Economic Overview

ASIA REGION

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BUREAU FOR ASIA AND NEAR EAST

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Washington, DC 20523

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ECONOMIC OVERVIEW: ASIA REGION

by

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List of Acronyms Used

ADB	Asian Development Bank
ADF	Asian Development Fund
APEC	Asian-Pacific Economic Council
ASEAN	Association of Southeast Asian Nations
BSFF	Buffer Stock Financing Facility [IMF]
CCFF	Compensatory and Contingency Financing Facility [IMF]
CMEA	Council for Mutual Economic Assistance
CRR	Cash Reserve Requirement
EFF	Extended Fund Facility [EFF]
ESAF	Extended Structural Adjustment Facility [ESAF]
FY	Fiscal Year
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNP	Gross National Product
IBRD	International Bank for Reconstruction and Development [The World Bank]
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
IPR	Intellectual Property Rights
MIGA	Multilateral Investment Guarantee Agency
NICs	Newly Industrializing Countries
N.I.S.	Newly Independent States of the former Soviet Union
NMP	Net Material Product
OCR	Ordinary Capital Resources
SAF	Structural Adjustment Facility [IMF]
SBI	State Bank of India
SLR	Statutory Liquidity Ratio
STF	Systemic Transformation Facility [IMF]

Economic Overview of the Asia Region

The Economic Overview of the Asia Region provides an introduction to selected economic developments in East and South Asia. The Overview is a primer on basic economic information on both regional and country levels for developing countries in which USAID works. In some cases, other countries, such as Malaysia, China and Viet Nam, are included for purposes of comparison. More specific information is available upon request.

Section I of the report presents information on economic growth and income. It shows that the region has achieved strong investment, exports, and economic growth. Still, over 65% of the world's poverty is in the region. In general, income distribution has improved but the difficulty of reducing poverty is complicated by large and dense populations.

Section II of the Overview summarizes World Bank, IMF and Asian Development Bank programs related to economic performance of Asian developing countries. The IMF is involved in discussions with all but two of the Asian developing countries on issues of economic performance. The World Bank is active in all Asian developing countries. The Asian Development Bank (ADB) provides financing for projects and technical assistance to all countries in the region.

Section II also includes USAID economic performance indicators for Asian developing countries. These indicators show that East Asian countries consistently scored above the average for all countries. Both East Asia and South Asia scored above the average for indicators related to interest rates and the exchange rate.

Section III of the Overview discusses key economic issues in the region. The Overview briefly explains how reforms in each area contribute to economic growth and poverty reduction. It then summarizes reforms needed or underway in Asian countries in the areas of trade, fiscal, monetary and financial sectors. It also discusses structural reforms in areas such as privatization, human resources including labor markets and training[1], and natural resources. Another report will have to address weighting and ranking issues that would establish relative priority among sectors. Matrices showing specific issues and reforms needed or underway are available for each of the areas mentioned above that show similarities and differences in countries across the region in the respective reform areas.

[1]Health delivery systems could also be discussed in this section but the information was not available.

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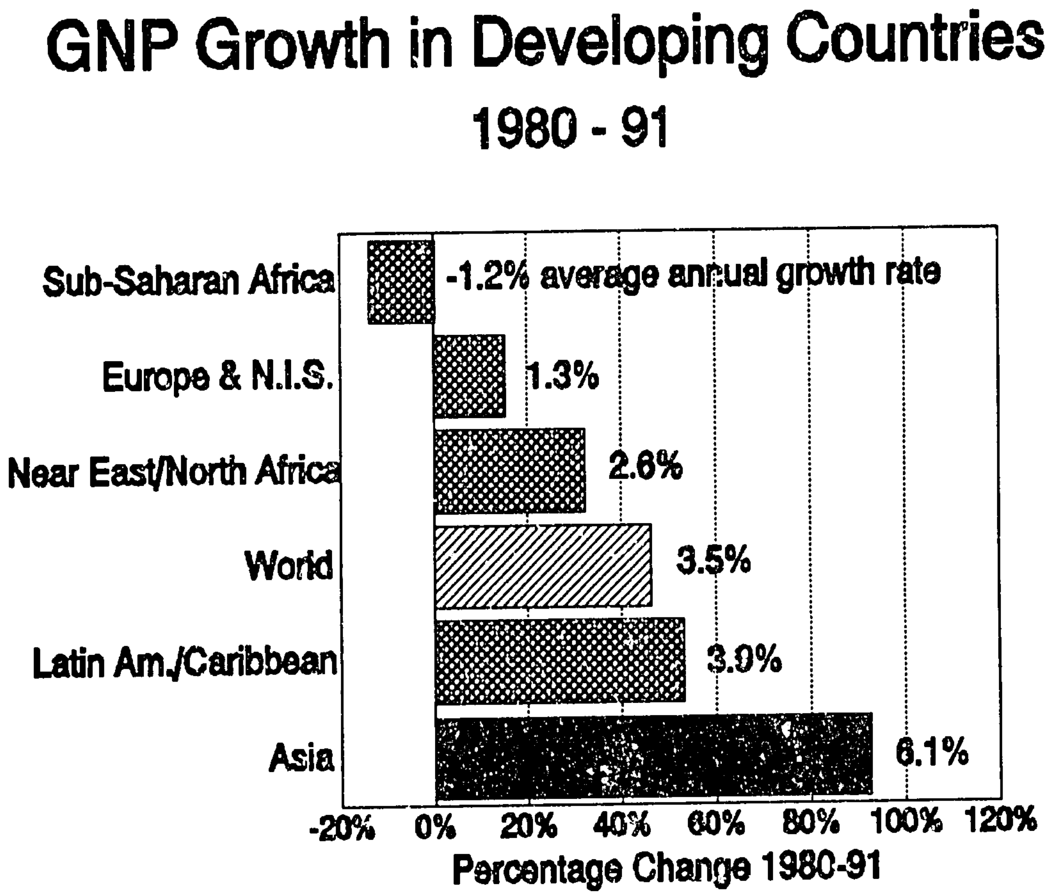
I. Growth, Income, and Poverty

The Asia region's economic development needs are great. The region has more than 700 million people in poverty, representing nearly two-thirds of the estimated poor in developing countries[1]. The region has a per capita income below the threshold for IDA eligibility for concessional financing established by the World Bank Group, partly a consequence of high population levels. In spite of this, economic growth in the region has reduced poverty.

[1] The World Bank, *Implementing the World Bank's Strategy to Reduce Poverty*, 1993, table 1, page 5.

I. A. Growth and Income

I. A. 1. Asia has enjoyed steady economic growth during the past 30 years. During the last decade, the region recorded a 6.1% annual average growth rate as shown in the graph below which presents annual average growth rates for each region specified. All of the other regions grew more slowly than in Asia.

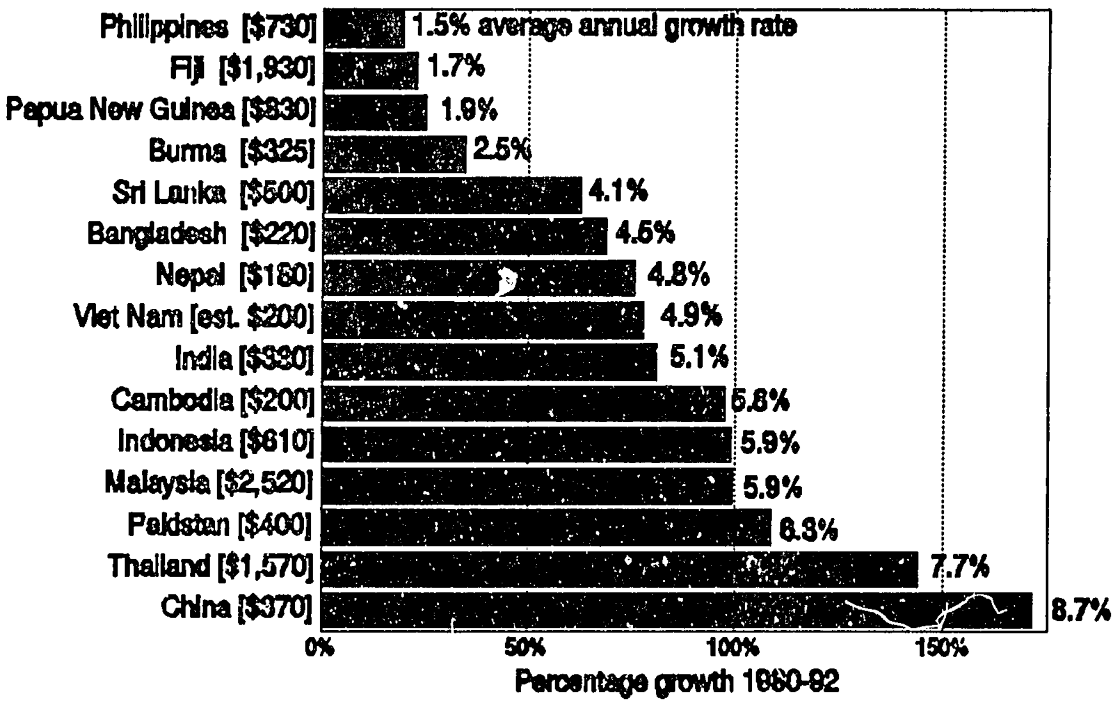


SOURCE: *World Tables*, 1993 [IBRD].

NOTE: Data is in U.S. dollars using the Atlas method, with current prices. For a complete guide to the regional definitions in this graph, as well as the other graphs and tables in this report, see Appendix II.

I. A. 2. Eleven of fifteen countries in the region had average annual growth rates greater than the 3.5% annual average growth rate for the World.

Real GNP Growth in Asian Countries 1980 - 92



SOURCE: *International Financial Statistics*, IMF documents, and *World Tables* [IBRD].
Real GNP measured in local currencies.
Numbers in parentheses are per capita GNP in 1991 [U.S. dollars, World Bank Atlas method].

NOTE: Estimate for Malaysia is based on data for 1980-90; for Viet Nam, 1984-92; and, for Cambodia, 1987-92.

For a summary matrix of key macroeconomic indicators for sixteen Asian and Pacific countries, see Appendix I.

I. A. 3. Exports and Investment

Export growth in the region at 8.3% during 1980-91 outstripped that of every other region except for the Newly Industrializing Asian Economies. Investment as a percent of GDP at 26.0% was also high for developing countries in the region. Levine and Renelt [1992] analyzed data for 119 individual countries from 1960-89 and found a positive and robust correlation between real GDP growth and the share of investment in GDP[1].

Table 1. Exports and Investment: 1980-91
[average annual growth rates or percent shares]

	Exports	Investment as % GDP
World	5.4	22.2
Industrialized Countries	6.4	21.6
Newly Industrializing Asian Economies	13.4	32.8
Developing Countries	0.7	24.0
Africa	-1.7	21.9
Asia	**8.3**	**26.0**
Europe	1.6	31.5
Latin America	1.8	20.6

SOURCE: IMF, *International Financial Statistics Yearbook*, 1993

Newly Industrializing Asian Economies: Hong Kong, Korea, Singapore, and Taiwan.
European Developing Countries: Cyprus, Czechoslovakia, Fãroe Islands, Hungary, Malta, Poland, Romania, Turkey, and Yugoslavia.
Asian Developing Countries: Afghanistan, Bangladesh, Bhutan, China, Fiji, Hong Kong, India, Indonesia, Korea, Malaysia, Maldives, Myanmar, Nepal, Pakistan, Papua New Guinea, Philippines, Singapore, Solomon Islands, Sri Lanka, Thailand, Tonga, Vanuatu, Western Samoa.
For a guide to the other regional definitions in this table, see Appendix II, page A8. For a discussion of how countries are classified in different data sources, see page A6.

[1] Ross Levine and David Renelt, "A Sensitivity Analysis of Cross-Country Growth Regressions," *The American Economic Review*, volume 82, September 1992, pages 942-63.

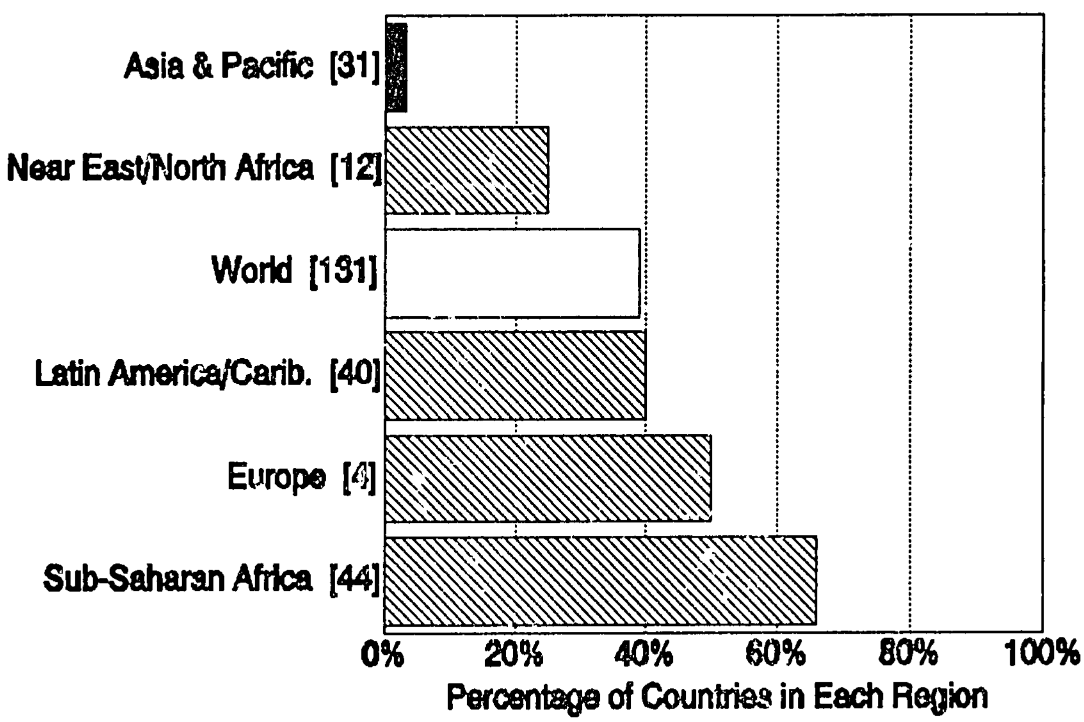
I. A. 4. Debt Restructuring

Debt restructuring was practically nonexistent in the Asia region, where the Philippines was the only country to restructure its debt.

Debt Rescheduling in Developing Countries, By Region

Percentage of countries which have rescheduled their multilateral debt since 1976

Total number of countries in the region are shown in parentheses.

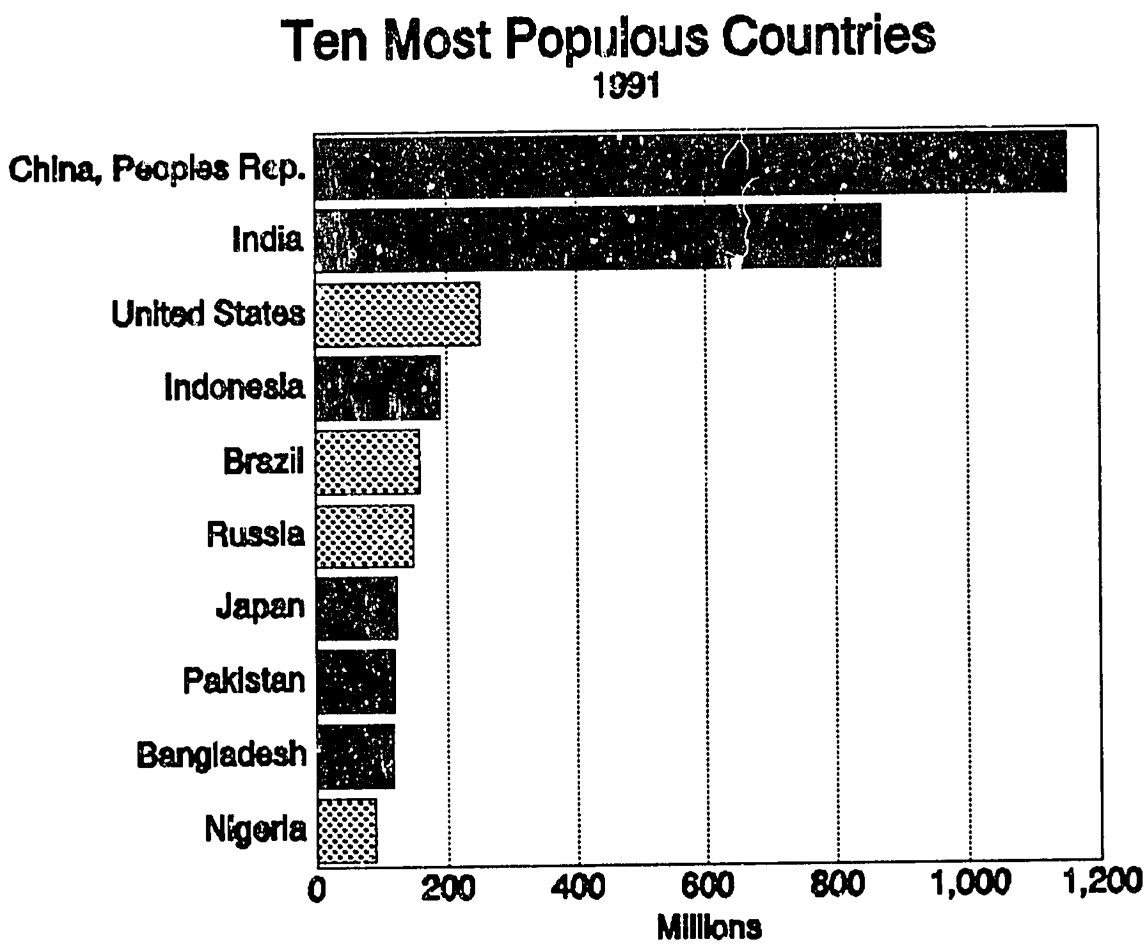


SOURCE: IMF documents, 1992.

NOTE: For a guide to the regional definitions in this graph, see Appendix II, page A9.

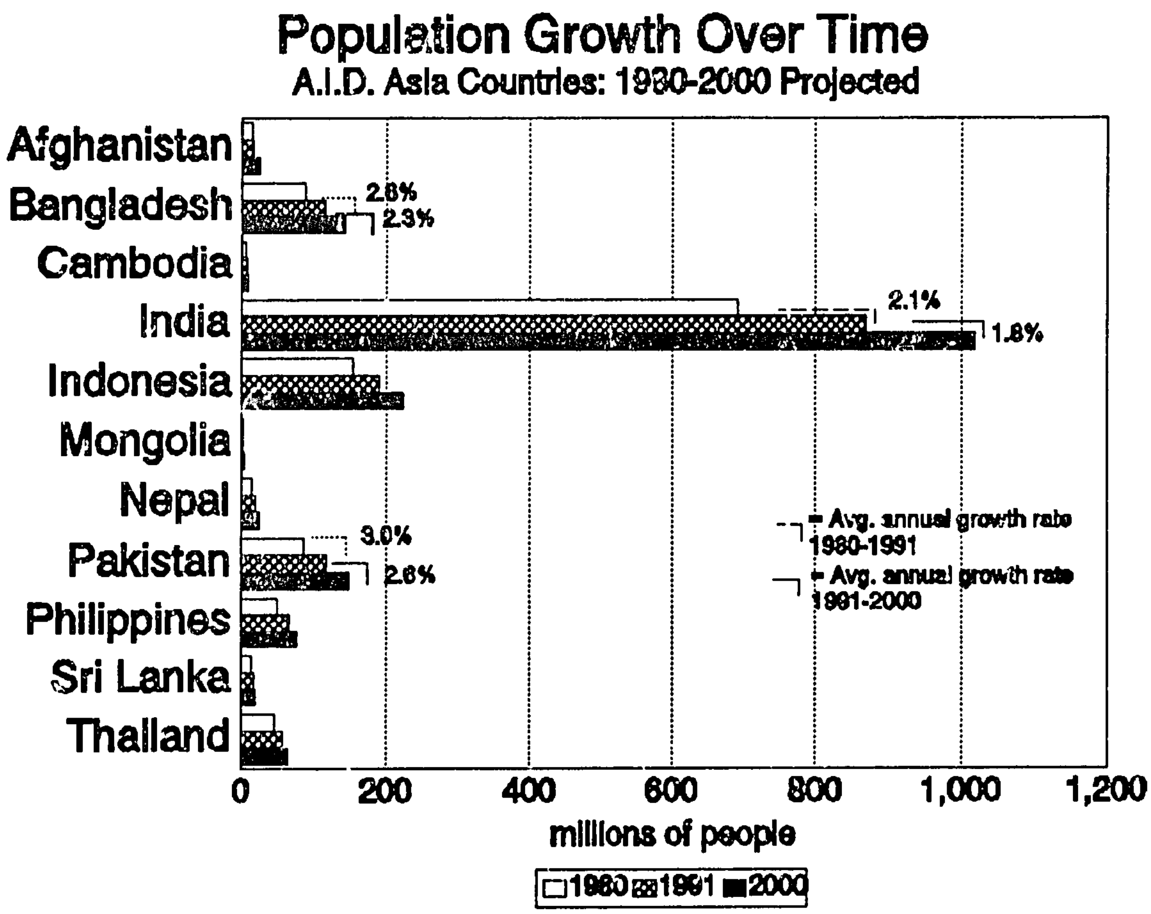
I. B. **Population and Income.**

I. B. 1. Asia has 55% of the world's population and the region has a per capita income below the threshhold for IDA eligibility set by the World Bank. Of the ten most populous countries in the world, six are in Asia, of which five are developing countries (China, India, Indonesia, Pakistan, and Bangladesh).



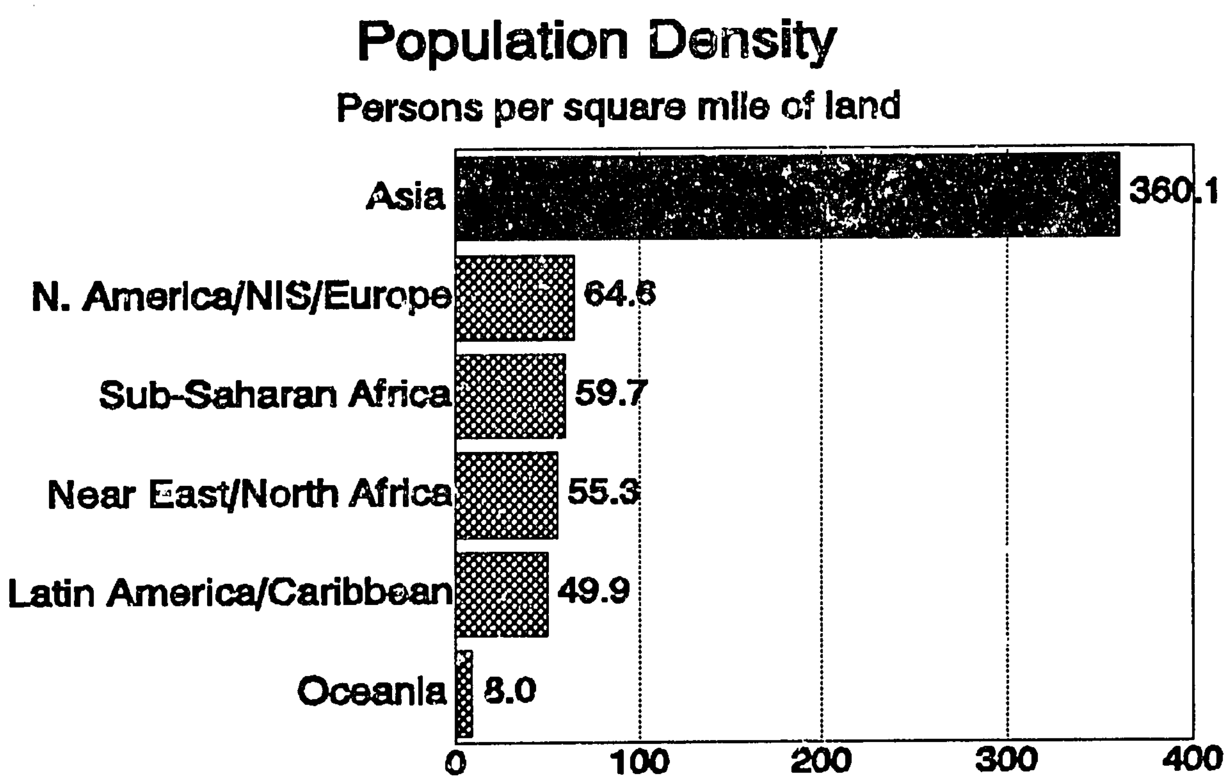
SOURCE: U.S. Department of Commerce Economics & Statistics Administration; Bureau of the Census.

I. B. 2. Even though population growth rates are lower than in other regions of the world, the large existing base means that population pressure in the region will continue. For example, India's 1.8% projected population growth between 1991 and 2000 means that a population already exceeding 800 million wil become more than 1 billion. Indonesia's projected population growth, at slightly less than 1% annually, means that it will have 224 million people in the year 2000.



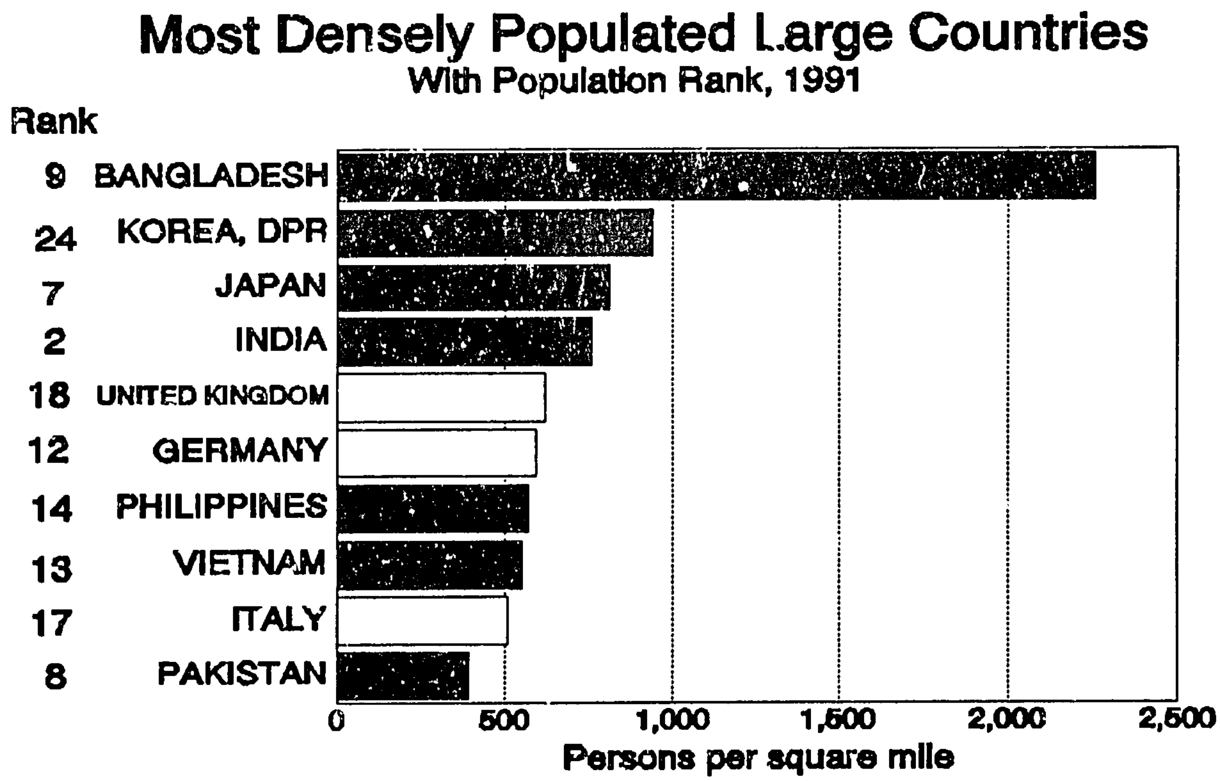
SOURCE: Bureau of the Census; World Resources Institute data base.

I. B. 3. A unique feature of Asia is high population density, the number of people per unit of land, which implies even more pressure on natural and financial resources.



SOURCE: World Resources Institute. Data is for 1989.
NOTE: For a guide to the regional definitions in this graph, see Appendix II, page A10.

I. B. 4. Of the ten most densely populated large countries, seven are in Asia and six are developing countries (Bangladesh, Korea DPR, India, Philippines, Viet Nam and Pakistan).

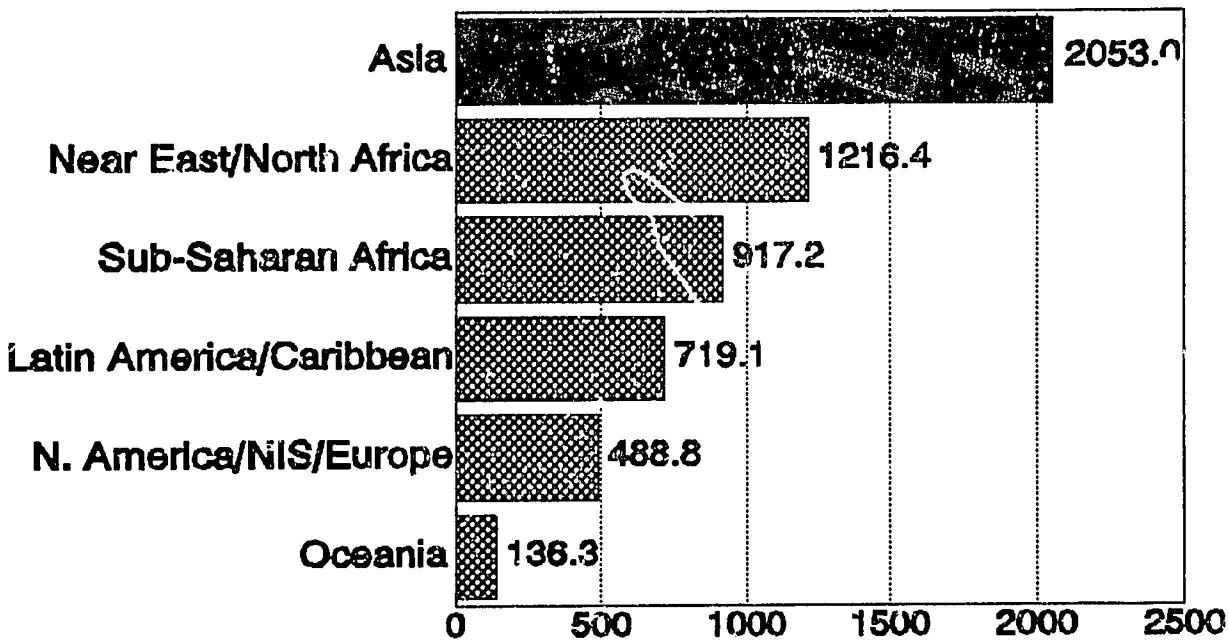


SOURCE: U.S. Department of Commerce Economics & Statistics Administration; Bureau of the Census.

I. B. 5. Measuring the population density per square mile of arable land also shows the extreme pressures existing on natural resources in Asia, compared to other regions of the world. However, the high population densities of several small Near Eastern countries mean that seven of the top ten most densely populated countries, measured in terms of arable land, are in the Near East.

Population Density - Arable Land

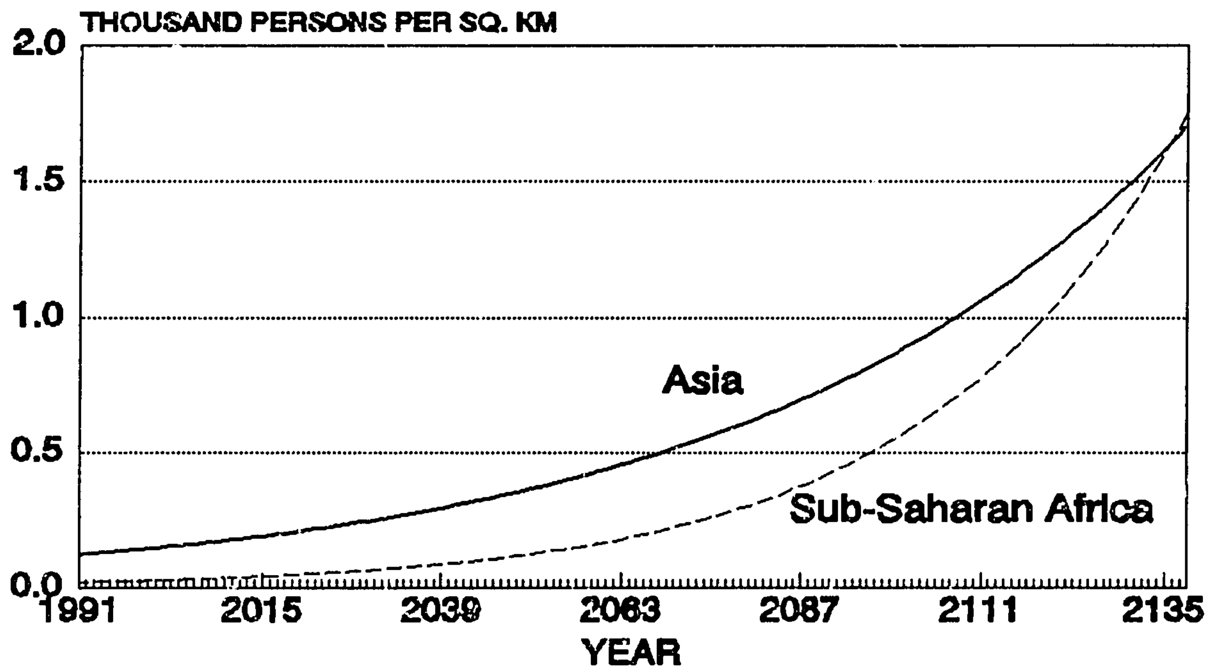
Persons per square mile of arable land



SOURCE: World Resources Institute. Data is for 1989.
NOTE: For a guide to the regional definitions in this graph, see Appendix II, page A10.

I. B. 6. It is worth noting that even though the population of Sub-Saharan Africa is growing faster than that in Asia, it would take 147 years for the population density to catch up with that of Asia.

Projected Population Densities at Present Growth Rates

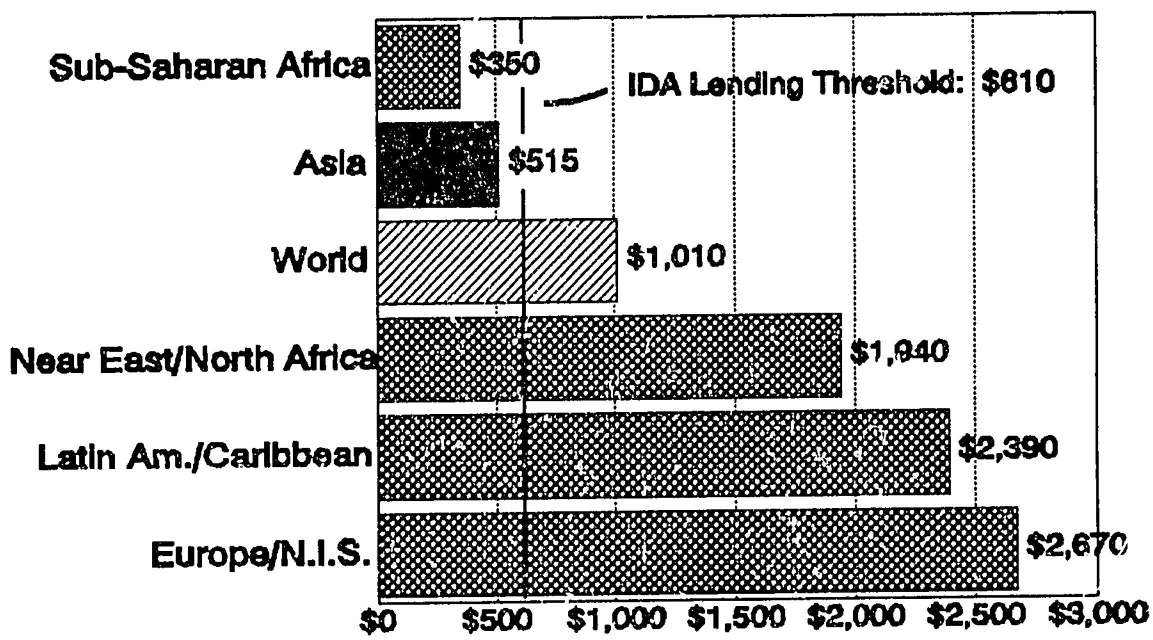


Projection based on population growth rates of 1.8% in Asia and 3.1% in Sub-Saharan Africa.
NOTE: For guide to the regional definitions in this graph, see Appendix II, page A11.

I. B. 7. The result is that regional per capita income of developing countries in Asia is below the International Development Association (IDA) level for concessional loans established by the World Bank Group, which is $610 (GNP) per capita.

Per Capita GNP in Developing Countries

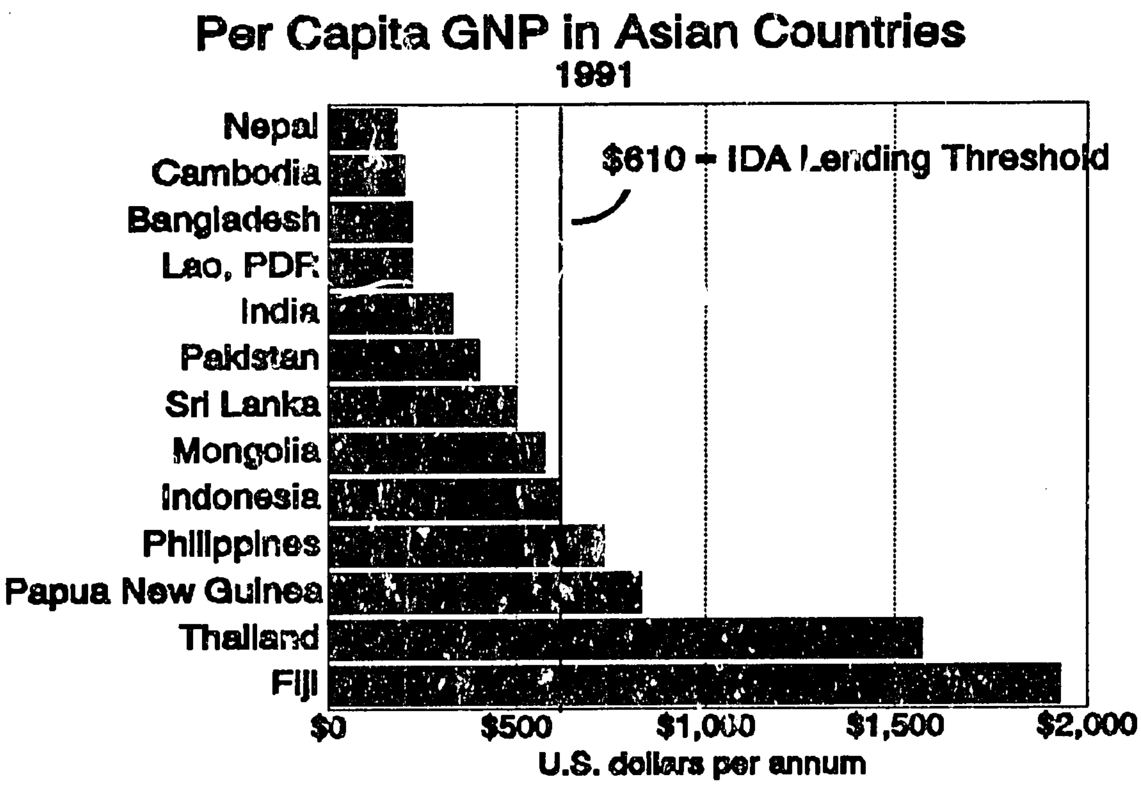
Data in U.S. Dollars, 1991



SOURCE: The World Bank, *World Development Report*, 1993.

NOTE: For a guide to the regional definitions in this graph, see Appendix II, page A12.

I. B. 8. Only four of thirteen developing countries in the region enjoyed per capita income greater than the IDA level (Fiji, Thailand, Papua New Guinea, and the Philippines) in 1991.



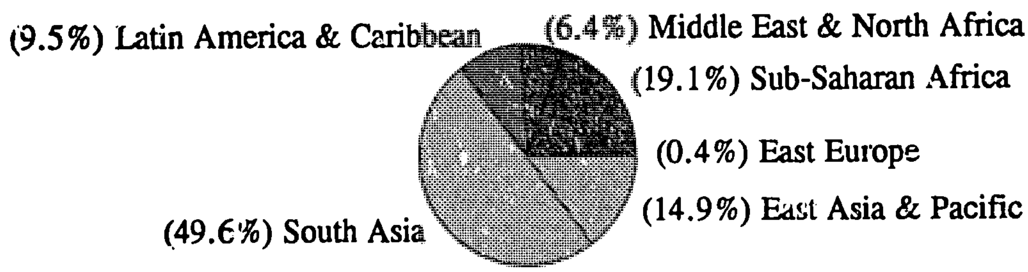
SOURCE: The World Bank, *World Tables*, 1993.
Per Capita Income measured in U.S. dollars.
Although data for Afghanistan and Viet Nam are unavailable, both are estimated to be below $610.

I. C. Poverty and Income Distribution

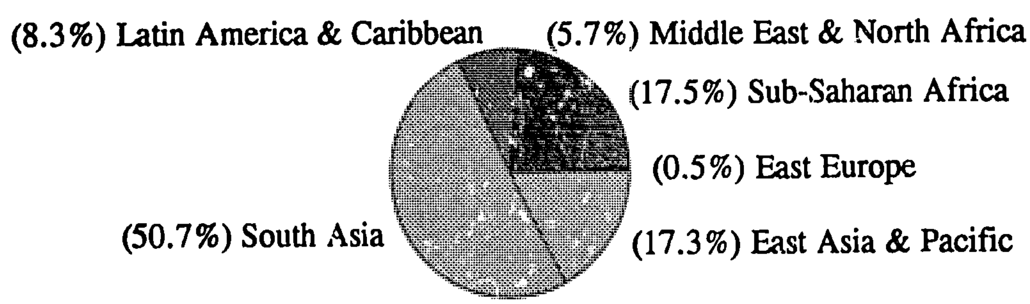
I. C. 1. In 1985, Asia accounted for 68% of the developing world's poor. Rapid economic growth in Asia, particularly in East Asia, cut that share by 3.5 percentage points by 1990. Sub-Saharan Africa's share of poverty increased by 1.6 percentage points over the same period, with increases also recorded in Latin America and the Middle East.

Estimates of Developing World's Poor

Regional Distribution 1990



Regional Distribution 1985



SOURCE: The World Bank, "Implementing the World Bank's Strategy to Reduce Poverty," 1993, page 5. The data are for 86 developing countries which represent about 90 percent of total developing world population. The poverty line is defined as $31.23 per person per month, at 1985 prices and purchasing-power-parity exchange rates. For which countries are included, as well as details on the methodology, see Ravallion, Datt, and Chen, "New Estimates of Aggregate Poverty in the Developing World, 1985-90," 1992, World Bank, Population and Human Resources Department, Washington, DC, processed.

I. C. 2. Asian countries have had some success in reducing the share of the population living below the poverty line. In the early Sixties, Pakistan and Thailand had more than 50% of their population below the poverty line. India and Indonesia were in the same situation in the early Seventies, while both Malaysia and Sri Lanka had more than 35% of their population living in poverty.

During the Eighties, the share of population living below the poverty line declined in all of these countries. The largest decline was in Indonesia -- from 58% to 15% of the population -- which also enjoyed a strong 6.7% GDP growth rate.

Table 2: Changes in Selected Indicators of Poverty and Real GDP Growth

		ANNUAL REAL GDP GROWTH	% POPUL. BELOW POV. LINE	NUMBER OF POOR [millions]
India	1972		54	311.4
	1983	4.4	43	315.0
	percent change		*-20%*	
Indonesia	1970		58	67.9
	1990	6.7	15	27.0
	percent change		*-74%*	
Malaysia	1973		37	4.1
	1987	6.2	15	2.2
	percent change		*-59%*	
Pakistan	1962		54	26.5
	1984	4.5	23	21.3
	percent change		*-57%*	
Thailand	1962		59	16.7
	1986	7.1	26	13.6
	percent change		*-56%*	
Sri Lanka	1972		37	3.9
	1982	2.7	27	4.1
	percent change		*-27%*	
Philippines	1985		44	n.a.
	1991	3.8	41	n.a.
	percent change		*-7%*	

SOURCE: World Bank, *World Development Report*, 1990, page 41; IMF, *International Financial Statistics*, various issues; the National Statistical Coordinating Board of the Phillipines; and World Bank, *Implementing the World Bank's strategy to Reduce Poverty*, 1993.

I. C. 3. In spite of low per capita income, the Asia region is a good example of the important relationship between economic growth and changes in income distribution.

Studies show that the share of income received by lower income groups increased in at least six Asian countries. In Bangladesh, India, and Indonesia, the poorest 40% of the population received the largest percentage gain in income shares. This type of result led to the conclusion that growth with equity is possible. Sri Lanka is the exception where the income share of the top 20% of the population increased. Experience also shows that without growth income distribution worsens.

Table 3. Distribution of Income by Population Quintiles[1]

	SURVEY YEAR	POOREST 20%	2nd QUINTILE	3rd QUINTILE	4th QUINTILE	HIGHEST 20%
(a)[2]	1973-74	6.9	11.3	16.1	23.5	42.2
BANGLADESH (b)[2]	1988	9.5	13.4	17.0	21.6	38.6
(c)[2]	% change	37.7%	18.6%	5.6%	-8.1%	-8.5%
	1975-76	7.0	9.2	13.9	20.5	49.4
INDIA	1989	8.8	12.5	16.2	21.3	41.3
	% change	25.7%	35.9%	16.5%	3.9%	-16.4%
	1984	7.8	11.2	15.0	20.6	45.6
PAKISTAN	1991	8.4	12.9	16.9	22.2	39.7
	% change	7.7%	15.2%	12.7%	7.8%	-12.9%
	1969-70	7.5	11.7	15.7	21.7	43.4
SRI LANKA	1986	3.1	8.5	15.4	19.7	53.3
	% change	-58.7%	-27.1%	-2.0%	-9.2%	22.8%
	1976	6.6	7.8	12.6	23.6	49.4
INDONESIA	1990	8.7	12.1	15.9	21.1	42.3
	% change	31.8%	55.1%	26.2%	-10.6%	-14.4%
	1970-71	5.2	9.0	12.8	19.0	54.0
PHILIPPINES	1988	6.5	10.1	14.4	21.2	47.8
	% change	25.0%	12.2%	12.5%	11.6%	-11.5%
	1975-76	5.6	9.6	13.9	21.1	49.8
THAILAND	1988	6.1	9.4	13.5	20.3	50.7
	% change	8.9%	-2.1%	-2.9%	-3.8%	1.8%

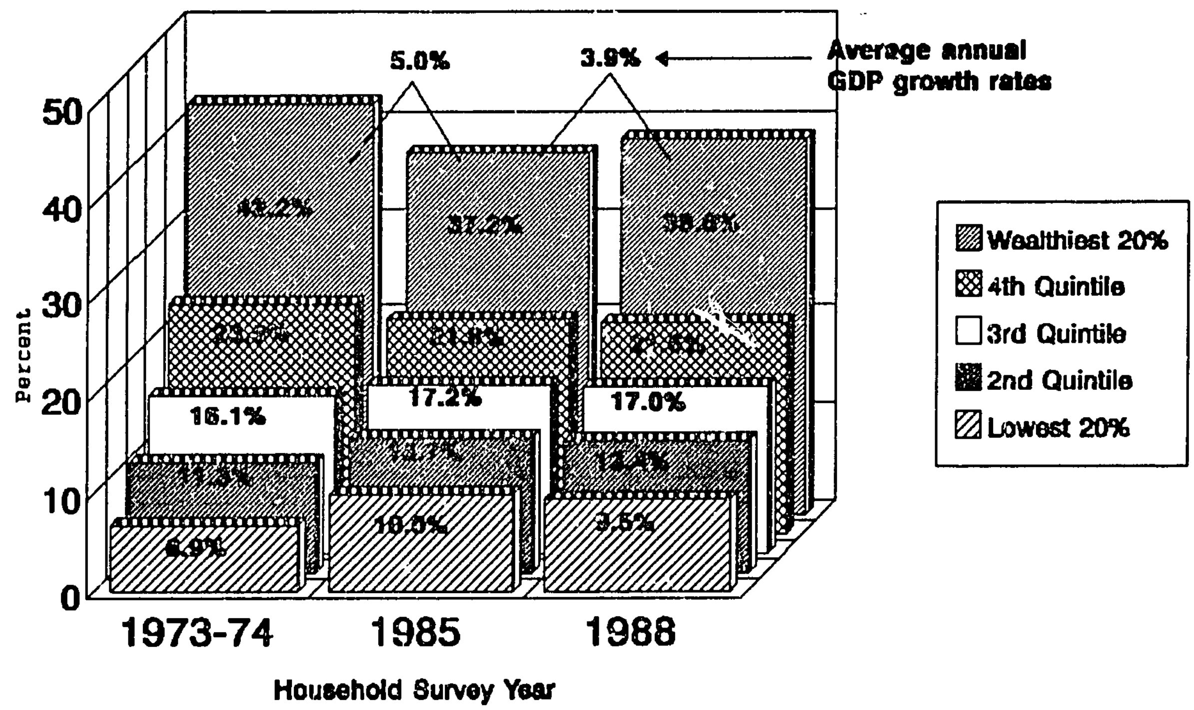
SOURCE: World Bank, *World Development Indicators*, 1993.

[1] Population is divided by income into five groups each representing 20% of population.

[2] Lines (a) & (b) are the share of income received by the respective population quintile. The five numbers in each line sum to 100. Line (c) is the change in income share between the year in line (a) and line (b) in each respective quintile.

I. C. 4. The graphs on this and the following two pages illustrate the changes in income distribution in Bangladesh, India, and Indonesia.

Changes in Income Distribution
Bangladesh

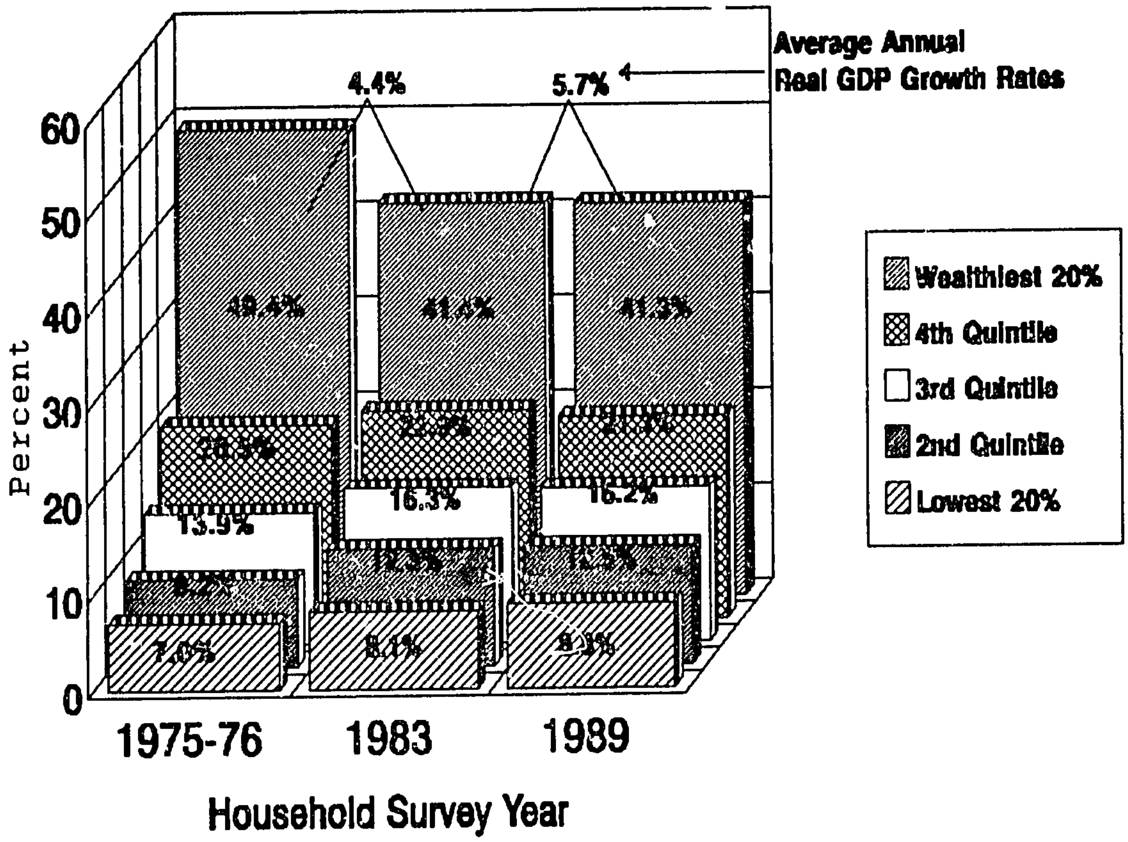


Source: World Bank

The bars represent the percent income share for each quintile of the population. For example, the lowest 20% had 6.9% of the total income in 1973-74 and 9.5% in 1988.

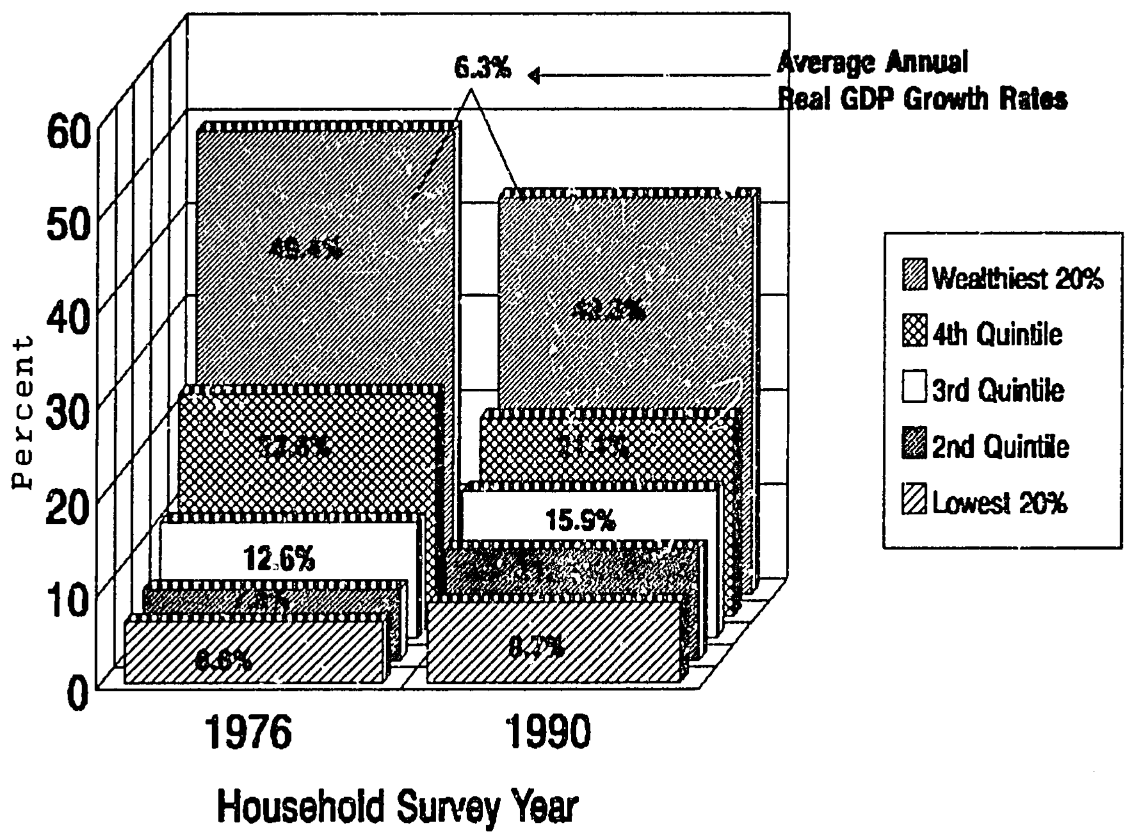
I. C. 4. (cont.)

Changes in Income Distribution
India



Source: World Bank

Changes in Income Distribution
Indonesia



Source: World Bank

II. Multilateral Institutions and Economic Performance

- Good economic performance has become an important criterion in providing foreign assistance. Economic policy conditionality is a main feature of assistance programs designed through IMF, World Bank, regional development banks, and, in some cases, USAID.

- Countries are asked by the multi-lateral donors to show that they are taking measures to help themselves rather than relying on foreign aid to close funding gaps or to fund favorite activities of the government.

- Countries are held responsible by multi-lateral donors to implement essential policy reforms that contribute to responsible fiscal and monetary policies and to more efficient functioning of the economy. The rationale for relating policy reforms to donor assistance is to ensure that assistance is used effectively rather than to finance a policy framework that does not contribute to improvements in the economy.

- It is in this context that USAID works with the IMF and the World Bank to support policy reforms in key areas of the economy.

- USAID supports economic policy reform in many countries.

- USAID also looks at the status of a country's programs with the multi-lateral donors to assess whether reform policies are in place or are being put in place so the assistance can be effectively used.

II. A. International Monetary Fund [IMF]

II. A. 1. The IMF is the watchdog for development of macro-economic policies that contribute to economic stabilization. It has developed several types of lending facilities to carry out this task. The Stand-by Agreement, which was originally designed for industrialized countries facing speculative attacks on their currency, has evolved into the basic lending relation with the IMF for developing countries. The IMF has worked more closely during the past few decades with developing countries to address strains on macroeconomic stability. New lending facilities such as the Enhanced Structural Adjustment Facility and the Extended Fund Facility have been designed to meet the needs of developing countries. Because many developing countries rely on commodity exports whose volatility can cause problems for balance-of-payments adjustment, the IMF also designed other facilities, such as the Compensatory and Contingency Financing Facility, to meet the needs of members. In April 1993, the IMF designed the Systemic Transformation Facility for members facing balance-of-payments difficulties due to the transition from nonmarket trading systems to market-based trading systems.

Table 4. Summary of International Monetary Fund Lending Facilities

Title(s)	Problem	Notes	Countries with Loans Outstanding
Stand-by Arrangement	Speculative attacks on currency	enables credit to be negotiated in advance of need in order to forestall speculative attacks on currency and encourage smooth functioning of adjustment programs; usually for 18 months	India Mongolia Pakistan Philippines Vietnam
Enhanced Structural Adjustment Facility [ESAF]; Structural Adjustment Facility [SAF]; Extended Fund Facility [EFF]	Structurally weak balance of payments	balance-of-payments assistance to low-income countries on a concessional basis, in the context of a structural adjustment program; usually three years with frequent consultations between borrower and IMF	Bangladesh India Laos Mongolia Nepal Pakistan Sri Lanka
Compensatory and Contingency Financing Facility [CCFF] & Buffer Stock Financing Facility [BSFF]	Temporary difficulties with balance of payments	designed to support countries with temporary balance-of-payments problems, often due to shortfalls in export earnings; usually three years	Cambodia India Pakistan Papua New Guinea Philippines
Systemic Transformation Facility [STF]	Difficulties with balance of payments due to transition from nonmarket system to market system	temporary facility scheduled to last until end of 1994; eligible countries are former members of CMEA and a few others	Cambodia Viet Nam

Loans outstanding are as of November 30, 1993.

II. A. 2. In the Asia region, all but two countries have or are trying to develop an economic program that the IMF can support. Thailand and Indonesia do not need an IMF-supported economic program.

Table 5. Current Arrangments with IMF, A.I.D. Asia Countries

Have IMF Agreements	Negotiating Agreements	Want or Need Agreements	Do not need an agreement
Bangladesh [ESAF] 9/91 - 9/94	Cambodia [STF]	Afghanistan [political problems]	Thailand
Lao PDR [ESAF] 6/93 - 6/96		Philippines [negotiations pending]	Indonesia
Nepal [ESAF] 10/92 - 10/95		India [will negotiate in 1994]	
Sri Lanka [ESAF] 9/91 - 9/94		Myanmar	
Mongolia [ESAF] 6/93 - 6/96		China	
Pakistan [ESAF,EEF] 2/94 - 2/97			
Viet Nam [STF] 10/93 - 10/94			

NOTE: The Philippines' Stand-by Agreement expired in March 1993. India's ESAF expired in May 1993.

II. B. World Bank Group

II. B. 1. The World Bank in general responds to economy-wide or sectoral structural adjustment problems. In order to do so the **World Bank Group** has the following facilities.

Table 6. The World Bank Group

Agency	*Purpose*	*Criteria for Eligibility*	*Lending Terms*
International Bank for Reconstruction and Development [IBRD]	Provide lending and technical support for development projects and structural adjustment programs in developing countries.	Borrowers must be low- or middle-income countries as measured by per capita GNP.	Market interest rates; repayment periods usually between 10 and 20 years; loans must be guaranteed by the borrowing government.
International Development Association [IDA]	Provide lending and technical support to the poorest developing countries at concessional terms.	Borrowers must have a per capita GNP at or below $610 in 1991 dollars.	Concessional [*i.e.*, below market interest rates; repayment periods greater than 20 years.]
International Finance Corporation [IFC]	Combines the characteristics of a multilateral development bank and a private financial institution. The IFC provides risk capital in association with private investors in order to fund productive private enterprises.	Borrowers' country must be a member of IBRD. The IFC stresses cofinancing of projects and aims to be a supplement to private capital rather than a rival.	All loans at market interest rates with repayment periods usually between 5 and 15 years.
Multilateral Investment Guarantee Agency [MIGA]	Guarantee eligible foreign investments against losses from non-commercial risks, including host government restrictions, expropriation, or repudiation of contracts; or civil conflict.	Must be a member of the IBRD and a signatory to the MIGA convention.	Standard insurance policy covers investments for 15 years.

The IBRD, known commonly as the World Bank, and the IDA aim to engage developing country governments in a policy dialogue and assist the development of an enabling macroeconomic environment. The IFC and MIGA assist in the development of private sector strategies, with emphasis on particular transactions.

II. B. 2. In the Asia region, all countries have a relationship with the World Bank.

Table 7. Asian Countries Receiving World Bank Group Assistance FY 1993

Country	IBRD	IDA	IFC	MIGA Signatory
Afghanistan		●	●	
Bangladesh		●	●	●
China		●	●	●
Fiji	●		●	●
India	●	●		●
Indonesia	●		●	●
Lao PDR		●		
Malaysia	●		●	●
Mongolia		●		●
Myanmar	●	●		
Nepal		●	●	●
Pakistan	●	●	●	●
Papua New Guinea	●			●
Philippines	●	●	●	●
Sri Lanka		●	●	●
Thailand	●		●	
Viet Nam		●		

SOURCE: *The World Bank Annual Report*, 1993. [Fiscal Year 1993 ended June 30, 1993.]; *International Finance Corporation Annual Report*, 1993; and *Multilateral Investment Guarantee Agency Annual Report*, 1993.

II. B. 3. Recently the World Bank and the IMF have begun to work together through Policy Framework Papers for the ESAF to support medium-term reform supportive of a short-term stabilization program.

II. C. Asian Development Bank

II. C. 1. The Asian Development Bank [ADB] provides lending and technical assistance to promote economic and social progress among its developing member countries in the Asia and Pacific region. There are 36 member countries from the region, plus 16 members from outside the region. Although most financing is designed to support specific projects, the ADB also provides program, sector and multiproject loans.

The ADB's principal functions are:

- make loans and equity investments in the developing member countries;

- provide technical assistance for projects, programs, and advisory services;

- promote investment of public and private capital for development purposes;

- coordinate development policies and plans of member countries, as requested.

The ADB gives priority to the needs of the smaller and less-developed countries of the region, as well as to projects which promote the development of the region as a whole.

All of the developing countries in Asia are members of the ADB and receive some form of lending or technical assistance.

II. C. 2. The ADB has two facilities for lending to its members. The Ordinary Capital Resources [OCR] is the interest-bearing window for the Bank's ordinary lending operations. Lending is at market interest rates and terms. The Asian Development Fund [ADF], the other facility, is for concessional lending to low-income countries. In 1992, for example, the ADB lent US$ 432 million through the OCR and US$ 748 million through the ADF.

Table 8. Borrowings from ADB Facilities, 1991-1992

Country	*Ordinary Capital Resources*	*Asian Development Fund*
Bangladesh	•	•
Bhutan		•
China, People's Republic	•	
Cook Islands		•
Hong Kong	•	
India	•	
Indonesia	•	•
Kiribati		•
Korea, Rep.	•	
Lao PDR		•
Marshall Islands		•
Mongolia		•
Myanmar		•
Nepal	•	•
Pakistan	•	•
Papua New Guinea	•	•
Philippines		•
Solomon Islands		•
Sri Lanka	•	•
Tonga		•
Vanuatu		•
Western Samoa		•

SOURCE: Asian Development Bank, *Annual Report 1992*, pages 208-9.

II. D. USAID's Economic Policy Performance Assessment [EPPA]

II. D. 1. At the USAID Mission level, policy performance is incorporated in program design and in some cases has taken the form of conditionality in implementation. In other cases, we provide technical assistance to implement policy reforms approved by the government.

II. D. 2. At the Agency level, performance indicators were developed as input to the budget process to ensure that funds are allocated to countries that are taking sound economic policy measures. Note the ranking of the Asian countries in table 9. Eight of the ten countries in the region scored better than average on the total score and the real interest rate measure, while seven of ten exceeded the average scores for export policy and the premium on the foreign exchange rate.

Table 9. 1992 Economic Policy Performance Assessment [EPPA] Scores

Country	Rank of 69	Import Policy	Export Policy	Currency Premium	Budget Deficit	Interest Rates	TOTAL SCORE
MAXIMUM SCORE		20	10	25	25	20	100
South Asia							
Nepal	26	12.5	6.7	19.9	22.0	20.0	81.1
Bangladesh	34	5.0	6.7	23.9	19.9	20.0	75.5
Sri Lanka	42	7.5	7.8	25.0	16.3	15.8	72.4
Pakistan	50	7.5	4.4	23.0	11.0	14.2	60.1
India	57	0.0	7.8	18.5	13.0	13.7	52.9
East Asia							
Thailand	4	12.5	10.0	25.0	25.0	20.0	92.5
Indonesia	24	10.0	8.9	25.0	25.0	13.0	81.9
Philippines	28	5.0	8.9	25.0	20.5	20.0	79.4
Papua New Guinea	32	12.5	8.9	20.4	17.5	16.4	75.7
Fiji	40	10.0	8.9	25.0	22.1	6.4	72.5
AVERAGE FOR 10 ASIAN COUNTRIES	34	8.3	7.9	23.1	19.2	16.0	74.4
AVERAGE FOR 69 COUNTRIES		9.0	7.3	21.8	18.8	13.3	70.2

SCORES WHICH EXCEED THE AVERAGE FOR ALL 69 COUNTRIES ARE SHADED.

III. Economic Issues in the Region

The development community has reached consensus on a number of important issues that have implications for priorities for economic assistance in the Asia region.

- Open market economies are important for economic growth. Studies show that open market economies grow faster than those that are closed (*e.g.*, import substitution or socialist economies).

- A stable and fiscally responsible macro policy is a critical part of an enabling environment that supports a market economy.

- Monetary policy and financial market reforms in developing countries are critical to the development and operation of a market-oriented economy.

- The mirror image of reform relating to financial aggregates is reform in the real sector, where reforms are critical to ensure that an incentive structure is in place that reflects producer costs and profitability and consumer preferences. Privatization, demonopolization, and deregulation all contribute to economic growth and development by allowing the private sector to make operational business and investment decisions.

- Studies show that more than half of historical economic growth in developing countries is from increased productivity. Improvement in both human and physical resources contribute to increased productivity.

- Reducing economic distortions, incorporating social costs in the cost of doing business (externalities), and appropriate economic valuation of natural resource use all contribute to sustainable economic growth.

Table 10. Structural Reform Programs in Asian Developing Countries

Country	*Date reform program started*	*Reason for starting structural reform program*
Bangladesh	Reforms have been phased in since stablization program began in 1990.	Bangladesh has pervasive poverty and inadequate levels of investment spending, despite a relatively successful stabilization of the economy.
Cambodia	Reforms began in 1985; accelerated in 1989 and then again in 1993.	Reforms have sought to overcome the adverse impact of central planning prior to 1985 and the collapse of external assistance from the Soviet bloc in 1989.
India	July 1991	The new government in June 1991 inherited a legacy of large macroeconomic imbalances during the 1980s, double-digit inflation in 1991, and an erosion in the confidence of external creditors.
Indonesia	1987	Economic growth and further reduction in poverty was constrained by severe external shocks, including: collapsing oil prices; rising international interest rates; and the depreciating U.S. dollar.
Mongolia	July 1990	New government took office and recognized that a transition to a market- and external-oriented economy was needed to achieve sustainable growth.
Nepal	Reforms began in 1985, with measures added 1987-90 and 1992-95.	Recognition of need for enhanced private sector activity and external competitiveness to alleviate chronic poverty. New government took office in 1991 and announced current reform program.
Pakistan	Reforms began in 1988, but pace quickened following new government in 1990.	Government recognized the urgent need to strengthen fiscal and external imbalances, encourage private sector investment, boost export performance, and improve social indicators.
Philippines	Various reforms since early 1980s.	Export competitiveness faded during the 1980s and economic growth collapsed during 1984-86.
Sri Lanka	August 1989	Government saw the need to correct macroeconomic imbalances, improve market incentives, and reform the trade and exchange rate systems.
Thailand	Reforms phased in during the 1980s, and accelerated in 1991.	During a time of impressive economic growth during the past decade, the government often implemented reforms to sustain growth, rather than acting in "crisis."
Viet Nam	Reforms began in 1986, but were accelerated in 1989.	The ambitious program of renovation (known as *doi moi*) was designed to end stagnating incomes, hyperinflation, and chronic balance-of-payments problems.

III. A. Open market economies are important for economic growth.

III. A. 1. A comparison of trade and protection:

Liberalized Trade

- Expands markets for which a country has a comparative advantage,
- Opens up the economy and accelerates GDP growth,
- Enhances the competitiveness of domestic industry,
- Reduces the costs of imports,
- Reduces the costs and improves the quality of domestic and imported goods,
- Provides access to new ideas, technology, and other inputs,
- Provides higher wage employment if wages are productivity based,
- Provides an incentive structure that rewards initiative and ability.

Protection

- Inhibits competition,
- Discourages cost-minimizing production techniques,
- Inhibits the flow of ideas,
- Discourages adoption of new technology.
- Distorts investment from potentially most efficient uses.

III. A. 2. A study by the World Bank in 1987 classified 41 developing countries by the degree of openness in their trade policy during the period 1973 to 1985. Four categories were used, as seen in the table below. When the average annual growth rate of real GDP for each group of countries is compared, a distinct relationship between trade openness and economic growth is observed. This relationship was also identified in studies by Papanek [1991], and Levine and Renelt [1992].[1] Papanek studied periods of closed and open trade policies in Pakistan and Bangladesh, finding that openness was typically associated with a doubling of the real GDP growth rate.

Table 11. Trade Policy and Real GDP Growth, 1973-85

Trade Policy Category	Average Real GDP Growth Rate	Number of Countries
Strongly Outward Oriented	7.5%	3
Moderately Outward Oriented	4.2%	8
Moderately Inward Oriented	3.8%	16
Strongly Inward Oriented	2.1%	14

SOURCE: World Bank, *World Development Report 1987.*

[1] Gustav F. Papanek, "Market or Government: Lessons from a Comparative Analysis of the Experience of Pakistan and India," *The Pakistan Development Review*, volume 30, Winter 1991. Ross Levine and David Renelt, "A Sensitivity Analysis of Cross-Country Growth Regressions," *The American Economic Review*, volume 82, September 1992, pages 942-63.

III. A. 3. Opening up of economies has led to an increase in world trade. World exports almost doubled during 1980-92 with an annual average growth of 5.5% during the period. Exports from Asian developing countries increased at an annual average rate of 7%, a favorable comparison with Japan's at 8.3% annually. Exports from the Asian NICs grew at 13.3% annually.

Table 12. World Exports
[Billions of U.S. dollars]

	1980	1992	Change	Annual Rate
WORLD	1910.9	3647.7	91%	5.5%
United States	220.8	447.4	103%	6.1%
Japan	130.4	339.9	161%	8.3%
Other Industrialized	902.9	1859.8	106%	6.2%
Africa	93.6	78.2	-16%	-1.5%
Latin America	103.6	131.1	27%	2.0%
Asian NICs[1]	76.4	341.0	346%	13.3%
South Asia[2]	**13.8**	**31.9**	**131%**	**7.9%**
East Asia[3]	**35.2**	**74.1**	**111%**	**6.4%**
China	18.1	80.5	345%	13.2%
Malaysia	13.0	40.7	214%	10.0%
Pacific Islands[4]	2.0	2.3	15%	1.2%
Rest of the World	301.1	220.8	-27%	-2.6%

SOURCE: IMF, *Direction of Trade Statistics Yearbook*; IMF, *International Financial Statistics.*

[1] Korea, Hong Kong, Singapore, and Taiwan.
[2] Afghanistan, Bangladesh, India, Nepal, Pakistan, and Sri Lanka.
[3] Indonesia, Lao PDR, Myanmar, Philippines, Thailand, and Viet Nam.
[4] Fiji, New Caledonia, Papua New Guinea, Solomon Islands, Tonga, Vanuatu, Western Samoa.

III. A. 4. Twenty percent of Asian exports to the world were sold in the U.S. market in 1992, compared to only 17% in 1980. South Asian exports to the United States increased during the 1980-92 period such that the U.S. market accounted for 18% of exports to the world. East Asian exports to the United States in 1992 were slightly higher than in 1980 as a percentage of exports to the world.

Table 13. Asian Exports to the United States and the World, 1980-92.
[Millions of U.S. dollars]

	Exports to the U.S.			Exports to the World			U.S. % of total	
	1980	1992	Ann. % Change	1980	1992	Ann. % Change	1980	1992
Asia Region - total	**8,029**	**22,321**	**8.9%**	**48,470**	**113,623**	**7.4%**	**17%**	**20%**
BY COUNTRY								
East Asia - total	**6,723**	**16,096**	**7.5%**	**34,813**	**79,733**	**7.1%**	**19%**	**20%**
Cambodia	0	0	0.0%	7	150	29.1%	0%	0%
Indonesia	4,303	4,642	0.6%	21,909	33,840	3.7%	20%	14%
Lao PDR	1	6	16.7%	23	96	12.5%	4%	6%
Myanmar	2	38	27.8%	415	637	3.6%	0%	6%
Philippines	1,594	4,107	8.2%	5,787	10,274	4.9%	28%	40%
Thailand	823	7,303	20.0%	6,501	32,473	14.3%	13%	22%
Viet Nam	0	0	0.0%	171	2,264	24.0%	0%	0%
South Asia - total	**1,306**	**6,225**	**13.9%**	**13,657**	**33,890**	**7.9%**	**10%**	**18%**
Afghanistan	5	2	-7.2%	705	999	2.9%	1%	--
Bangladesh	73	734	21.2%	790	2,040	8.2%	9%	36%
India	967	3,696	11.8%	8,441	20,683	7.8%	11%	18%
Nepal	6	81	24.6%	63	332	14.8%	9%	24%
Pakistan	139	933	17.2%	2,618	7,267	8.9%	5%	13%
Sri Lanka	116	780	17.2%	1,039	2,570	7.8%	11%	30%

-- indicates that percentage is less than 0.5%.

SOURCE: IMF, *Direction of Trade Statistics Yearbook*, 1987 and 1993.

NOTE: Data in this table are as reported by the Asian country to the Direction of Trade Statistics, with one exception. Figures may differ from those as reported by the United States to the same publication. For trade flows between the United States and Cambodia, U.S.-reported data was used. Data reported to the Direction of Trade Statistics may also differ from data reported to the International Financial Statistics.

III. A. 5. Asian imports expanded dramatically during the period. However, imports from the world increased faster than did imports from the United States. Total East Asian imports more than doubled, but the U.S. share of total imports dropped from 16% to 12%. South Asian imports from the world almost doubled, but the U.S. share of total imports was reduced to 8%. This suggests that U.S. businesses are not taking advantage of expanding markets in Asia.

Table 14. Asian Imports from the United States and the World, 1980-92.
[Millions of U.S. dollars]

	Imports from the U.S.			Imports from the World			U.S. % of total	
	1980	1992	Ann. % Change	1980	1992	Ann. % Change	1980	1992
Asia Region- total	**7,851**	**14,431**	**5.2%**	**55,930**	**132,176**	**7.4%**	**14%**	**11%**
BY COUNTRY								
East Asia - total	**4,759**	**10,882**	**7.1%**	**30,348**	**89,581**	**9.4%**	**16%**	**12%**
Cambodia	26	16	-4.0%	155	488	10.0%	17%	3%
Indonesia	1,409	3,056	6.7%	10,837	27,606	8.1%	13%	11%
Lao PDR	0	1	13.4%	123	230	5.3%	0%	~ ~
Myanmar	39	5	-16.5%	785	1,075	2.6%	5%	~ ~
Philippines	1.951	3,023	3.7%	8,295	16,140	5.7%	24%	19%
Thailand	1.332	4,766	11.2%	9,213	40,686	13.2%	14%	12%
Viet Nam	1	5	12.6%	940	3,357	11.2%	~ ~	~ ~
South Asia - total	**3,092**	**3,549**	**1.2%**	**25,581**	**42,595**	**4.3%**	**12%**	**8%**
Afghanistan	14	4	-9.9%	552	1,692	9.8%	3%	~ ~
Bangladesh	360	258	-2.7%	2,611	3,732	3.0%	14%	7%
India	1,865	2,106	1.0%	14,822	23,638	4.0%	13%	9%
Nepal	13	6	-6.5%	219	499	7.1%	6%	1%
Pakistan	752	980	2.2%	5,350	9,375	4.8%	14%	10%
Sri Lanka	89	196	6.8%	2,029	3,661	5.0%	4%	5%

~ ~ indicates that percentage is less than 0.5%.
SOURCE: IMF, *Direction of Trade Statistics Yearbook*, 1987 and 1993.
NOTE: In 1992, the U.S. share of Viet Nam's imports is estimated to be greater than 0.5%, but the prevalence of third-country trading routes renders the data unavailable. Data in this table are as reported by the Asian country to the Direction of Trade Statistics, one exception. Figures may differ from those as reported by the United States to the same publication. For trade flows between the United States and Cambodia, U.S.-reported data was used. Data reported to the Direction of Trade Statistics may also differ from data reported to the International Financial Statistics.

III. A. 6. Nearly every developing country in Asia is implementing reforms designed to liberalize the trading system. There is a wide spectrum of individual country situations, from post-command economies [*e.g.*, Mongolia and Viet Nam] to those with a large private sector in place prior to the initiation of reforms [Thailand and Indonesia]. The most common reform -- to lower tariff duty rates -- is on-going most prominently in Bangladesh, India, Indonesia, Nepal, Pakistan, the Philippines, and Thailand. Often, reform packages to lower the average tariff rate also focus on reducing the dispersion of tariff rates. By streamlining the tariff structure, the effective rate of protection on many goods is lowered. There is potential for more growth in the region as tariffs are reduced further.

Another promising strategy is "tariffication," with non-tariff barriers being converted to a tariff, and then the tariff itself being lowered at a later stage. This option is more transparent that quotas or licenses, and yields revenue for the government. Although in the case of a country like India, this strategy could generate many benefits, tariffication has not been adopted very widely.

Other areas of importance for trade reform are being addressed by Asian countries, even if not as widely as cutting tariffs. Several countries are eliminating or diminishing non-tariff barriers to trade. Nepal, for example, abolished the import license auction in July 1993. In the Philippines, a decade of reforms have successfully cut the number of import categories subject to quantitative restrictions.

In the areas of barriers to foreign investment and intellectual property rights [IPR], Asian countries have been less forthcoming in their actions. Only the Philippines has taken significant action in liberalizing foreign investment restrictions. In addition, IPR reform is needed in India, Indonesia, Pakistan, the Philippines, and Thailand.

Trade and investment policies which promote rapid economic growth and technology transfer lead to gains in employment and wages. By lowering the cost and improving the quality of all goods, trade benefits the poor. In other sections of this report, the close link between rapid economic growth and a reduction in poverty has been documented.

III. A. 7. Data on tariff rates indicates that Asian countries have made progress in reducing barriers to imports in recent years. Table 15. presents the average and maximum tariff for selected Asian countries. Both measures are more liberalized for the faster growing, East Asian countries.

Table 15. Tariff Rates for Selected Asian Countries

Country	Average Tariff	Maximum Tariff	Year
Korea	9%	60%	1992
Indonesia	10%	60%	1991
Philippines	17%	50%	1992
Thailand	19%	60%	1985
Nepal	25%	80%	1992
Sri Lanka	30%	105%	1992
Pakistan	34%	80%	1993
India	47%	85%	1993

SOURCE: World Bank, *India: Progress and Challenges in Economic Transition*, No. 11761-IN, May 24, 1993, page 35; World Bank documents for Nepal, Sri Lanka, and Pakistan.

III. B. Fiscally Responsible Macro-Economic Policy & Fiscal Reform

III. B. 1. A stable and fiscally responsible macro policy is a critical part of an enabling environment that supports a market economy and economic growth. Studies performed by Frenkel and Khan on 101 developing countries indicate that macroeconomic stability appears to be associated with faster long-term growth. Countries which grew more quickly during 1973-88 were those with lower average rates of inflation, less variance in the inflation rate, better fiscal positions, larger average depreciations of the real effective exchange rate and lower variance of the real effective exchange rate. These conclusions are supported by a recent World Bank Report, *The East Asian Miracle: Economic Growth and Public Policy.*

Typical policy adjustment measures aimed at achieving balance of payments viability and price stability include:

- Monetary restraint aimed at cutting inflation.
- Real interest rates that are positive, but low, and are permitted to reflect relative risk.
- Fiscal discipline through budgetary restraint and higher revenues.
- External debt reduction if it is seen as unsustainable.

Fiscally responsible macroeconomic policy is the basis for sustained economic growth, which provides opportunities for the poor to increase their standard of living. Such a policy contributes to reductions in poverty by fostering price stability, economic growth and more effective government-financed social programs. Price stability benefits lower income people in several ways. This group of people does not always have access to information or financial instruments which can protect the value of their savings from being eroded by inflation. Lower income groups can also least afford to pay the spiralling prices which exist in an inflationary environment due to expectations about tomorrow's as well as yesterday's costs.

Fiscally responsible macroeconomic policy introduces discipline and accountability in the allocation of public funds. A well managed budget which eliminates politically motivated spending leaves more resources available to fund social safety net programs for the poor.

III. B. 2. Fiscal and tax policy are the focus of reform in many countries. Fiscal discipline is usually the weak spot in achieving and maintaining macroeconomic stability due to the following reasons:

- Fiscal deficits put pressure on the financial system and the trade balance.
- Fiscal deficits lead to inflation and price instability.
- Excessive fiscal spending leads to inefficient use of resources and competes with the private sector for financing.
- Fiscal deficits often reflect management problems in the government.

Structural problems on the spending side include:

- An inefficient budget process.
- Poor management of resources in ministries.
- Corruption.
- Lack of priorities.

Structural problems on the revenue side include:

- Poor tax systems
- Poor collection systems
- Tax evasion problems

III. B. 3. Central government deficits ranged from slightly more than 10.0% of GDP in Mongolia[1] and Nepal to only 1.2% in the Philippines[1] in 1993. Indonesia and Thailand had budget surpluses in their 1993 fiscal years.

Table 16. Central Government Accounts for Selected Asian Countries, 1993 Fiscal Years (in percentage of GDP)

Country	Total Revenue (excluding grants)	Total Expenditures	Budget Balance
Bangladesh	11.8	18.8	-7.0
Cambodia[1]	6.2	9.8	-3.6
India	11.5	16.3	-4.8
Indonesia	17.0	16.9	0.1
Mongolia[1]	22.8	32.8	-10.0
Nepal	10.8	21.1	-10.3
Pakistan	20.2	26.9	-6.7
Philippines[1]	18.2	19.4	-1.2
Sri Lanka	21.7	29.7	-8.0
Thailand	18.0	17.0	1.0
Viet Nam[1]	19.3	21.6	-2.3

[1] data is for the 1992 fiscal year.
SOURCE: International Monetary Fund.

III. B. 4. This section discusses structural fiscal reforms in Asian developing countries.

The taxation systems in many Asian countries have undergone major reforms in the last few years as governments attempt to make the structure of the system more equitable and improve collection procedures to lessen tax evasion. Bangladesh and Thailand have recently introduced a value-added tax VAT[1] in hopes of increasing government revenues, with Sri Lanka and Nepal planning on implementing a VAT in the near future. In the transition economies of Cambodia, Mongolia, and Viet Nam, profit and sales taxes have been instituted to replace the revenue lost from formerly state-owned enterprises. In addition, Viet Nam, Sri Lanka, the Philippines, Pakistan, and Cambodia all suffer from inefficient tax administration and high rates of tax evasion and non-compliance. In several of these countries, efforts are underway to reform administrative procedures to eliminate as many of these problems as possible.

Administering the government budget efficiently to sustain macroeconomic stability is a goal to which countries aspire. In the Philippines, a cash management system has been introduced to tie expenditures to public revenue. In Cambodia, the lack of an overall macroeconomic policy framework for budget policy, inadequate monitoring and control of the actual payments and inappropriate budget classification all contribute to systemic problems in controlling public expenditures.

Fiscal policies which balance spending on social services and development needs with other spending needs such as defense and debt servicing are important for economic growth. Bangladesh, Pakistan, Sri Lanka, and Thailand are all struggling with keeping a balance between the sectors, with Bangladesh and Thailand increasing the share of spending on education, health, and social services recently.

Containing the amount of both indirect and direct subsidies provided by the government is an important issue in several countries. In India, for example, large capital transfers to the power sector along with direct fertilizer subsidies for agriculture need to be reduced in order to lessen the fiscal deficit. Mongolia has drastically reduced government expenditures in recent years by cutting subsidies as well as purchases of goods and services. Containing subsidies is an important step toward eliminating price distortions channeled through fiscal measures.

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[1] A VAT is a tax which is levied on goods, with tax due at each stage of production for the "value-added" during that stage. A final increment is also due at the retail sale level.

III. C. Monetary and Financial Policy & Structural Reforms

III. C. 1. Financial reforms in developing countries are critical to the development and operation of a market-oriented economy.

In order to increase consumption and spending (*i.e.*, aggregate demand) without increasing prices, aggregate supply has to shift, mainly through investment in new technology and other capital equipment. Domestic savings is the obvious source of investment and capital accumulation, which shifts attention to the efficiency of the financial system.

- The financial system stimulates household savings and can reduce risk for depositors.
- The financial system intermediates savings for investment.
- Monetary instruments operate through the financial system.

Financial market reform should improve payments and transfers systems, develop diversified deposit schemes as well as improve credibility of the financial institutions. The increased deposits leave a pool of funds which can be used to invest in growing sectors of the economy.

Financial market reforms have a favorable impact on poverty alleviation. Reforms increase financial services available to the poor and encourage microenterprise development. Reforms also increase economic and business activity, which generates employment for the poor.

Work on establishing and improving rural financial systems in Indonesia has shown that banks that serve rural, small depositors and borrowers can be profitable and small clients use financial services. The rural financial system functions best within an efficient financial system for the country as a whole.

III. C. 2. This section discusses structural reforms in the monetary sector in Asian developing countries.

The adoption of sound monetary policies -- a critical determinant of sustained economic growth -- presupposes a well-functioning central and commercial banking system. This point is supported by the recent World Bank study, *The East Asian Miracle: Economic Growth and Public Policy*. The situation of each developing country in Asia varies, but the common need is to establish an effective regulatory framework while relying on market-driven forces. For example, control of the money supply is possible with mandatory liquidity ratios for commercial banks. However, the use of open market operations by the central bank is more effective and responsive to the market. Open market operations also allow management of the money supply while credit is allocated through the market. Reforms are needed or are underway to improve the management of monetary aggregates without direct credit allocation by the monetary authorities in Cambodia, Mongolia, Nepal, Pakistan, and Sri Lanka.

Countries have had a mixed record in this area of policy reform. India has begun to reduce its reliance on the Statutory Liquidity Ratio as a policy instrument, but has a long way to go. Nepal, Pakistan, and Sri Lanka have had more success in increasing the role of indirect monetary instruments. Thailand needs to develop a broad secondary market in government securities in order to improve its monetary policy procedures.

Other issues in monetary sector reforms include the improvement of supervisory capabilities of the financial system and the autonomy of the central bank. The central bank of Thailand has been able to improve its supervisory abilities, but Indonesia's efforts have not reversed a deterioration in portfolio quality. Nascent reforms are occurring in Cambodia and Viet Nam. With respect to the issue of central bank autonomy, few countries in need of this reform have been able to take action. Cambodia is an exception to the rule, with a constitutional amendment planned by June 1994. An autonomous central bank promotes stability and investor confidence in the financial markets. The result is lower inflation and lower interest rates, fostering a "virtuous circle" of investment and economic growth.

Steady economic growth is a powerful antidote to poverty. The responsible and effective conduct of monetary policy is a key determinant of steady economic growth. Lower inflation permits larger gains in real wages, lifting more people out of poverty.

III. [illegible]. 3. This section discusses structural reforms in the financial sector in Asian developing countries.

Financial systems in many Asian countries remain inadequate to the task of facilitating rapid and sustained economic development. The problems, and the corresponding remedies, vary among countries due to the differences in stages of development. There are three common themes: *creating* a prudential regulatory framework; *deepening* the range of financial instruments available; and, *utilizing* the role of the market in determining interest rates, credit flows, and commercial lending criteria.

Recognition that existing capital standards were inadequate in Bangladesh, India, Indonesia, and Thailand prompted reforms to redress the problem. The most common benchmark for capital adequacy is the Basel Accords [established in 1988], a set of standards used by international banks in the industrialized countries. With respect to other regulatory issues, policy reforms currently underway include the governments of Bangladesh and Nepal assisting banks with loan recovery strategies, and external technical assistance for the establishment of a regulatory framework in Mongolia.

The range of financial instruments available has increased in nearly every Asian country in recent years, particularly in Nepal, Sri Lanka, Thailand, and Viet Nam. These policy reforms are interlinked with utilization of the role of market forces in determining the price and allocation of credit. Liberalization programs have been adopted in Bangladesh, Cambodia, India, Indonesia, Nepal, Sri Lanka, Thailand, and Viet Nam, and are under consideration in the Philippines. Financial liberalization involves a variety of reforms, including decontrolling interest rates, as well as permitting new types of deposits, financial instruments, nonbank financial intermediaries, and branch banking. Liberalization also involves creating secondary markets for various financial instruments, including notes and bonds.

It is important that financial institutions accommodate both the rural and urban poor populations in every country. Access to financial services is a key determinant in raising the standard of living of those with the lowest incomes. In countries where the opportunities for wage employment are insufficient, financial services to support entrepreneurial development can contribute to poverty reduction.

III. D. Privatization, Demonopolization, & Deregulation

III. D. 1. The mirror image of reform relating to financial aggregates is reform of the real sector, where reforms are critical to ensure that an incentive structure is in place that reflects producer costs, profitability and consumer preferences. Market liberalization is crucial to insure that interested participants may participate in the market. Reforms can lead to improved productivity and allow the incentive structure to work. Reforms in the real sector involve privatization, deregulation or demonopolization of favored industries and price liberalization throughout the economy.

Privatization, demonopolization and **deregulation** all contribute to economic growth and development by allowing the private sector to make operational business and investment decisions. The private sector is more efficient because it imposes financial discipline through the revenue-cost-profit structure of the firm. It allocates capital more efficiently and enhances productive efficiency of industry and services.

Reforms in these areas enhance economic growth by:

- Allowing private sector management of companies.
- Eliminating rigidities from the market.
- Improving competition and price formation.

Privatization and deregulation contribute to reduced poverty by increasing economic opportunities for entrepreneurs who may not be politically connected, which is a prerequisite in many countries to enter the business class. Privatization can provide a broadened access to capital and a concomitant expansion of ownership in the middle and lower income groups. When these new businesses succeed, an enlarged job base is created, expanding the income of the general population. Regulatory reforms remove the biases towards larger firms and relax overly stringent regulations for all firms.

Removal of barriers to entry is an essential step towards an open market economy and full participation of lower income people in the economy. Free entry and exit of businesses contributes to poverty reduction. Free entry reduces political and social barriers to entry and broadens economic opportunity for the average person. Free exit, or allowing firms to fail, frees up resources that can be used to create jobs in financially and economically viable businesses. This approach is more beneficial to the poor than using scarce government funds to protect industries which cannot support themselves and therefore require government subsidies to survive.

III. D. 2. This section discusses privatization and deregulation reforms in Asian developing countries.

The extent of government control of industry varies across Asia. Most industrial production in Cambodia is still under state control, while in Thailand a relatively modest share of nonagricultural employment is accounted for by state enterprises. Types of enterprises controlled by the government range from those operated by the government in many countries such as transport and utilities, to those typically operated by the private sector such as financial institutions, oil production, cement, chemicals and mining.

Many developing Asian countries began implementing privatization programs in the late 1980s and 1990s. Cambodia, Mongolia and Viet Nam have started privatization programs as an important part of their transition from centrally planned economies to market-oriented systems. Other countries, such as Bangladesh, India, Nepal, Pakistan and the Philippines, decided to privatize government-owned industries to increase public sector efficiency and eliminate the large drains on the government budget created by the large subsidies given to government controlled corporations. Indonesia, Sri Lanka and Thailand started privatization programs to help increase productivity and improve economic growth rates.

Each country is at a different stage of the privatization process. In the transition economies of Cambodia, Mongolia and Viet Nam, issues of corporate governance need to be resolved before privatization can occur on a widespread basis. In Bangladesh, privatization of smaller units appears to have been successful in reducing the drain on the government budget, but it has been more difficult to privatize larger units such as textile and jute mills. Indonesia, Nepal, Pakistan, the Philippines and Sri Lanka are all in the middle of implementing programs, with a portion of enterprises scheduled for privatization returned to private ownership. Political and technical problems have hampered India's attempts at privatization, but some private ownership has been introduced in the airline, power and telecommunications sectors. Thailand has identified 17 commercial enterprises to be privatized, but has not started its program yet.

Progress in deregulation varies across Asian countries. India, Indonesia and Mongolia have all implemented regulatory reform packages in recent years. In Viet Nam, some areas, such as the regulation of market activities, are burdened by too many regulations, while other areas, including the provision of public goods, suffer from a lack of regulation. Sri Lanka's program of deregulation needs to be accompanied by appropriate reforms of the laws and practices that regulate entry, exit and factor mobility.

III. E. Human Resources & Labor Market Reforms

III. E. 1. Studies show that 50% - 75% of historical economic growth in developing countries is the result of increased productivity. Increased productivity occurs when the utilization of both human and physical resources is improved. In the case of human resources, labor quality is more than important than sheer numbers in increasing output and productivity. Improving the labor productivity in developing countries requires a medium to long term investment program because a large part of improving the quality of the workforce rests in education and training of labor.

- Improvements in labor market policies lead to a more productive economy and more job opportunities. For example, linking wage increases to productivity gains improves the efficiency of the labor market.

- Flexible labor markets allow small and medium firms to adapt to changing market conditions, remain competitive, and take advantage of technological improvements.

- Free entry and exit are key principles of a market-oriented economy. Open entry refers to increased opportunities to enter the labor market. Open exit of labor reduces costs.

- Investment in education and training programs improves the quality of the labor force and helps increase the economy's productivity.

Labor policies aimed at promoting the productive use of labor, such as the examples given above, give the poor opportunities to participate fully in economic progress. An efficient, labor-intensive pattern of development and more investment in the human capital of the poor contribute both to economic growth and poverty reduction.

III. E. 2. This section discusses labor market issues in Asian developing countries.

Key labor market issues which need to be addressed in Asia include restrictive labor market policies, the lack of skilled workers, and civil service reform. Reforms in these areas are necessary to ensure continuing economic growth.

Several countries in Asia, including Sri Lanka, the Philippines, and Bangladesh have high minimum wage regulations and other restrictive types of labor laws which hurt their ability to compete in international markets and contribute to unemployment. In Bangladesh, for example, the high minimum wage regulations, centralized system of setting wages in the public sector and the large number of non-wage benefits stipulated by law or dictated by public sector norms all contribute to excessive costs, thereby decreasing competitiveness.

Having enough *skilled* workers is of vital importance to increase productivity levels and international competitiveness. Thailand, Indonesia, and Cambodia, in particular, suffer from a lack of skilled workers, due to insufficient education and training programs. Cambodia, as a result of its long period of civil unrest, has a severe shortage of highly-trained and education workers, leading to a dearth of qualified personnel available to fill supervisory and technical positions.

Improved flexibility in labor markets would make it easier to reform the civil service. This type of reform aims to make salaries reflect performance more closely, which is closely related to whether labor markets are flexible, and to reduce the government's wage bill. Asian countries which need to reform their civil services to improve public sector efficiency include Viet Nam, Pakistan, Nepal, Cambodia, and India. Civil service reform can create another set of problems, however. In Viet Nam, for example, large numbers of discharged soldiers and civil servants released from their jobs as a result of the civil service reform need to be employed elsewhere in other occupations. In Mongolia and Thailand, for example, the civil service no longer has enough qualified personnel to run the government effectively, since many civil servants are leaving the government in order to seek better opportunities in the growing private sector.

Important reforms needed to address the above problems include wage reform to link wages and benefits more directly to productivity, improved industrial labor relations to permit such reforms to be implemented, improved safety net systems for displaced workers to increase labor mobility and the establishment of more training and educational programs to increase the skill level of workers, which would help both productivity and competitiveness.

III. F. Natural Resources and Environmental Issues

III. F. 1. Sustainable economic growth requires efficient use of available natural resources. Implementing an appropriate environmental management policy is important to reduce economic distortions, incorporate social costs in the cost of doing business, and provide an appropriate economic valuation to resources.

Environmental management issues can be divided into three categories:

- **Green** issues include deforestation and soil degradation, which often result in a loss of biodiversity.

- **Blue** issues include the mismanagement of water and coastal resources, which affect fish and other wildlife, improper sewage disposal, and agricultural techniques which pollute water and cause salinization and other problems.

- **Brown** issues include air and water pollution caused by rapid urbanization and industrialization, as well as hazardous waste disposal problems.

Proper environmental management is an important part of improvements in the standard of living for the poor. Environmental problems such as soil degradation, air pollution and water contamination can contribute to poverty by reducing the fertility of farmland and increasing health care costs. Appropriate environmental policies can help a country take full advantage of all its natural resources, thereby increasing future productivity and economic growth, as well as decreasing the level of poverty.

III. F. 2. This section discusses environmental issues in Asian developing countries.

Ten of the eleven developing countries profiled (Bangladesh, Cambodia, Indonesia, Mongolia, Nepal, Pakistan, the Philippines, Sri Lanka, Thailand, and Viet Nam) suffer from a loss of biodiversity. Excessive logging, mining, and population pressures forcing the overuse of land have created deforestation and soil degradation problems in these countries. India does not have a serious problem in this particular area of environmental management at the present time.

Countries are also experiencing degradation of water and coastal resources. Waterlogging and increased salinization have resulted from changing agriculture and irrigation techniques in Cambodia, India, Nepal, Pakistan, and Viet Nam. Water pollution problems are created by industrial pollution or the use of agricultural chemicals in many countries, including India, Indonesia, Pakistan, the Philippines, and Thailand. Water pollution not only harms humans, but also the fish, shellfish, and coral populations which breed in the coastal and freshwater areas. In Bangladesh, the degradation and mismanagement of water and coastal resources has increased the occurrence of natural disasters.

Extensive urban air pollution has resulted from the rapid urbanization and industrialization in India, Indonesia, the Philippines, and Thailand. Indonesia, Mongolia, Pakistan, and Thailand also suffer from toxic waste disposal problems. The use of biomass for cooking and heating has created a problem with indoor air pollution, leading to respiratory problems, in India and Nepal.

APPENDIX I

Summary Matrix of Economic Indicators

This is a summary matrix of key macroeconomic indicators for sixteen countries in the Asian and Pacific region. It is intended as a reference in general as well as a supplement to the other tables and graphs in the *Economic Overview: Asia Region*.

NOTE

The table on the following page presents summary data for sixteen countries in the Asian and Pacific region. Highlights of the indicators include:

Real GDP Growth in 1993 ranged from a low of -1.3% in Mongolia to a high of 10.3% in Papua New Guinea. Pakistan and Viet Nam each grew by 7.5% in 1993.

Inflation in 1993 was between 4.0% - 10.0% for most countries in the region, with the notable exceptions of Bangladesh's 2.4% rate at one extreme, and the high-inflation economies in Cambodia, Mongolia, Myanmar, Viet Nam, and Afghanistan at the other extreme.

Fiscal balances in 1992 ranged from a surplus equal to 2.7% of GDP in Thailand to a deficit equal to 10.1% of GDP in Nepal. The domestic financing of the budget deficit was most burdensome for Bangladesh and Myanmar at 5.9% and 5.4% of GDP, respectively.

Gross International Reserves, as measured in months of imports, were highest for Nepal (8.7 months) and Fiji (7.3) in 1993, but lowest for Afghanistan (0.4 as of 1991).

Most countries experienced relatively rapid growth of trade in 1993. **Exports** grew at double-digit rates in nine of the sixteen countries, while exports fell only for Fiji. Helped by higher oil shipments, Indonesia's exports expanded by an estimated 50.5% in 1993. On the **import** side, several countries recorded rapid rises, including Cambodia at an estimated 46.8%, Sri Lanka (27.5%), and Indonesia (27.4%). Imports declined in 1993 for Mongolia, Viet Nam, and Fiji.

The **Debt Service Ratio** in 1992 ranged from 8.8% of the export of goods and services in Myanmar to an estimated 155.1% in Afghanistan. By developing country standards, debt service was moderate or light in Asian and Pacific countries in 1992.

The ratio of **Total External Debt to GDP** was also moderate for most of the sixteen countries, with the notable exceptions of Papua New Guinea, Viet Nam, and Sri Lanka. Those three countries had a debt to GDP ratio above 70% for 1992. At the other extreme, the external debt level was relatively light for Myanmar and Fiji.

Table A1. Summary Matrix of Economic Indicators

	Real GDP Growth 1993 %	Inflation 1993 %	Fiscal Balance % GDP 1992	Domestic Financing Balance 1992	Gross International Reserves 1993 Bil. U.S. $	Reserves in Months of Imports 1993	Export Growth Rate 1993 %	Import Growth Rate 1993 %	Debt Service % XGS 1992	Debt / GDP 1992 %	Exchange Rate System	National Currency
			% of GDP									
East Asia: Middle-income												
Indonesia	6.3	6.7	-1.4	-0.8	14.50	5.1	50.5	27.4	25.2	63.6	Managed Float	rupiah
Philippines	1.1	9.7	-1.2	-1.1	5.20 [1]	4.3 [1]	18.7	24.4	18.0	58.3	Independently Floating	peso
Thailand	7.4	4.8	2.7	2.3	22.40	5.5	7.9	17.3	10.8	41.5	Pegged to Currency Basket	baht
East Asia: Low-Income												
Cambodia	7.0 [1]	75.0 [1]	-4.6	-3.5	0.04	2.2	3.8 [1]	46.8 [1]	n.a.	n.a.	Managed Float	riel
Laos	5.5	9.8 [1]	-5.2	-0.6	0.05	2.4	37.3 [1]	16.5 [1]	6.3	34.8	Managed Float	kip
Mongolia	-1.3	291.0	-10.0	-1.5	0.07	1.8	2.7 [1]	-20.2 [1]	11.4	26.5	Independently Floating	tugrik
Myanmar	5.8	29.0 [1]	-6.4 [2]	-5.4 [2]	0.31	3.8	7.4	26.8	8.8	11.7	Pegged to the SDR	kyat
Viet Nam	7.5	15.0	-2.3	-0.8	0.55	2.1	11.0 [1]	-8.0 [1]	25.0	96.0	Managed Float	dong
South Asia												
Afghanistan	7.6 [2]	56.7 [2]	n.a.	n.a.	0.23 [2]	0.4 [2]	0.0 [2]	6.8 [2]	155.1	n.a.	Independently Floating	afghani
Bangladesh	4.6	2.4	-5.3	-0.2	2.12	6.5	19.6	11.8	11.8	51.4	Pegged to Currency Basket	taka
India	4.5	8.0	-5.7	-5.1	5.76 [1]	3.8 [1]	28.3	7.1	28.8	30.4	Independently Floating	rupee
Nepal	6.2	6.0	-10.1	-2.8	0.67	8.7	16.5	17.7	11.0	61.7	Independently Floating	rupee
Pakistan	7.5	7.8	-7.7	-5.9	0.47	2.3	1.4	18.5	23.6	43.4	Managed Float	rupee
Sri Lanka	5.7	7.0	-9.6	-3.6	1.24	4.0	36.9	27.5	19.1	73.3	Managed Float	rupee
Pacific												
Fiji	4.2 [1]	4.5 [1]	-0.1	-0.5	0.32 [1]	7.3 [1]	-20.5 [1]	-5.9 [1]	8.9	22.2	Pegged to Currency Basket	Fiji dollar
Papua New Guinea	10.3	6.9	-4.6	-3.0	0.23	2.6	43.7	2.3	30.3	96.9	Pegged to Currency Basket	kina

[1] = 1992
[2] = 1991
All data are in percentage terms, except for Gross International Reserves [which are in billions of U.S. dollars or number of months.]
In the Fiscal Balances and Domestic Financing columns, negatives are deficits and positives are surpluses.
SOURCE: IMF, *International Financial Statistics*; IMF documents; World Bank, *World Tables*.

APPENDIX II

Where in the World?

Reference Guide to the Regional Aggregates

This is a guide to which countries are included in regional definitions. For each table and graph in the *Economic Overview: Asia Region*, country inclusion can differ.

NOTE

There are several ways to categorize countries and economies. Different data sources have different methods.

For example, the International Monetary Fund [IMF], in its *International Financial Statistics* and other publications, usually has two categories:

Industrial Countries
Developing Countries

The industrial countries are basically the OECD members, except that Turkey is not included. The developing countries are all the other countries, so that the IMF categorizes some countries -- such as Korea and Singapore -- as developing, even though they are often thought of as Newly Industrializing Economies.

The World Bank has more levels of aggregation in its data presentations:

Low-income Economies [per capita GNP $635[1] or less]
Middle-income Economies [per capita GNP between $636 and $7,910]
High-income Economies [per capita GNP $7,911 or more]

The High-income Economies are the members of the OECD, plus sixteen other "economies": Brunei, French Polynesia, Hong Kong, Singapore, Taiwan, Channel Islands, Cyprus, Faeroe Islands, Greenland, Israel, Kuwait, Qatar, the United Arab Emirates, Bahamas, Bermuda, and the U.S. Virgin Islands.

The Middle-income Economies are further split into:

Lower Middle-income Economies [per capita GNP between $636 and $2,555]
Upper Middle-income Economies [per capita GNP between $2,556 and $7,910]

For example, Korea, with a per capita GNP of $6,330 in 1991 [Atlas method], is an Upper Middle-income Economy.

In most cases, with World Bank data, the Low- and Middle-income Economies comprise the "Developing Countries."

There is a further consideration. In the tables and graphs which we prepare, data for every country is not available. Therefore, even the distinction between IMF and World Bank aggregation is not always adequate to determine which countries are in which aggregate.

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[1] All per capita GNP figures are in U.S. dollars at 1991 levels, using the World Bank Atlas method.

This is the regional grouping for the graph
"GNP Growth in Developing Countries" on page 3.

Asia

Afghanistan	India	Mongolia	Thailand
American Samoa	Indonesia	Nepal	Tonga
Bangladesh	Kiribati	New Caledonia	Vanuatu
Bhutan	Korea, Dem. Rep.	Pakistan	Viet Nam
Cambodia	Korea, Rep.	Papua New Guinea	Western Samoa
China	Lao, PDR	Philippines	
Fiji	Macao	Solomon Islands	
Guam	Malaysia	Sri Lanka	

Near East / North Africa

Algeria	Iraq	Morocco	Tunisia
Bahrain	Jordan	Oman	Yemen, Rep.
Egypt, Arab Rep.	Lebanon	Saudi Arabia	
Iran, Islamic Rep.	Libya	Syrian Arab Rep.	

Sub-Saharan Africa

Benin	Ethiopia	Mauritania	Somalia
Botswana	Gabon	Mauritius	Sudan
Burkina Faso	Gambia, The	Mozambique	Swaziland
Burundi	Ghana	Namibia	Tanzania
Cameroon	Guinea	Niger	Togo
Cape Verde	Guinea-Bissau	Nigeria	Uganda
Central African Rep.	Kenya	Reunion	Zaire
Chad	Lesotho	Rwanda	Zambia
Comoros	Liberia	Sao Tome and Principe	Zimbabwe
Congo	Madagascar	Senegal	
Cote d'Ivoire	Malawi	Seychelles	
Equatorial Guinea	Mali	Sierra Leone	

Latin America and the Caribbean

Antigua and Barbuda	Dominica	Honduras	St. Kitts and Nevis
Argentina	Dominican Rep.	Jamaica	St. Lucia
Barbados	Ecuador	Martinique	St. Vincent
Belize	El Salvador	Mexico	Suriname
Bolivia	French Guiana	Netherlands Antilles	Trinidad and Tobago
Brazil	Grenada	Nicaragua	Uruguay
Chile	Guadeloupe	Panama	Venezuela
Colombia	Guatemala	Paraguay	
Costa Rica	Guyana	Peru	
Cuba	Haiti	Puerto Rico	

Europe and and the N.I.S.

Armenia	Gibraltar	Lithuania	Tajikistan
Azerbaijan	Greece	Malta	Turkey
Belarus	Hungary	Moldova	Turkmenistan
Bulgaria	Isle of Man	Poland	Ukraine
Czechoslovakia	Kazakhstan	Portugal	Uzbekistan
Estonia	Kyrgyzstan	Romania	Yugoslavia
Georgia	Latvia	Russian Federation	

This is the regional grouping for
Table 1. Exports and Investment: 1980-91 on page 5.

Industrialized Countries

ALL OF THE OECD COUNTRIES EXCEPT TURKEY

Newly Industrializing Asian Economies

Hong Kong	Korea, Rep.	Singapore	Taiwan

Asia -- Developing Countries

Afghanistan	French Polynesia	Maldives	Solomon Islands
American Samoa	Guam	Myanmar	Sri Lanka
Bangladesh	India	Nauru	Thailand
Bhutan	Indonesia	Nepal	Tonga
Brunei	Kiribati	New Caledonia	Vanuatu
Cambodia	Lao, PDR	Pakistan	Viet Nam
China	Macao	Papua New Guinea	Western Samoa
Fiji	Malaysia	Philippines	

Africa -- Developing Countries

Algeria	Equatorial Guinea	Morocco	South Africa
Benin	Ethiopia	Mauritania	Sudan
Botswana	Gabon	Mauritius	Swaziland
Burkina Faso	Gambia, The	Mozambique	Tanzania
Burundi	Ghana	Niger	Togo
Cameroon	Guinea	Nigeria	Tunisia
Cape Verde	Guinea-Bissau	Reunion	Uganda
Central African Rep.	Kenya	Rwanda	Zaire
Chad	Lesotho	Sao Tome and Principe	Zambia
Comoros	Liberia	Senegal	Zimbabwe
Congo	Madagascar	Seychelles	
Cote d'Ivoire	Malawi	Sierra Leone	
Djibouti	Mali	Somalia	

Latin America -- Developing Countries

Antigua and Barbuda	Costa Rica	Haiti	Peru
Argentina	Dominica	Honduras	St. Kitts and Nevis
Bahamas	Dominican Rep.	Jamaica	St. Lucia
Barbados	Ecuador	Martinique	St. Vincent
Belize	El Salvador	Mexico	Suriname
Bermuda	French Guiana	Montserrat	Trinidad and Tobago
Bolivia	Grenada	Netherlands Antilles	Uruguay
Brazil	Guadeloupe	Nicaragua	Venezuela
Chile	Guatemala	Panama	
Colombia	Guyana	Paraguay	

Europe -- Developing Countries

Czechoslovakia	Hungary	Poland	Turkey
Faeroe Islands	Malta	Romania	Yugoslavia
Gibraltar			

DEVELOPING COUNTRIES includes all of the above plus Middle East listed below:

Bahrain	Israel	Libya	Syria
Egypt	Jordan	Oman	U.A.E.
Iran	Kuwait	Qatar	Yemen
Iraq	Lebanon	Saudi Arabia	

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This is the regional grouping for the graph "Debt Rescheduling in Developing Countries, By Region" on page 6.

The 131 countries in the graph are all the countries which have a country page in the OECD Geographical Distribution of Financial Flows to Developing Countries. The regional grouping follows the OECD convention, which may differ from the IMF or World Bank.

Asia & Pacific - [31]

Afghanistan	Indonesia	Niue	Thailand
Bangladesh	Kiribati	Pakistan	Tokelau
Cambodia	Korea, Rep.	Papua New Guinea	Tonga
China	Lao, PDR	Philippines	Tuvalu
Cook Islands	Malaysia	Singapore	Vanuatu
Fiji	Myanmar	Solomon Islands	Viet Nam
Hong Kong	Nauru	Sri Lanka	Western Samoa
India	Nepal	Taiwan	

Sub-Saharan Africa -- [44]

Angola	Cote d'Ivoire	Liberia	Seychelles
Benin	Djibouti	Madagascar	Sierra Leone
Botswana	Equatorial Guinea	Malawi	Somalia
Burkina Faso	Ethiopia	Mali	Sudan
Burundi	Gabon	Mauritania	Swaziland
Cameroon	Gambia, The	Mauritius	Tanzania
Cape Verde	Ghana	Mozambique	Togo
Central African Rep.	Guinea	Niger	Uganda
Chad	Guinea-Bissau	Nigeria	Zaire
Comoros	Kenya	Rwanda	Zambia
Congo	Lesotho	Senegal	Zimbabwe

Latin America and Caribbean -- [40]

Antigua and Barbuda	Colombia	Guyana	Paraguay
Argentina	Costa Rica	Haiti	Peru
Bahamas	Dominica	Honduras	St. Kitts and Nevis
Barbados	Dominican Rep.	Jamaica	St. Lucia
Belize	Ecuador	Martinique	St. Vincent
Bermuda	El Salvador	Mexico	Suriname
Bolivia	French Guiana	Montserrat	Trinidad and Tobago
Brazil	Grenada	Netherlands Antilles	Turks & Caicos Islands
Cayman Islands	Guadeloupe	Nicaragua	Uruguay
Chile	Guatemala	Panama	Venezuela

Europe -- [4]

Cyprus	Greece	Turkey	Yugoslavia

Near East & North Africa -- [12]

Algeria	Iran	Jordan	Oman
Bahrain	Iraq	Lebanon	Syria
Egypt	Israel	Morocco	Tunisia

60

This is the regional grouping for the two graphs "Population Density" on page 9 and "Population Density - Arable Land" on page 11.

Asia

Afghanistan	Hong Kong	Lao, PDR	Nepal	Taiwan
Bangladesh	India	Macao	Pakistan	Thailand
Bhutan	Indonesia	Malaysia	Papua New Guinea	Viet Nam
Brunei	Japan	Maldives	Philippines	
Cambodia	Korea, Dem. Rep.	Mongolia	Singapore	
China	Korea, Rep.	Myanmar	Sri Lanka	

Near East / North Africa

Algeria	Iraq	Lebanon	Qatar	United Arab Emirate
Bahrain	Israel	Libya	Saudi Arabia	Yemen
Egypt, Arab Rep.	Jordan	Morocco	Syrian Arab Rep.	
Iran, Islamic Rep.	Kuwait	Oman	Tunisia	

Sub-Saharan Africa

Benin	Cote d'Ivoire	Lesotho	Niger	Sudan
Botswana	Djibouti	Liberia	Nigeria	Swaziland
Burkina Faso	Equatorial Guinea	Madagascar	Reunion	Tanzania
Burundi	Ethiopia	Malawi	Rwanda	Togo
Cameroon	Gabon	Mali	Sao Tome and Princi	Uganda
Cape Verde	Gambia, The	Mauritania	Senegal	Zaire
Central African Rep.	Ghana	Mauritius	Seychelles	Zambia
Chad	Guinea	Mayotte	Sierra Leone	Zimbabwe
Comoros	Guinea-Bissau	Mozambique	Somalia	
Congo	Kenya	Namibia	South Africa	

Latin America and the Caribbean

Antigua and Barbuda	Chile	French Guiana	Martinique	St. Kitts and Nevis
Argentina	Colombia	Grenada	Mexico	St. Lucia
Bahamas	Costa Rica	Guadeloupe	Netherlands Antilles	St. Vincent
Barbados	Cuba	Guatemala	Nicaragua	Suriname
Belize	Dominica	Guyana	Panama	Trinidad and Tobago
Bermuda	Dominican Rep.	Haiti	Paraguay	Uruguay
Bolivia	Ecuador	Honduras	Peru	Venezuela
Brazil	El Salvador	Jamaica	Puerto Rico	Virgin Islands, U.S.

North America

Canada	Mexico	United States

Europe and and the N.I.S.

Albania	Faeroe Islands	Greenland	Luxembourg	Spain
Andorra	Finland	Hungary	Malta	Sweden
Armenia	France	Iceland	Moldova	Switzerland
Austria	Georgia	Ireland	Netherlands	Tajikistan
Azerbaijan	Germany	Isle of Man	Norway	Turkey
Belarus	Gibraltar	Italy	Poland	Turkmenistan
Belgium	Greece	Kazakhstan	Portugal	Ukraine
Bulgaria	Czechoslovakia	Kyrgyzstan	Romania	United Kingdom
Channel Islands	Denmark	Latvia	Russian Federation	Uzbekistan
Cyprus	Estonia	Lithuania	San Marino	Yugoslavia

Oceania

American Samoa	French Polynesia	Marshall Islands	New Zealand	Vanuatu
Australia	Guam	Micronesia, Fed. St.	Solomon Islands	Western Samoa
Fiji	Kiribati	New Caledonia	Tonga	

This is the regional grouping for the graph "Projected Population Densities at Present Growth Rates" on page 12.

	Asia	
Afghanistan	Japan	New Zealand
American Samoa	Kiribati	Pakistan
Australia	Korea, Dem. Rep.	Papua New Guinea
Bangladesh	Korea, Rep.	Philippines
Bhutan	Lao, PDR	Singapore
Brunei	Macao	Solomon Islands
Cambodia	Malaysia	Sri Lanka
China	Marshall Islands	Taiwan
Fiji	Maldives	Thailand
French Polynesia	Micronesia, Fed. St.	Tonga
Guam	Mongolia	Vanuatu
Hong Kong	Myanmar	Viet Nam
India	Nepal	Western Samoa
Indonesia	New Caledonia	

	Sub-Saharan Africa	
Benin	Ghana	Reunion
Botswana	Guinea	Rwanda
Burkina Faso	Guinea-Bissau	Sao Tome and Principe
Burundi	Kenya	Senegal
Cameroon	Lesotho	Seychelles
Cape Verde	Liberia	Sierra Leone
Central African Rep.	Madagascar	Somalia
Chad	Malawi	Sudan
Comoros	Mali	Swaziland
Congo	Mauritania	Tanzania
Cote d'Ivoire	Mauritius	Togo
Equatorial Guinea	Mozambique	Uganda
Ethiopia	Namibia	Zaire
Gabon	Niger	Zambia
Gambia, The	Nigeria	Zimbabwe

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This is the regional grouping for the graph "Per Capita GNP in Developing Countries" on page 13.

The whole group is the 162 economies which the World Bank has classified as Low or Middle Income.

Asia

Afghanistan	Indonesia	Myanmar	Sri Lanka
American Samoa	Kiribati	Marshall Islands	Thailand
Bangladesh	Korea, Dem. Rep.	Mongolia	Tonga
Bhutan	Korea, Rep.	Nepal	Vanuatu
Cambodia	Lao, PDR	New Caledonia	Viet Nam
China	Macao	Pakistan	Western Samoa
Fiji	Malaysia	Papua New Guinea	
Guam	Maldives	Philippines	
India	Micronesia, Fed. St.	Solomon Islands	

Near East / North Africa

Algeria	Iraq	Morocco	Tunisia
Bahrain	Jordan	Oman	Yemen, Rep.
Egypt, Arab Rep.	Lebanon	Saudi Arabia	
Iran, Islamic Rep.	Libya	Syrian Arab Rep.	

Sub-Saharan Africa

Angola	Equatorial Guinea	Mauritania	Somalia
Benin	Ethiopia	Mauritius	South Africa
Botswana	Gabon	Mayotte	Sudan
Burkina Faso	Gambia, The	Mozambique	Swaziland
Burundi	Ghana	Namibia	Tanzania
Cameroon	Guinea	Niger	Togo
Cape Verde	Guinea-Bissau	Nigeria	Uganda
Central African Rep.	Kenya	Reunion	Zaire
Chad	Lesotho	Rwanda	Zambia
Comoros	Liberia	Sao Tome and Principe	Zimbabwe
Congo	Madagascar	Senegal	
Cote d'Ivoire	Malawi	Seychelles	
Djibouti	Mali	Sierra Leone	

Latin America and the Caribbean

Antigua and Barbuda	Cuba	Haiti	Puerto Rico
Argentina	Dominica	Honduras	St. Kitts and Nevis
Aruba	Dominican Rep.	Jamaica	St. Lucia
Barbados	Ecuador	Martinique	St. Vincent
Belize	El Salvador	Mexico	Suriname
Bolivia	French Guiana	Netherlands Antilles	Trinidad and Tobago
Brazil	Grenada	Nicaragua	Uruguay
Chile	Guadeloupe	Panama	Venezuela
Colombia	Guatemala	Paraguay	
Costa Rica	Guyana	Peru	

Europe and and the N.I.S.

Albania	Georgia	Latvia	Russian Federation
Armenia	Gibraltar	Lithuania	Tajikistan
Azerbaijan	Greece	Malta	Turkey
Belarus	Hungary	Moldova	Turkmenistan
Bulgaria	Isle of Man	Poland	Ukraine
Czechoslovakia	Kazakhstan	Portugal	Uzbekistan
Estonia	Kyrgyzstan	Romania	Yugoslavia

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