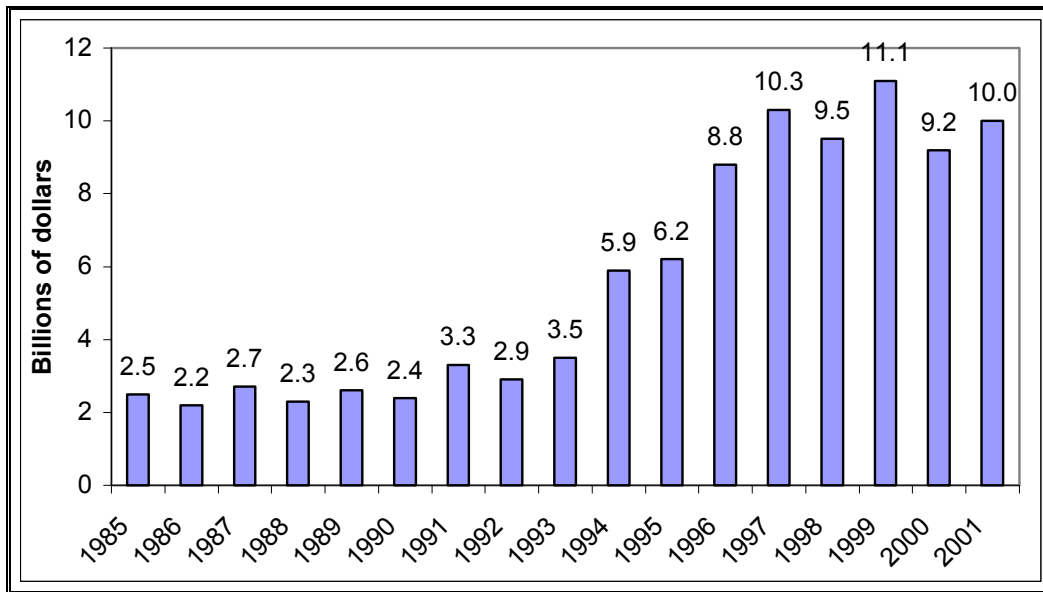
Source: Saravanamuttoo (1999).

Figure 12. Share of global reserves, 1995-2003 (per cent)



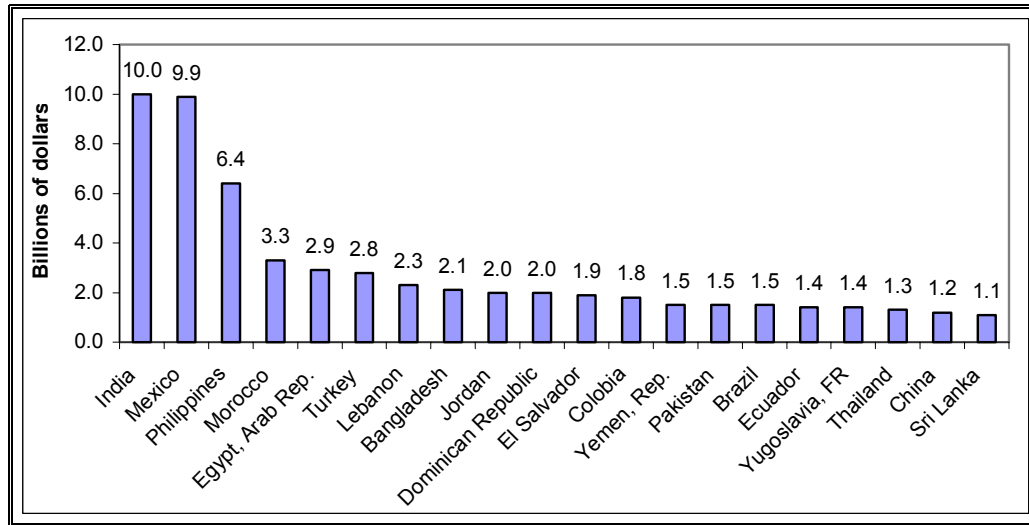
Source: Calculated from data in IMF, *International Financial Statistics*, various issues.

Figure 13. India's remittance receipts, 1985-2001 (billions of US dollars)



Source: World Bank (2003b).

**Figure 14. Top 20 developing country recipients of workers' remittances, 2001  
(billions of US dollars)**



Source: World Bank (2003b).

**Table 1. Regional breakdown of poverty estimates in developing countries, various measures**

<b>Region</b>	<b>1990</b>	<b>2000</b>	<b>2015</b>
<b>Number of people living on less than US\$ 1 per day (millions)</b>			
East Asia and Pacific	470	261	44
China	361	204	41
Rest of East Asia and Pacific	110	57	3
Europe and Central Asia	6	20	6
Latin America and the Caribbean	48	56	46
Middle East and North Africa	5	8	4
South Asia	466	432	268
Sub-Saharan Africa	241	323	366
Total	1 237	1 100	734
Excluding China	877	896	692
<b>US\$ 1 per day headcount index (per cent)</b>			
East Asia and Pacific	29.4	14.5	2.3
China	31.5	16.1	3.0
Rest of East Asia and Pacific	24.1	10.6	0.5
Europe and Central Asia	1.4	4.2	1.3
Latin America and the Caribbean	11.0	10.8	7.6
Middle East and North Africa	2.1	2.8	1.2
South Asia	41.5	31.9	16.4
Sub-Saharan Africa	47.4	49.0	42.3
Total	28.3	21.6	12.5
Excluding China	27.2	23.3	15.4
<b>Number of people living on less than US\$ 2 per day (millions)</b>			
East Asia and Pacific	1 094	873	354
China	800	599	256
Rest of East Asia and Pacific	295	273	98
Europe and Central Asia	31	101	48
Latin America and the Caribbean	121	136	124
Middle East and North Africa	50	72	38
South Asia	971	1 052	968
Sub-Saharan Africa	386	504	612
Total	2 653	2 737	2 144
Excluding China	1 854	2 138	1 888
<b>US\$ 2 per day head count index (per cent)</b>			
East Asia and Pacific	68.5	48.3	18.2
China	69.9	47.3	18.4
Rest of East Asia and Pacific	64.9	50.8	17.6
Europe and Central Asia	6.8	21.3	10.3
Latin America and the Caribbean	27.6	26.3	20.5
Middle East and North Africa	21.0	24.4	10.2
South Asia	86.3	77.7	59.2
Sub-Saharan Africa	76.0	76.5	70.7
Total	60.8	53.6	36.4
Excluding China	57.5	55.7	42.0

Source: World Bank (2004a).

**Table 2. Net total private flows, 1995-2003**  
(billions of US dollars)<sup>1</sup>

	1995	1996	1997	1998	1999	2000	2001	2002	2003
All developing countries	273.9	277	299	239.8	208.1	165.0	178.2	159.3	193.8
Asia <sup>2</sup>	118.2 (43.2)	130.8 (47.2)	111.6 (37.3)	29.4 (12.3)	46.1 (22.2)	40.9 (24.8)	47.3 (26.5)	53 (33.3)	71.9 (37.1)
China	54 (19.7)	56 (20.2)	68.4 (22.9)	30.4 (12.7)	41.9 (20.1)	40 (24.2)	45 (25.3)	52.1 (32.7)	56.5 (29.2)
India	3 (1.1)	7.1 (2.6)	4.6 (1.5)	5 (2.1)	3.4 (1.6)	8.9 (5.4)	4.4 (2.5)	3.1 (1.9)	11.1 (5.7)
Malaysia	11.5 (4.2)	14.2 (5.1)	5.5 (1.8)	-1.8 (-)	3.3 (1.6)	2.8 (1.7)	4.6 (2.6)	6.6 (4.1)	1.5 (0.8)
Philippines	0.8 (0.3)	8.1 (2.9)	8.4 (2.8)	-0.5 (-)	6.2 (3.0)	1.9 (1.2)	4.1 (2.3)	2.6 (1.6)	0.8 (0.4)
Thailand	25.4 (9.3)	17.4 (6.3)	6.5 (2.2)	-0.3 (-)	-2.4 (-)	-9.4 (-)	-6.2 (-)	-8.8 (-)	2 (1.0)

Source: World Bank (2004b).

Notes: <sup>1</sup> Figures in brackets denote individual countries percentage share of all developing countries flows.

<sup>2</sup> Asia constitutes of South Asia and East Asia and Pacific as defined by the World Bank.

**Table 3. Net inward foreign direct investment, 1995-2003**  
(billions of US dollars)<sup>1</sup>

	1995	1996	1997	1998	1999	2000	2001	2002	2003
All developing countries	105.3	127.6	171.1	175.6	181.7	162.2	175	147.1	135.2
Asia <sup>2</sup>	53.7 (51.0)	62.1 (48.7)	67 (39.2)	61.2 (34.9)	53.1 (29.2)	47.6 (29.3)	53.2 (30.4)	59 (40.1)	61.9 (45.8)
China	35.8 (34.0)	40.2 (31.5)	44.2 (25.8)	43.8 (24.9)	38.8 (21.4)	38.4 (23.7)	44.2 (25.3)	49.3 (33.5)	53.5 (39.6)
India	2.1 (2.0)	2.4 (1.9)	3.6 (2.1)	2.6 (1.5)	2.2 (1.2)	2.7 (1.7)	4.3 (2.5)	3 (2.0)	4.1 (3.0)
Malaysia	4.2 (4.0)	5.1 (4.0)	5.1 (3.0)	2.2 (1.3)	3.9 (2.1)	3.8 (2.3)	0.6 (0.3)	3.2 (2.2)	1.6 (1.2)
Philippines	1.5 (1.4)	1.5 (1.2)	1.2 (0.7)	2.3 (1.3)	1.7 (0.9)	1.3 (0.8)	1 (0.6)	1.1 (0.7)	0.4 (0.3)
Thailand	2.1 (2.0)	2.3 (1.8)	3.9 (2.3)	7.3 (4.2)	6.1 (3.4)	3.4 (2.1)	3.8 (2.2)	0.9 (0.6)	1.5 (1.1)
Pakistan	0.7 (0.7)	0.9 (0.7)	0.7 (0.4)	0.5 (0.3)	0.5 (0.3)	0.3 (0.2)	0.4 (0.2)	0.8 (0.5)	0.7 (0.5)
Viet Nam	1.8 (1.7)	2.4 (1.9)	2.2 (1.3)	1.7 (1.0)	1.4 (0.8)	1.3 (0.8)	1.3 (0.7)	1.4 (1.0)	1.3 (1.0)
Sri Lanka	0.1 (0.1)	0.1 (0.1)	0.4 (0.2)	0.2 (0.1)	0.2 (0.1)	0.2 (0.1)	0.2 (0.1)	0.2 (0.1)	0.2 (0.1)

Source: World Bank (2004b).

Notes: <sup>1</sup> Figures in brackets denote individual countries percentage share of all developing countries flows.

<sup>2</sup> Asia constitutes of South Asia and East Asia and Pacific as defined by the World Bank.

**Table 4. Net inward portfolio equity flows, 1995-2003  
(billions of US dollars)<sup>1</sup>**

	1995	1996	1997	1998	1999	2000	2001	2002	2003
All developing countries	17.3	32.9	22.6	6.6	12.6	12.6	4.4	4.9	14.3
Asia <sup>2</sup>	7.9 (45.7)	13.8 (41.9)	-1 (-)	-4 (-)	4.7 (37.3)	7.6 (60.3)	2.9 (65.9)	4.5 (91.8)	11.8 (82.5)
China	0.4 (2.3)	1.9 (5.8)	5.7 (25.2)	0.8 (12.1)	0.6 (4.8)	6.9 (54.8)	0.8 (18.2)	2.2 (44.9)	3 (21.0)
India	1.6 (9.2)	4 (12.2)	2.6 (11.5)	-0.6 (-)	2.3 (18.3)	2.8 (22.2)	2 (45.5)	1 (20.4)	7 (49.0)
Indonesia	1.5 (8.7)	1.8 (5.5)	-5 (-)	-4.4 (-)	-0.8 (-)	-1 (-)	0.4 (9.1)	0.9 (18.4)	1 (7.0)
Malaysia	2.2 (12.7)	2.7 (8.2)	-8 (-)	-0.4 (-)	0.1 (0.8)	-1.8 (-)	-0.7 (-)	-0.3 (-)	-0.1 (-)
Philippines	-	2.1 (6.4)	-0.4 (-)	0.3 (4.5)	1.4 (11.1)	-0.2 (-)	0.4 (9.1)	0.4 (8.2)	0.4 (2.8)
Thailand	2.1 (12.1)	1.2 (3.6)	3.9 (17.3)	0.3 (4.5)	0.9 (7.1)	0.9 (7.1)	0 (0.0)	0.2 (4.1)	0.5 (3.5)

Source: World Bank (2004b).

Notes: <sup>1</sup> Figures in brackets denote individual countries percentage share of all developing countries flows.

<sup>2</sup> Asia constitutes of South Asia and East Asia and Pacific as defined by the World Bank.

**Table 5. Net inward debt flows, 1995-2003  
(billions of US dollars)<sup>1</sup>**

	1995	1996	1997	1998	1999	2000	2001	2002	2003
All developing countries	151.3	116.5	105.3	57.6	13.8	-9.8	-1.2	7.3	44.3
Asia <sup>2</sup>	56.6 (37.4)	54.9 (47.1)	45.6 (43.3)	-27.8 (-)	-11.7 (-)	-14.3 (-)	-8.8 (-)	-10.5 (-)	-1.8 (-)
China	17.8 (11.8)	13.9 (11.9)	18.5 (17.6)	-14.2 (-)	-1.6 (-)	-5.3 (54.1)	0 (0.0)	0.6 (8.2)	-
India	-0.7 (-)	0.7 (0.6)	-1.6 (-)	3.0 (5.2)	-1.1 (-)	3.4 (-)	-1.9 (-)	-0.9 (-)	-
Indonesia	9.9 (6.5)	12.3 (10.6)	10.1 (9.6)	-4.6 (-)	-3.8 (-)	-0.7 (7.1)	-6.0 (-)	-7.0 (-)	-
Malaysia	5.1 (3.4)	6.4 (5.5)	8.4 (8.0)	-3.6 (-)	-0.7 (-)	0.4 (-)	4.7 (-)	3.7 (50.7)	-
Philippines	-0.7 (-)	4.5 (3.9)	7.6 (7.2)	-3.1 (-)	3.1 (22.5)	0.8 (-)	2.7 (-)	1.1 (15.1)	-
Thailand	21.2 (14.0)	13.9 (11.9)	-1.3 (-)	-7.9 (-)	-9.4 (-)	-13.7 (-)	-10.0 (-)	-9.9 (-)	-
Pakistan	2.6 (1.7)	1.1 (0.9)	1.6 (1.5)	0.7 (1.2)	0.7 (5.1)	-0.3 (3.1)	0.4 (-)	0.5 (6.8)	-

Source: World Bank (2004b).

Notes: <sup>1</sup> Figures in brackets denote individual countries percentage share of all developing countries flows.

<sup>2</sup> Asia constitutes of South Asia and East Asia and Pacific as defined by the World Bank.

**Table 6. Net inward short-term debt flows, 1995-2003  
(billions of US dollars)<sup>1</sup>**

	1995	1996	1997	1998	1999	2000	2001	2002	2003
All developing countries	58.3	30.8	8.0	-63.6	-22.3	-9.1	-22.9	1.4	32
Asia <sup>2</sup>	29.2 (50.1)	20.8 (67.5)	2.6 (32.5)	-44.6 (70.1)	-13.8 (61.9)	-11.1 (-)	-0.4 (1.7)	10.0 (-)	13.3 (41.6)
China	4.8 (8.2)	3.1 (10.1)	6.1 (76.3)	-14.1 (22.2)	-2.2 (9.9)	-2.1 (23.1)	1.8 (-)	6.3 (-)	-
India	0.8 (1.4)	1.7 (5.5)	-1.7 (-)	-0.7 (1.1)	-0.4 (1.8)	-0.5 (5.5)	-0.7 (3.1)	1.8 (-)	-
Indonesia	6.5 (11.1)	6.3 (20.5)	0.6 (7.5)	-9.7 (15.3)	-1.6 (7.2)	1.5 (-)	-1 (4.4)	0.7 (50.0)	-
Malaysia	1.1 (1.9)	3.8 (12.3)	3.9 (48.8)	-6.5 (10.2)	-2.5 (11.2)	-1.4 (15.4)	1.7 (-)	2.1 (-)	-
Philippines	-0.4 (-)	2.7 (8.8)	3.8 (47.5)	-4.6 (7.2)	-1.4 (6.3)	0.2 (-)	0.1 (-)	-0.5 (-)	-
Thailand	14.9 (25.6)	3.6 (11.7)	-9.9 (-)	-8.2 (12.9)	-6.2 (27.8)	-8.5 (93.4)	-1.7 (7.4)	-1.3 (-)	-
Pakistan	1.3 (2.2)	-0.4 (-)	-0.3 (-)	-0.5 (0.8)	-0.1 (0.4)	-0.3 (3.3)	-0.2 (0.9)	0.2 (14.3)	-

Source: World Bank (2004b).

Notes: <sup>1</sup> Figures in brackets denote individual countries percentage share of all developing countries flows.

<sup>2</sup> Asia constitutes of South Asia and East Asia and Pacific as defined by the World Bank.

**Table 7. Workers' remittances received by developing countries, 1995-2003**  
(billions of US dollars)<sup>1</sup>

	1995	1996	1997	1998	1999	2000	2001	2002	2003
All developing countries	51.1	56	66.1	62.9	67.6	68.4	77	88.1	93
Asia <sup>2</sup>	19.9 (38.9)	23.7 (42.3)	30.5 (46.1)	23.1 (36.7)	27.2 (40.2)	25 (36.5)	26.8 (34.8)	33.9 (38.5)	35.8 (38.5)
China	0.4 (0.8)	1.7 (3.0)	4.6 (7.0)	0.3 (0.5)	0.5 (0.7)	0.8 (1.2)	1.2 (1.6)	2.4 (2.7)	2.4 (2.6)
India	6.2 (12.1)	8.8 (15.7)	10.3 (15.6)	9.5 (15.1)	11.1 (16.4)	8.5 (12.4)	8.2 (10.6)	8.4 (9.5)	8.4 (9.0)
Indonesia	0.4 (0.8)	0.8 (1.4)	0.7 (1.1)	1 (1.6)	1.1 (1.6)	1.2 (1.8)	1 (1.3)	1.3 (1.5)	1.3 (1.4)
Malaysia	0.1 (0.2)	0.2 (0.4)	0.2 (0.3)	0.2 (0.3)	0.3 (0.4)	0.3 (0.4)	0.4 (0.5)	0.4 (0.5)	0.4 (0.4)
Philippines	5.4 (10.6)	4.9 (8.8)	6.8 (10.3)	5.1 (8.1)	6.9 (10.2)	6.2 (9.1)	6.2 (8.1)	7.4 (8.4)	8 (8.6)
Thailand	3.4 (6.7)	3.6 (6.4)	3.3 (5.0)	2.8 (4.5)	2.9 (4.3)	3.4 (5.0)	2.5 (3.2)	2.8 (3.2)	2.8 (3.0)
Pakistan	1.7 (3.3)	1.3 (2.3)	1.7 (2.6)	1.2 (1.9)	1 (1.5)	1.1 (1.6)	1.5 (1.9)	3.6 (4.1)	4.2 (4.5)
Sri Lanka	0.8 (1.6)	0.8 (1.4)	0.9 (1.4)	1 (1.6)	1.1 (1.6)	1.2 (1.8)	1.2 (1.6)	1.3 (1.5)	1.5 (1.6)
Bangladesh	1.2 (2.3)	1.3 (2.3)	1.5 (2.3)	1.6 (2.5)	1.8 (2.7)	2 (2.9)	2.1 (2.7)	2.9 (3.3)	3.2 (3.4)

Source: World Bank (2004b).

Notes: <sup>1</sup> Figures in brackets denote individual countries percentage share of all developing countries flows.

<sup>2</sup> Asia constitutes of South Asia and East Asia and Pacific as defined by the World Bank.

**Table 8a. Merchandise exports, 1995-2003 (billions of US dollars)<sup>1</sup>**

	1995	1996	1997	1998	1999	2000	2001	2002	2003
All developing countries	1,658.1	1,785.9	1,892.76	1,776.55	1,903.57	2,362.37	2,255.78	2,430.73	2,868.81
<i>Asia</i> <sup>2</sup>	932.78 (56.3)	973.17 (54.5)	1,038.96 (54.9)	986.23 (55.5)	1,051.64 (55.2)	1,266.56 (53.6)	1,182.58 (52.4)	1,298.57 (53.4)	1,550 (54.0)
China	148.8 (9.0)	151.0 (8.5)	182.8 (9.7)	183.7 (10.3)	194.9 (10.2)	249.2 (10.5)	266.1 (11.8)	325.6 (13.4)	437.9 (15.3)
India	30.6 (1.8)	33.1 (1.9)	35.0 (1.8)	33.4 (1.9)	35.7 (1.9)	42.4 (1.8)	43.3 (1.9)	49.3 (2.0)	56.0 (2.0)
Indonesia	45.4 (2.7)	49.8 (2.8)	53.4 (2.8)	48.8 (2.7)	48.7 (2.6)	62.1 (2.6)	56.4 (2.5)	58.1 (2.4)	62.6 (2.2)
Malaysia	73.9 (4.5)	78.3 (4.4)	78.7 (4.2)	73.3 (4.1)	84.6 (4.4)	98.2 (4.2)	88.0 (3.9)	93.3 (3.8)	99.4 (3.5)
Philippines	17.5 (1.1)	20.4 (1.1)	24.9 (1.3)	29.4 (1.7)	36.6 (1.9)	39.8 (1.7)	32.7 (1.4)	36.5 (1.5)	36.5 (1.3)
Thailand	56.4 (3.4)	55.7 (3.1)	57.4 (3.0)	54.5 (3.1)	58.4 (3.1)	69.1 (2.9)	65.1 (2.9)	68.8 (2.8)	80.5 (2.8)
Pakistan	8.0 (0.5)	9.3 (0.5)	8.7 (0.5)	8.5 (0.5)	8.4 (0.4)	9.0 (0.4)	9.2 (0.4)	9.9 (0.4)	11.9 (0.4)

**Table 8b. Merchandise imports, 1995-2003 (billions of US dollars)<sup>1</sup>**

	1995	1996	1997	1998	1999	2000	2001	2002	2003
All developing countries	1,765.48	1,893.65	1,998.85	1,825.48	1,855.16	2,226.36	2,175.01	2,298.75	2,754.26
<i>Asia</i> <sup>2</sup>	987.85 (56.0)	1,035.85 (54.7)	1,056.85 (52.9)	878.68 (48.1)	956.55 (51.6)	1,196.45 (53.7)	1,117.76 (51.4)	1,208.38 (52.6)	1,472.41 (53.5)
China	132.1 (7.5)	138.8 (7.3)	142.4 (7.1)	140.2 (7.7)	165.7 (8.9)	225.1 (10.1)	243.6 (11.2)	295.2 (12.8)	413.1 (15.0)
India	34.7 (2.0)	37.9 (2.0)	41.4 (2.1)	43.0 (2.4)	47.0 (2.5)	51.5 (2.3)	50.4 (2.3)	56.5 (2.5)	70.7 (2.6)
Indonesia	40.6 (2.3)	42.9 (2.3)	41.7 (2.1)	27.3 (1.5)	24.0 (1.3)	33.5 (1.5)	31.0 (1.4)	25.4 (1.1)	41.7 (1.5)
Malaysia	77.7 (4.4)	78.4 (4.1)	79.0 (4.0)	58.3 (3.2)	65.4 (3.5)	82.0 (3.7)	73.9 (3.4)	79.9 (3.5)	81.9 (3.0)
Philippines	28.3 (1.6)	34.1 (1.8)	38.6 (1.9)	31.5 (1.7)	32.6 (1.8)	37.0 (1.7)	34.9 (1.6)	37.2 (1.6)	39.5 (1.4)
Thailand	70.8 (4.0)	72.3 (3.8)	62.9 (3.1)	43.0 (2.4)	50.3 (2.7)	61.9 (2.8)	62.1 (2.9)	64.7 (2.8)	75.8 (2.8)
Pakistan	11.5 (0.6)	12.1 (0.6)	11.6 (0.6)	9.3 (0.5)	10.2 (0.6)	10.9 (0.5)	10.2 (0.5)	11.2 (0.5)	13.0 (0.5)

Source: IMF, *International Financial Statistics*.

Notes for tables 9 and 10:

<sup>1</sup> Figures in brackets denote individual countries percentage share of all developing countries.

<sup>2</sup> Asia as defined by International Monetary Fund.

**Table 9. Direction of exports of the Asian and Pacific developing region, 1985 and 2001  
(Per cent of total)**

To	DMCs <sup>1</sup>				Japan				United States				EU				Others			
	1985	1990	1996	2001	1985	1990	1996	2001	1985	1990	1996	2001	1985	1990	1996	2001	1985	1990	1996	2001
<b>East Asia</b>	n.a.	33.9	n.a.	35.7	n.a.	12.5	n.a.	12.0	n.a.	20.9	n.a.	21.2	n.a.	14.8	n.a.	14.5	n.a.	17.9	n.a.	16.6
Hong Kong, China	35.6	35.5	46.0	45.6	4.2	5.7	6.5	5.9	30.8	24.1	21.2	22.3	11.8	18.5	15.8	14.5	17.6	14.7	10.5	16.4
Rep. of Korea	12.9	14.8	38.4	31.7	15.0	18.6	12.3	11.0	35.6	28.6	16.8	20.9	10.4	14.8	13.3	13.1	26.0	23.1	19.2	23.2
Taiwan Province of China	15.6	n.a.	n.a.	n.a.	11.3	n.a.	n.a.	n.a.	15.5	n.a.	n.a.	n.a.	5.5	n.a.	n.a.	n.a.	52.1	n.a.	n.a.	n.a.
China	38.2	52.2	36.6	30.9	22.3	14.7	20.4	16.9	8.5	8.5	17.7	20.4	7.8	10.0	15.0	15.4	23.3	14.7	10.3	16.4
Mongolia	3.1	14.0	38.5	48.8	11.2	17.6	21.5	2.1	5.5	2.0	8.0	30.5	20.5	20.5	n.a.	8.0	59.6	45.9	32.0	10.6
<b>Central Asia</b>	n.a.	n.a.	n.a.	14.9	n.a.	n.a.	n.a.	0.4	n.a.	n.a.	n.a.	1.8	n.a.	n.a.	n.a.	29.6	n.a.	n.a.	n.a.	53.3
Azerbaijan	n.a.	n.a.	n.a.	1.9	n.a.	n.a.	n.a.	0.0	n.a.	n.a.	n.a.	0.6	n.a.	n.a.	n.a.	69.5	n.a.	n.a.	n.a.	28.1
Kazakhstan	n.a.	n.a.	15.1	13.5	n.a.	n.a.	1.4	0.2	n.a.	n.a.	n.a.	1.8	n.a.	n.a.	n.a.	23.3	n.a.	n.a.	n.a.	68.7
Kyrgyzstan	n.a.	n.a.	53.8	25.5	n.a.	n.a.	0.2	0.1	n.a.	n.a.	n.a.	1.5	n.a.	n.a.	n.a.	24.7	n.a.	n.a.	n.a.	52.3
Tajikistan	n.a.	n.a.	n.a.	17.6	n.a.	n.a.	n.a.	0.0	n.a.	n.a.	n.a.	0.2	n.a.	n.a.	n.a.	32.8	n.a.	n.a.	n.a.	49.4
Turkmenistan	n.a.	n.a.	n.a.	27.9	n.a.	n.a.	n.a.	0.0	n.a.	n.a.	n.a.	4.0	n.a.	n.a.	n.a.	11.3	n.a.	n.a.	n.a.	56.8
Uzbekistan	n.a.	n.a.	15.8	24.8	n.a.	n.a.	2.1	2.4	n.a.	n.a.	n.a.	2.5	n.a.	n.a.	n.a.	21.2	n.a.	n.a.	n.a.	49.4
<b>South-East Asia</b>	n.a.	31.0	n.a.	38.6	n.a.	18.3	n.a.	13.4	n.a.	19.6	n.a.	18.2	n.a.	15.8	n.a.	15.0	n.a.	15.3	n.a.	14.9
Cambodia	67.9	83.3	52.1	7.6	7.0	7.6	1.8	1.0	n.a.	0.0	1.2	64.2	13.2	5.0	14.0	24.8	11.9	4.1	30.9	2.3
Indonesia	17.2	21.6	31.5	32.1	46.2	42.5	28.8	20.9	21.7	13.1	16.5	15.3	6.0	12.0	18.3	13.8	8.8	10.6	4.9	15.7
Lao PDR	71.9	78.1	64.9	46.6	6.6	7.1	6.6	1.5	2.7	0.1	4.8	0.9	0.5	9.4	27.0	25.6	18.2	5.3	-3.0	25.4
Malaysia	38.1	42.1	45.9	39.4	24.6	15.3	13.4	13.3	12.8	16.9	18.2	20.2	13.6	15.4	14.8	13.6	11.0	10.3	7.7	13.0
Myanmar	47.1	57.1	54.1	52.8	8.4	6.9	7.4	3.4	0.8	2.3	8.3	16.6	8.4	6.9	6.3	14.5	35.4	26.8	23.9	12.7
Philippines	19.5	15.0	25.1	26.5	19.0	19.8	17.1	15.7	35.9	37.9	32.6	28.0	13.8	18.5	18.6	19.3	11.8	8.9	6.6	10.6
Singapore	36.7	36.2	48.4	47.8	9.4	8.8	8.2	7.7	21.2	21.3	18.4	15.4	10.1	15.0	13.4	13.4	22.5	18.7	11.6	15.8
Thailand	27.1	20.5	34.0	32.2	13.4	17.2	16.8	15.3	19.7	22.7	18.0	20.3	17.8	22.7	15.7	16.1	22.0	17.0	15.5	15.9
Viet Nam	50.4	25.6	24.6	26.8	17.4	13.5	26.4	17.5	n.a.	0.0	4.5	7.6	6.2	6.8	25.0	26.8	26.0	54.1	19.5	21.3

To	DMCs <sup>1</sup>				Japan				United States				EU				Others			
	1985	1990	1996	2001	1985	1990	1996	2001	1985	1990	1996	2001	1985	1990	1996	2001	1985	1990	1996	2001
<b>South Asia</b>	n.a.	12.7	n.a.	20.2	n.a.	8.4	n.a.	3.8	n.a.	16.3	n.a.	23.8	n.a.	29.9	n.a.	26.1	n.a.	32.8	n.a.	26.1
Afghanistan	n.a.	14.7	n.a.	49.1	n.a.	1.5	n.a.	0.2	n.a.	3.4	n.a.	0.8	n.a.	61.7	n.a.	26.9	n.a.	18.7	n.a.	23.4
Bangladesh	14.5	10.1	7.6	5.1	7.2	3.9	3.1	1.1	18.1	30.5	31.0	29.6	13.0	31.5	45.0	41.3	47.3	24.0	13.3	22.9
Bhutan	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
India	8.9	11.4	24.1	23.5	11.1	9.3	7.4	4.5	18.9	15.1	17.3	21.0	16.7	27.7	29.4	24.0	44.4	36.5	21.8	27.1
Maldives	50.8	38.5	41.9	25.0	10.1	8.5	7.0	2.8	24.3	24.2	8.5	54.4	4.0	26.2	38.0	11.6	10.9	2.6	4.6	6.2
Nepal	41.4	13.9	12.4	37.9	0.7	0.8	0.6	1.8	35.3	23.4	34.4	34.8	20.3	53.3	52.0	19.6	46.8	8.6	0.6	5.8
Pakistan	16.0	18.4	21.4	19.1	11.3	8.2	6.5	2.0	10.0	12.4	16.7	24.3	20.9	36.0	30.1	27.1	41.7	25.0	25.3	27.5
Sri Lanka	11.2	9.3	8.1	7.7	5.1	5.4	6.2	3.9	22.3	25.9	34.1	40.8	17.9	26.3	34.4	26.7	43.6	33.2	17.2	20.9
<b>The Pacific</b>	n.a.	13.6	n.a.	16.0	n.a.	21.6	n.a.	10.4	n.a.	4.2	n.a.	6.8	n.a.	23.4	n.a.	9.6	n.a.	37.3	n.a.	57.2
Cook Islands	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Timor-Leste	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Fiji	22.5	4.6	4.9	15.3	3.0	5.9	8.4	5.0	4.9	8.4	10.6	28.8	31.0	23.3	21.3	13.5	38.6	58.3	54.8	37.4
Kiribati	7.2	1.0	n.a.	43.6	4.3	12.2	n.a.	49.2	n.a.	8.9	n.a.	3.0	44.5	72.3	n.a.	1.8	44.0	5.7	100.0	2.4
Marshall Islands	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Micronesia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Nauru	n.a.	11.5	n.a.	31.7	n.a.	0.0	n.a.	6.9	n.a.	2.0	n.a.	0.0	n.a.	0.5	n.a.	1.4	n.a.	86.1	n.a.	60.0
Papua New Guinea	9.9	17.2	19.0	13.8	22.1	27.8	21.5	10.6	4.0	2.4	0.4	1.5	46.5	24.1	21.0	8.9	17.6	28.6	38.1	65.1
Samoa	0.3	6.8	2.7	12.4	0.9	0.9	0.3	1.4	59.4	6.9	1.7	11.2	5.8	20.5	1.6	2.0	33.6	64.9	93.7	72.9
Solomon Islands	11.1	19.4	n.a.	61.6	52.1	43.1	n.a.	21.9	2.4	3.9	n.a.	3.4	26.3	22.6	13.5	5.3	8.2	10.9	86.5	7.8
Tonga	5.9	1.7	n.a.	3.1	0.2	30.0	n.a.	51.3	3.2	26.0	n.a.	34.4	0.5	1.6	5.5	3.0	90.2	40.7	94.5	8.2
Tuvalu	n.a.	0.1	n.a.	14.3	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.	12.6	n.a.	79.0	n.a.	87.3	n.a.	6.8
Vanuatu	1.4	3.3	n.a.	54.6	6.7	20.6	n.a.	12.4	n.a.	3.7	n.a.	1.0	25.4	54.3	42.9	19.7	66.6	18.1	57.1	12.3
<b>DMCs<sup>1</sup></b>	<b>25.6</b>	<b>31.1</b>	<b>39.2</b>	<b>35.5</b>	<b>16.5</b>	<b>14.4</b>	<b>12.9</b>	<b>11.8</b>	<b>26.3</b>	<b>20.0</b>	<b>16.4</b>	<b>19.9</b>	<b>10.7</b>	<b>16.3</b>	<b>15.8</b>	<b>15.6</b>	<b>20.9</b>	<b>18.1</b>	<b>15.1</b>	<b>17.2</b>

Source: ADB, Asian Development Outlook, various years.

Note: <sup>1</sup>DMCs - Developing Member Countries of ADB.

**Table 10. Net official financing of developing countries, 1990-2003**  
(billions of US dollars)

	1990	1997	1998	1999	2000	2001	2002	2003 <sup>1</sup>
Total	54.2	38.4	60.9	42.2	22.8	54.8	35.3	28.0
Grants	27.7	25.3	26.7	28.5	28.7	27.9	31.2	34.3
Net lending	26.5	13.2	34.2	13.7	-5.9	26.9	4.1	-6.3
Multilateral <sup>2</sup>	15.5	19.8	37.4	15.9	0.9	34.6	14.7	6.5
Concessional	6.7	7.6	7.4	7.0	5.6	7.3	7.5	6.4
Non-concessional	8.8	12.3	30.0	8.8	-4.7	27.3	7.2	0.1
Bilateral	11.0	-6.6	-3.2	-2.2	-6.8	-7.7	-10.6	-12.8
Concessional	8.5	0.2	2.0	5.0	0.7	1.6	-1.8	-1.0
Non-concessional	2.4	-6.9	-5.2	-7.2	-7.5	-9.3	-8.8	-11.8

Source: World Bank (2004b).

Notes: <sup>1</sup> Estimate.

<sup>2</sup> Includes IMF.

**Table 11. Significance of remittance receipts to developing countries, 2002**  
(billions of US dollars)

	All developing	Low-income	Lower-middle-income	Upper-middle-income	High-income
Total remittance receipts	88.1	25.7	44.5	17.9	44.4
As percentage of GDP	1.5	2.9	1.3	1.0	0.2
As percentage of imports	5.1	12.1	4.9	3.2	1.2
As percentage of domestic investment	8.0	14.6	5.9	14.0	35.7
As percentage of FDI inflows	66.2	388.9	49.2	51.3	8.4
As percentage of net official finance	250.0	-	-	-	-
Other current transfers <sup>1</sup>	38.0	9.0	22.0	7.0	83.0
Remittance receipts and other current transfers	126.1	40.2	66.6	24.6	127.4
Total remittance payments	28.0	1.5	3.1	23.4	77.2
Excluding Saudi Arabia	12.1	1.5	3.1	7.5	77.2

Source: World Bank (2003b).

Note: <sup>1</sup> Other current transfers include gifts, donations to charities, pensions received by currently retired expatriate workers, etc. They may also include personal transfers by migrant workers to families back home.

**Table 12. FDI in the developing Asian and Pacific region, 1991-2002**  
(Millions of US dollars)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
<b>East Asia</b>	7,355	14,815	30,695	37,978	41,294	48,515	n.a.	35,975	45,872	42,613	49,587	33,964
Hong Kong, China	538	2,051	1,667	2,000	2,100	2,500	n.a.	-2,220	5,222	2,564	12,431	-3,976
Republic of Korea	1,180	727	588	809	1,776	2,308	-1,605	673	5,136	4,285	1,108	-703
China	4,366	11,156	27,515	33,787	35,849	42,300	41,674	41,117	36,978	37,483	37,356	42,026
Taiwan Province of China	1,271	879	917	1,375	1,559	1,402	-2,995	-3,614	-1,494	-1,773		-3,441
Mongolia	n.a.	2	8	7	10	5	25	19	30	54	63	58
<b>Central Asia</b>	0	140	195	245	430	381	2,929	2,526	2,288	1,569	3,092	2,554
Azerbaijan	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1,115	1,023	510	119	265	1,167
Kazakhstan	n.a.	100	150	185	280	310	1,320	1,143	1,468	1,278	2,748	1,359
Kyrgyzstan	n.a.	n.a.	n.a.	10	30	16	83	87	38	-7	-1	7
Tajikistan	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	18	25	21	24	9	21
Turkmenistan	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	108	108	130	80	n.a.	n.a.
Uzbekistan	n.a.	40	45	50	120	55	285	140	121	75	71	n.a.
<b>South-East Asia</b>	13,399	12,103	15,420	15,011	21,227	29,244	19,492	17,963	14,692	8,939	5,053	7,177
Cambodia	n.a.	33	54	69	151	350	168	121	144	112	63	60
Indonesia	1,482	1,777	2,004	2,109	4,348	7,960	4,525	-356	-2,745	-4,550	-2,914	n.a.
Lao PDR	7	8	30	59	88	104	n.a.	n.a.	52	34	24	41
Malaysia	3,998	5,183	5,006	4,342	4,132	5,300	6,788	2,708	2,473	1,762	600	3,200
Myanmar	238	171	149	91	115	100	419	275	212	n.a.	n.a.	n.a.
Philippines	544	228	1,238	1,591	1,478	1,408	1,113	1,592	608	1,348	1,953	850
Singapore	4,887	2,204	4,686	5,480	6,912	9,440	1,281	5,594	7,848	6,402	1,402	2,015
Thailand	2,014	2,114	1,730	1,322	2,003	2,426	3,298	7,360	5,742	3,372	3,652	614
Viet Nam	229	385	523	742	2,000	2,156	1,900	669	358	459	273	397
<b>South Asia</b>	470	703	1,141	1,922	2,643	3,468	4,742	3,499	2,980	3,195	4,547	2,697
Afghanistan	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Bangladesh	1	4	14	11	2	9	16	249	198	194	174	65
Bhutan	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0	0	1	0	0	2
India	155	233	574	1,314	1,929	2,587	3,557	2,462	2,155	2,339	3,904	2,146
Maldives	7	7	7	6	5	7	11	12	12	13	12	n.a.
Nepal	2	1	4	6	5	5	28	11	9	0	0	0
Pakistan	257	335	347	419	639	690	700	572	428	473	285	484
Sri Lanka	48	123	195	166	63	170	430	193	177	176	172	n.a.
<b>Pacific Island</b>	260	390	69	106	573	362	140	278	223	83	195	0
Cook Islands	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Timor-Leste	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Fiji	15	51	29	65	67	47	-11	140	-79	-69	-3	n.a.
Kiribati	n.a.	n.a.	-1	n.a.	n.a.	1	1	1	1	1	1	n.a.
Marshall Islands	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Micronesia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Nauru	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Papua New Guinea	203	294	-2	-5	453	230	88	110	296	130	179	n.a.
Samoa	3	4	2	3	2	4	20	3	2	-2	1	n.a.
Solomon Islands	15	14	13	11	18	21	9	2	-19	1	-5	n.a.
Tonga	n.a.	1	2	2	1	23	3	2	2	2	2	n.a.
Tuvalu	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Vanuatu	25	26	26	30	31	36	30	20	20	20	20	n.a.
<b>Total</b>	<b>21,485</b>	<b>28,151</b>	<b>47,520</b>	<b>56,056</b>	<b>66,166</b>	<b>81,970</b>	<b>64,402</b>	<b>60,241</b>	<b>66,055</b>	<b>56,399</b>	<b>62,474</b>	<b>46,392</b>

Source: ADB, Asian Development Outlook, various years.

**Table 13. Overseas Development Assistance (ODA) by industrial countries, 1990-2002  
(billions of US dollars)**

	1990	1997	1998	1999	2000	2001	2002	ODA/GNI in 2002 (per cent)	Percentage change in real terms in 2002 <sup>1</sup>
Total ODA	54.5	48.5	52.1	56.4	53.7	52.3	58.3	0.23	7.2
G-7 countries	42.5	35.1	38.6	39.4	40.2	38.2	42.6	0.20	9.2
United States	11.4	6.9	8.8	9.1	10.0	11.4	13.3	0.13	15.0
Japan	9.1	9.4	10.6	12.2	13.5	9.8	9.3	0.23	-1.2
Germany	6.3	5.9	5.6	5.5	5.0	5.0	5.3	0.27	-0.2
France	7.2	6.3	5.7	5.6	4.1	4.2	5.5	0.38	22.1
Non-G-7 countries	12.0	13.4	13.5	17.0	13.5	14.1	15.7	0.47	1.8
<i>Memo item:</i> EU countries	28.3	26.8	27.6	26.7	25.3	26.3	29.9	0.35	5.8

Source: OECD Development Assistance Committee.

Note: <sup>1</sup> Takes into account inflation and exchange rate movements.

**Table 14. Gains to developing countries from removal of trade barriers  
(additional income in 2015 compared to baseline income), 1997  
(billions of US dollars)**

Liberalizing region	Agriculture and Food (A & F)	Textile and Clothing (T & C)	All Others	Total
High income only	31	19	26	76
Developing countries only	114	7	-5	116
All regions	142	24	20	184
<u>Memo:</u>				
Gains to high income countries:				
From their own unilateral liberalization	73	-3	-25	49
From liberalization by all regions	106	17	50	171
World gains from liberalization by all regions	248	41	70	355

Source: World Bank (2002).

Notes: Simulations based on phased elimination of import tariffs, export subsidies, and domestic production subsidies over 2005 to 2010. Results reported above exclude gains from productivity improvements, liberalization of services, and removal of non-trade barriers.