Chapter IV

Development and Stability of the Asia-Pacific Regional Market:

How to Stabilize the Development Path of the East-Asian Market by Establishing a Framework for Better Risk Management

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In this paper, the author deals with *The Development and Stability of the Asia-Pacific Region*, which can be broken into two subjects, namely: (a) how to stabilize the development path of the regional market (specifically that of East Asian developing economies), (b) and how to establish a framework for better risk management. Why should we study these issues right now? We should study them because of two main reasons. One reason is because many people have begun to consider that the East Asian economic development may be entering a new, more challenging stage after an overall success in the past decade or so. Secondly, it is commonly recognized that many discussions have been made within APEC and other institutional frameworks but they have yet to complete a framework to administer various socio-economic risks in individual countries or in the regions as a total.

There is no specific methodology to state the author's view, but the author has tried to compile his ideas through: (a) internal discussions of this study group chaired by Mr.Keiji Omura, Senior Research Associate, Institute of Developing Economies, (b) his recent visit to some Asian nations, (c) and other academic and pragmatic studies he has done on his own.

In 1996, we saw considerable economic setback issues here and there in the region’s developing economies. In the following passages, Philip Bowring posed a smart presentation in his recent article ("Asia Survey", *Capital Trends,* Nikko Research Center (America) dated January 1997) regarding their current economic situation and problems:

> "1997 will be a testing year for East Asia, going a long way towards determining whether the region is headed for significantly lower medium-term growth, or whether the problems of 1996 can be overcome. Was last year a temporary or a permanent setback: an aberration caused by chance confluence of unfavorable factors, or an indication of the wave of future?-----Nonetheless, there is at least one common denominator - a slow down in export growth across the region - and some common issues that are retarding growth despite a continued high level of savings: namely, in infrastructure bottlenecks and environmental degradation." [1)]

From this perspective, there will be no better chance than now to examine the two subjects previously mentioned.

1. HOW TO STABILIZE THE DEVELOPMENT PATH OF THE EAST-ASIAN MARKET

1.1. " Economic Miracle" of the Region and its Logic

In 1994, the World Bank published a booklet titled The East Asian Miracle: Economic Growth and Public Policy. It states that East-Asian economies have attained remarkable economic success for the past two decades, particularly in their economic growth, trade, investment as well as debt management. The main economic indicators in **Table 1** confirm this success.

The economic performance achievements become more obvious when compared with other developing regions like Latin America and South Asia (See **Table 2**). Why could East-Asian (or more broadly Asia-Pacific) economies attain higher and more stable economic growth, quicker expansion in trade (especially export), and inward-foreign direct investment

(FDI) (See **Figures 1-3)**, thereby enabling these countries to manage their external debt?

Table 1 East-Asian Economic Indicators

(% of annual growth)

	1986-95
GDP	8.5
Consumption per capita	5.6
GDP per capita	6.9
Export volume	13.4
Median inflation	6.8
Current account /GDP	-0.7

Source: The World Bank, *Global Economic Prospects and the Developing Countries 1996*

These are not all of the accomplishments these regional economies can be proud of. With respect to social indicators, these regional economies have also outperformed others in areas such as controlling population, prolonging life expectancy, creating better primary and secondary education, and better equity in distribution of income. These social issues must have been partly related to the good economic performance, partly to public policies of the central / regional governments, and partly to their indigenous cultures or individual behaviors. Social indicators are of significant importance when examining stabilization and risk management of regional markets.

1.2. "Secrets" of a "Virtuous Circle"

The author observes some major factors which brought about the "economic miracle" in this region for decades, and especially in the past ten years. *Initial conditions* may be crucially important and should not be forgotten to understand the long-term growth of the region such as ample rainfalls fitted for hybrid-rice production, relatively family-bound society (in a different way from Latin American countries) which could minimize social security costs, and endowment of natural resources. Explanations on these are omitted here to save space, but they are still important existing factors. Domestic politics and international trade/investment environments are not regarded as initial conditions.

The following are major factors/determinants for the fast and relatively steady economic development of the region in the past years:

a. relatively stable political situation within the individual regional economies which have successfully enabled them to implement long-term socio-economic development plans
b. rather favorable externalities such as maintaining a relatively "free, non-discriminatory world trade system", fast expansion of world trade, free international flows of capital---specifically ASEAN, as well as high dependence on external trade and foreign direct investment (FDI)
c. high domestic savings and subsequent high investing ratio
d. good macro-economic policy
e. government policy emphasizing primary/secondary education

Economists, particularly pure theorists, tend to forget or neglect significance of item “a” above. Contrarily, most policy-makers in the region have pointed out its decisive importance. The latter contend that any "populistic" government could never maintain the continuity of policies with which long-term economic development is rationally planned and well implemented. The author has fully agrees with the latter's observation and would also stress its importance for effectively inducing FDI.

In the past, item “b”, or a favorable global trade structure for freer trade, has been crucial to realizing trade(export)-led economic development. Indeed, East Asian countries’ dependence ratios of the regional economies, not to mention to Hong Kong and Singapore which largely depend on their transship functions, are incomparably higher than those of advanced nations (except intra-European Community) or Latin American countries (See **Table 2**) and the trade dependence went up sharply in the past decade in East Asia except NIES-4.

Table 3 Gross Domestic Investment and Savings

(percent of GDP)

	GDI Average		GDS Average	
	1981-90	**1995**	**1981-90**	**1995**
NIES				
Hong Kong	27.2	33.1	33.5	34.5
Korea	30.6	36.6	36.6	32.5
Singapore	41.7	33.9	41.8	55.6
Taiwan	22.8	24.5	32.9	26.3
ASEAN				
Indonesia	29.3	38.3	30.9	36.0
Malaysia	30.6	40.6	33.2	37.2
Philippines	22.0	22.3	22.2	14.7
Thailand	30.7	40.0	27.2	34.2
China	30.5	42.3	30.8	42.2

Regarding item ”c”, domestic saving ratios in East Asia, as well as dependence on East Asian trade are on average far higher than those of other developing countries around the world. The high savings ratios have enabled the regional economies to realize far higher investment ratios without incurring too much external debt (with a few exceptions). **Table 3** exhibits gross domestic savings and investment ratio vis-à-vis GDP. During the period o 1981-1990, gross domestic savings ratios of the regional economies, regardless of their different respective per-capita income, ranged from a low of 22% in the Philippines to a high of 42% in Singapore.

The importance of item “d”, or good macro-economic policy, is obvious and will not need any sophisticated explanation. If there were any, the problem would just be an issue of degree. For instance, whether a fiscal imbalance of, say, around -2% of GDP is absorbable (sustainable) or not.

As for the crucial importance of education, especially, primary/secondary education, it has also become a part of common sense and will not require any detailed explanation[2)].

1.3. The Recent Economic Setback and Responses by Individual Countries

However, as already pointed out, 1996 was virtually the first year of rather overall economic setback in the region in the past decade (**Table 4**). There were many factors which led to the setback.

In the case of **Thailand**, which had long been believed to be one of the most stabilized countries in the developing economies---not to mention in East Asia, the growth rate in 1996 fell below 7% for the first time in the past decade. Reportedly, Thailand's annual export amount was smaller than the previous year for the first time in the past 13 years. The economy was hectic in 1995, but many leaders and academicians remained optimistic, stating that widening current account deficit as high as 7-8% compared to GDP were largely due to active domestic investment and foreign direct investment. In 1996, domestic political scandals, unexpected large-scale flooding, a somewhat stagnant economic situation for OECD countries, as well as the yen's "depreciation", among other factors changed the Thai economic situation drastically.

Korea's situation has some similarities with **Thailand's** quick economic slowdown in that the drastic decrease in semi-conductor prices in the world, the recent depreciation of the Japanese yen, as well as political problems have negatively hit the economy. They resulted in a wider current account deficit (-24 billion U.S. dollars) and a series of crises of bankruptcies of banks and middle to big firms until early 1997. What makes the situation worse is the continued political turbulence with strong labor movements, political scandals, and inflation has continued although the government has taken counter-measures.

More or less similar problems seem to be emerging in other ASEAN economies. Their growth rates are relatively high. Their current account deficits compared to GDPs, however, have widened in recent years. In **Malaysia**, it has gone from -5.9% in 1994 to -8.9% in 95, but it improved somehow in 96. In **Indonesia**, it went from less than -2% in 93-94 to around

-4% in 95-96. **The Philippines'** case is different. The deficit decreased from -8% in 1993 to less than -3% in 96 (but increased to some -5% in 96). Indeed, the large balance-of-payment gaps in the whole region have seemingly been well financed by growing short-term capital inflows as well as long-term capital inflows.

Around 1995, as most of the ASEAN and non-ASEAN economies overheated, the countries' respective governments or Central Banks took actions to improve the situation. In fact, the **Malaysian** economy recovered to a certain degree in 1996. **Indonesia** tried to curb inflation by all possible means. For instance, the Central Bank (Bank Indonesia) took some measures such as raising the deposit-reserve ratio, and the government saved its fiscal expenditures to improve financial stability. For the moment, it has been successful in reducing the annual inflation rate to 6-7%; with its GNP growth rate attaining 7.6% in 1996. Further, the FY1997 budget is "contractionary" (if not, modest). And the technocrats are trying to decrease current account deficit as much as possible in the "political years" of 97 and 98.

In **China**'s case, the fight with inflation has lasted longer. As the fastest-growing economy in the world, China has been largely spurred by strong domestic investment, stronger consumption, as well as enormous inflows of various capital, especially from **Hong Kong** and the rest of the world. Since 1992, China's economy began to overheat (for instance, CPI went up to a surprisingly high level of 21.7% in 94), and as early as 1993-1994, when China recorded a trade imbalance, the central government and the Central Bank (People's Bank of China) could not help curbing the money supply and taking other anti-inflation measures. The annual inflation rate, which once soared up to almost 20%, began to slow down in the following years, and the trade balance soon turned to a surplus. However, the socio-economic problems, which could be regarded as side-effects of hyper inflation and the consequence of the big and widening area-wise income gap in the early 1990s, have been rather serious, and the central government has basically maintained severe macro-economic policies to slow down the annual inflation rate to less than 10% per annum. In its recent People's Congress, the government has just decided that this year's target growth rate is 8% p.a., a very modest level for the country.

Thus, in 1996, the average economic growth rates in the East Asian region slowed down by around 1% compared to about 8% for the previous few years, with the Philippines as the single exception. Between 1995-1995, fortunately, strong inflationary pressure somewhat eased in many countries, but the current account deficits of major East Asian countries, except China and Singapore, did not decrease as planned but are instead expanding in many countries. It should also be noted that the "normalization" process of prices and interest rates in the region are influencing their stock markets and land prices which are inseparably related to the profit and lending structure of their commercial banks. In the past, "virtuous circle" continued the luck of East Asian countries. However, it may or may not be the scenario from now on. At worst, a vicious circle may take its place. How to avoid such risk will be a common agenda for the people concerned.

Some people in East Asia attribute these economic and financial problems or risks in many East Asian countries mostly to enacting liberalization policies too quickly in various fields in their countries. They say that deregulation policies widely and actively taken in the past 5-10 years, even in East-Asia Pacific region, have brought about wider income gaps between the rich and the poor, as well as among various regions, between cities and rural areas, and these policies have made the government's control of the economy more difficult than before. Is such an interpretation correct ? If it is correct, what is the solution to the problem? To stop excessive foreign money from coming in? Or, should we stop inflow of information from abroad? Or stop multinationals from entering?

At least two completely different problems exist beside the above-mentioned, and they are also very important for developing economies. They are neither short-term nor transient problems. Developing economies must meet huge physical and financial **needs for social infrastructures and environmental protection.** In this paper, due to the fact that much has been written about problems and due to limited space, the author does not focus on or explicitly write environmental protection, despite its importance toward the future.

2. HOW TO ESTABLISH A FRAMEWORK FOR BETTER RISK MANAGEMENT

2.1 What kind of risks to manage?

There are innumerable risks here and there in the region. For instance, natural calamities such as big earthquakes, *tsunami*, lack of rainfall, abnormal climates, spread of sicknesses like AIDS, man-made accidents such as ship accidents and the subsequent leakage of oil, entrance of "drugs" and weapons, warfare acts between one country and another, breakouts of internal wars (or rebellion) and subsequent sudden and huge outflows of refugees, hijackings and other terrorism, and so on. There are too many risks to manage, and we, East Asians, cannot safely say that we are free from such risks. APEC member countries are encouraged to begin discussing with each other some of the economic issues that could cause problems, and they need to monitor those risks and learn how to manage them. Some Other organizations may be more relevant to do so, and that depends on the respective character of the subjects.

The author wishes to discuss the following two subjects, which are directly related to economic development. Those are (a) **external debt management**, and (b) and **systemic financial risk,** such as those we are now observing in Thailand, which may hamper fast economic development of countries in the long run.

2.2 For fast growth without incurring excessive external debt

As international economics textbooks purport, external debt overhang has long been believed to be one of the crucial hurdles of economic development. Many developing countries used to borrow much from overseas to meet financial gaps, and they would use the funds either for their own investment or consumption. Indeed, Latin American countries have historically fallen into serious debt problems many times. The latest one was the "lost decade" during the 1980s which was caused by their past "debt overhang", an outcome of mainly state enterprises or governments easily borrowing from commercial banks in the U.S., Europe and Japan using abundant oil-dollars. The world has attempted to alleviate the foreign debt of Sub-Saharan African countries by curtailing much of the outstanding loans[3)].

In East-Asia’s case, so far so good (or at worst, not so bad). What made the difference? The logic was written in Chapt.1 (2) "Secrets" of a "Virtuous Circle." Briefly speaking, (relative) political stability, high domestic savings rates, high dependence on trade, success in increasing exports, and success in receiving FDI have made East-Asia less dependent on foreign borrowing. Why is this issue discussed here? Mainly because of the huge funds required in the areas of social infrastructure and environmental protection as well as other investments for higher-value added technology and information.

So, the question will be whether or not they can keep a "virtuous circle" under changing conditions. Can they maintain high savings rates as high as 30-40% of GDP from now on? It will not a problem of yes or no, but it is a must. However, if any East Asian countries wish to continue fast economic growth rates as high as 7-8% a year without incurring serious external debt, they must solve other challenging subjects simultaneously.

It is most desirable to raise productivity in the public service as well as in the private sector, and this should be pursued by all means. However, since it seems to be difficult to visibly increase total factor productivity visibly for all of the countries in the region for a decade or so, or to effectively decrease the capital output ratio given the current situation, **they must maintain higher savings rates** of more than 25%, and preferably over 30% for another decade or two. **To achieve this objective, good macro-economic management** which enables keeping the real interest rate basically positive must be a pillar of the policies, and institutional efforts should be encouraged. For example, **to nurture an effective capital market**, specifically a corporate bond market, deposit windows should open to the public at large and set up everywhere in the country and across the country. In some countries like Vietnam and Laos where people do not necessarily believe in the current banking system. Secrets of the depositors shall be well kept and banking services should be improved. **A deposit insurance scheme** should be implemented as soon as possible. Savings campaigns including educating students about the importance of saving rather than unplanned consumption ("credit card culture"), should also be strongly encouraged. Such systems as the postal saving system, which showed great success for almost a century in Japan, might also be seriously studied. These lessons seem essential for those countries whose per capita income is very low and whose population is sizable, namely, Thailand, Indonesia, the Philippines, China and Vietnam.

Another issue is the **emphasis on exports**. To keep the growth rate of exports high is not easy. Look at the case of Thailand in 1996. The export amount was lower than that of the previous year for the first time in 13 years. Why? Some say it happened because of the international competitiveness of Thai products, such as textiles, fading, and it is partly due to the "strong Baht" policy and to the strengthened competitiveness of Chinese products and other products in the region. **The current level of exchange rate** for currencies such as the Baht, Rupiah, Dong and Peso should be carefully examined. If authorities only look at the short-term (or depend on every day) supply and demand of foreign currencies in the foreign exchange market, it is most likely that currencies of better performing countries like most Asian countries, will be too strong the under current situation with seemingly excessive liquidity around the world, particularly when financial deregulation proceeds. Then, the balance of payments structure will be inclined to be such as the following: net capital inflows (with more short-term money) fills up trade deficit. That tends to drive such countries to " Dutch disease". Therefore, exchange rate policy should be tied to the comprehensive (industrial) policy, and the country could upgrade its industrial structure through trade with a major trade partner. Therefore, it should be tied to mixed hard currencies of trade partners. It would also reduce the exchange rate risk when borrowing in a stronger currency. "Comprehensive policies" should include such measures as establishing vocational schools for textile workers to move to other industries or to set up a special fund to lend ailing textile companies to upgrade the quality of their products or to change its products quickly. Under AFTA, tariff reductions among ASEAN countries or APEC will make markets bigger, but at the same time, it will make the competition harsher. So, we can safely say that comprehensive policies are required more now than they were before.

In order to devise comprehensive policies for trade, authorities should have a world vision with which their country will trade. According to **Table 5**, East Asian economies, except for Japan, have become a kind of factory for the world. They import capital goods and materials from Japan, the U.S. and others, and they export their products to the U.S., Japan and Europe. The amount of intra-East Asian trade is relatively small (Note: intra-East Asian trade includes much double or triple accounting because some 60% of Hong Kong’s and Singapore’s imports are for re-exports). This situation will naturally change in coming years, but policy makers have to also consider other things associated with future trade activities such as inward-FDI, technology and services trade, as well as

Table 5 Trade Within the East Asian Region and Non-Regional Countries

(Unit : Billion US Dollars)

Importers / Exporters	Japan	U.S.A.	Europe-4	Sub-total	NIES-4	ASEAN-4	China	**Sub-total**
Japan					117.2	60.0	29.0	**206.2**
U.S.A					84.2	29.4	16.1	**129.7**
Europe-4					51.4	25.1	15.8	**42.3**
Sub-total					**252.8**	**114.5**	**60.9**	378.2
NIES-4	50.2	104.1	47.1	**201.4**	65.7	47.7	17.0	**130.4**
ASEAN-4	34.4	38.9	18.6	**91.9**	40.3	8.6	6.0	**54.9**
China	28.5	24.7	12.4	**65.6**	44.0	5.5		**49.5**
Sub-total	**113.1**	**167.7**	**78.1**	358.9	**150**	**61.8**	**23**	234.8

(Note) See T. Kinoshita's article "Hardly 'Autonomous Cycle", *Look Japan,* March 1997, P.14 for detailed explanation.
(Source) IMF, *Direction of Trade Statistics Yearbook*, 1996.

trade/industrial policies of neighboring countries in particular (See **Table 6** for reference).

Privatization of various projects must also accelerate so as to procure domestic and overseas money in an effective manner, specifically in the field of social infrastructure. The World Bank estimates fund requirements of US $ 1.5 trillion for social infrastructure up to 2005 in the region. Because official development finance has been stagnated out of global capital movement and this trend looks irreversible, much of the funds for such needs have to be met by private sector money. However, public financial institutions could play a major role as catalysts to reduce "various risks". Host countries, foreign investor groups, and exporters have learned many lessons up to now. Sometimes, according to the host country side, projects under B.O.T. or B.O.O. schemes have proved to be more costly than those under traditional financial schemes, which have frustrated people in host countries. On the contrary, private sector people outside the region have often faced too much risk to absorb. Some of the things to be done quickly are as follows:

(a) Hold many more dialogues and more studies among concerned parties including new comers such as pension fund managers in the developed nations.
(b) Disclose of information so as to avoid unnecessary expenditures.
(c) Develop international support for making laws and regulations, especially in such countries as China and Vietnam (it is happening, but larger scale support is required).
(d) Jointly try to calculate a more exact amount of funds required by each country and sector in coming years and devise necessary financial schemes as a total.
(e) Institutionalize APEC region's EXIM Banks meeting how to cooperate[4)].
(f) Systematically study environmental problems which could be financed by such financial schemes.

2.3 Systemic financial risk and how to reduce the risk

Because of the financial deregulation policies in many regional countries, many banks or non-banks were set up in Thailand, Indonesia, China, etc. Many of these newly-set up banks or non-banks and other existing ones without a strong capital basis or good clients have had to raise funds by paying relatively high costs. Naturally, they try to finance to clients who dare to borrow a lot and are ready to pay higher interest rates. So, while either real estate prices or stock prices are going up sharply, every financial institution, with few exceptions, rushes to lend to real estate businesses or those who wish to speculate in the stock market. This held true for Japan in the latter part of the1980s, and for Hong Kong, Malaysia and Indonesia in the 1990s. Many Thai bankers stepped into the same trap in the early 1990s and financial authorities, believed to be very prudent, have reportedly lost effective control of the situation. Its stock prices have fallen since early 1994 and land prices have followed since 1995. The ratio of bad loans to all assets of banks and security houses is estimated to be around 10% or 500 billion Bahts as of the end of 1996. The Thai government took very decisive measures by putting in huge fiscal money to support the financial crisis in Thailand, and the situation seems to be appeasing as of the end of March 1997.

Thai authorities have a dilemma. They cannot support financial institutions effectively by reducing domestic interest rates considerably. The level of the domestic interest rate is inseparably tied to the balance-of-payment problems. Should Central Bank (Bank of Thailand) curtail its rate, a considerable amount of short-term capital may well fly off. Then the exchange rate of Baht may be depreciated. The author believes that this cycle, which would most probably bring about high inflation, would be the worst scenario for the Central Bank---at least right now. It is not easy to predict how the U.S. FED will move after its formal announcement to raise its federal fund (FF) rate as of March 25,1997. Some speculate another raise rather soon.

Concerned authorities in the region hold gatherings to exchange information. For instance, APEC Finance Ministers Meeting was held in early April 1997 in Cebu, Philippines. They discussed recent macro-economic performance of the respective countries. That's good. But, in addition to that, more multi-disciplinary studies and discussions including professionals of the authorities seems to be imminent. There is a common interest among them. For instance, everyone wishes to see more stability. It is obviously inadvisable to avoid entrance of multinationals and to avoid the inflows of information (though controversy exists for political, cultural and religious reasons). On the other hand, some measures might be devised out, on an international consensus basis to avoid excessive inflows of short-term money in a short period which may endanger sound macro-economic management. International organization could and should take initiative in this area. Also APEC could possibly provide such opportunities with ease under some plan already agreed upon among members.

1) Naturally, there are different prospects on the economic growth for all of East Asia or its individual countries from this time on. The Institute of Developing Economies (Japan) has shown a more optimistic view toward the 1997 East Asian economy, stating that exports of East Asian countries would recover and construction of social infrastructure would produce big demand for growth (Mitsuru Toida, " Toward Steady and Sustainable Growth", *World Trend*, February 1997, Vol. 20.) See the following prospect.

	GDP			GDP Deflator		
	1995	1996	1997p	1995	1996	1997p
Korea	9.0	5.8	6.3	5.4	5.0	5.2
Taiwan	6.0	5.6	6.0	1.9	1.9	3.0
Hong Kong	4.7	4.6	5.4	4.3	4.3	6.1
Singapore	8.8	6.1	7.0	2.5	2.5	3.0
NIES-4	**7.5**	**6.1**	**6.1**	**4.0**	**4.3**	**4.5**
Malaysia	9.5	8.3	8.0	5.0	5.1	4.5
Thailand	8.8	6.9	7.5	5.8	4.4	4.9
Indonesia	8.2	7.9	7.6	9.4	7.4	6.1
Philippines	4.8	5.5	7.6	7.3	7.4	7.1
Vietnam	9.5	9.4	9.5	7.3	7.4	7.1
ASEAN-5	**8.2**	**7.4**	**7.5**	**7.6**	**6.1**	**5.8**
China	**10.5**	**9.6**	**10.2**	**13**	**5.6**	**5.3**
Asia-10	**8.6**	**7.5**	**7.8**	**13**	**5.2**	**6.1**

2) *The Economist* recently reported an interesting story that " In the 1970s, Latin American's educational performance was comparable to that of East Asia. Today the average Latin American adult has only five years schooling, compared with nine years for his East-Asian counterpart. An under-educated workforce hampers the region's ability to develop higher value-added industries." (March 22nd, 1997,p.88)

3) See details in article: Toshihiko Kinoshita, " The End of the Cold War and Japan's financial contribution to international development", S.Mansoob Murshed & Kunibert Raffer ed. *Trade, Transfers and Development---Problems And Prospects For The Twenty-First Century*, Edgar Elgar, Cambridge,1993, pp.115-133.

4) In the APEC Finance Ministers Meeting held in early April 1997 in Cebu, Philipines,

Japanese Finance Minister Mr. Mitsuduka proposed on institutionalization of the region's EXIM Banks meeting (e.g. those of Japan, U.S., Korea, China, Taiwan, Thailand, Malaysia, etc.). This proposal as unanimously accepted (*Nihon Keizai Shimbun*, April 6, 1997).

Table 2 Comparison of Economic Performance by Region

(billion U.S. Dollars)

	Region	1980	1990	1995p	Averaged annual growth rates (%)	
					'80-90	'90-95
GNP	AP	438	905	1630	7.5	12.5
	SA	219	378	432	5.6	2.7
	LA	714	1061	1534	4	7.6
	E&CA	---	1462	1052	---	-6.4
	ME&NA	452	472	539	0.4	2.7
Exports of goods and services	AP	101	255	567	9.7	17.3
	SA	23.7	40.7	68.2	5.6	10.9
	LA	126	172	239	3.2	6.8
	E&CA	161	218	263	5.6	3.8
	ME&NA	229	164	158	-3.3	-3.7
Imports of goods and services	AP	113	263	584	8.8	17.3
	SA	30.4	55.5	80.9	6.2	7.8
	LA	156	181	278	1.5	9
	E&CA	112	233	240	7.6	0.6
	ME&NA	155	151	154	-0.3	0.4
Current account balance	AP	-10.8	-6.3	-13.5		
	SA	-4.6	-12.3	-7.9		
	LA	-30.4	-4.0	-25.9		
	E&CA	-12.8	-6.9	-6.1		
	ME&NA	60.9	-2.3	-7.4		
Total Debt Stocks /GNP (Total Debt Stock/exports) %	AP	21.5 (-93.6)	30.0 (-106.6)	29.0 (-83.3)		
	SA	17.4 (-161.1)	34.0 (-315.9)	38.8 (-245.7)		
	LA	36.2 (206.0)	45.0 (-277.4)	39.6 (-254.2)		
	E&CA	25.7 (-54.6)	17.9 (-120.3)	36.1 (-144.6)		
	ME&NA	18.6 (-36.8)	38.3 (-109.8)	40.2 (-136.9)		

(Note) AP: Asia & Pacific, SA: South Asia, LA: Latin America & Caribbean,
E & CA : Europe & Central Asia, ME & NA : Middle East & North Africa
(Source) The World Bank, *World Debt Tables*, Vol.1, 1996.

Table 4 Growth Rates and Current Account Deficits in East Asian Economies

	GDP Growth Rates				Current Account Bln.US$			
	1993	1994	1995	1996p	1993	1994	1995	1996p
Hong Kong	6.4	5.4	4.8	4.6	--	--	--	--
Korea	5.8	8.4	9.2	6.9	0.0 (-0.3)	-4.5 (-1.0)	-8.8 (-1.9)	-23.7 (n.a)
Thailand	8.3	8.7	8.6	6.7	-6.3 (-5.6)	-8.1 (-5.9)	-13 (-7.5)	-14.5 (-8p)
Indonesia	7.3	7.5	7.6	7.5	-2.3 (-1.3)	-3.0 (-1.6)	-7.2 (-3.8)	-8.0 (-4p)
Malaysia	8.3	9.2	9.3	8.2	-3.1 (-4.5)	-4.9 (-5.9)	-7.4 (-8.9)	-4.3 (n.a.)
Philippines	2.1	4.4	4.8	5.5	-3.0 (-8.0)	-3.0 (-4.4)	-1.9 (-2.8)	-3.5 (-5p)
Singapore	10.1	10.1	8.9	7.0	4.2 (9.0)	11.8 (17.3)	15.1 (16.3)	14.2 (16p)
China	13.5	11.8	10.2	9.7	-11.9 (-2.0)	7.6 (-1.3)	1.6 (-2.4)	1.0 (n.a.)

(Sources) 1993-95: Asian Development Bank, Asian Development outlook 1996&97,April,1996

Note: ( ) shows current account balance / GDP for the year

(Sources) By national authorities

Table 6 Inward Foreign Direct Investment in Asian Economies by Respective Investing Country (in Recent Years)

Host Countries	Total Received Amount	Ranking				c.f.
		1st	2nd	3rd	4th	
Korea (1995)	1,317 (Mln.U.S.$)	Japan 428	U.S.A. 311	Ireland I64	Holland 67	Approval Basis
Taiwan (1995)	2,925 (Mln.$)	U.S.A. 1,275	Japan 569	U.K. 194	Hong Kong 99	Approval Basis
Hong Kong (1995)	43,969 (Mln.Hk$)	Japan 14,740	U.S.A. 11,799	China 4,324	U.K. 2,970	Mfg.only
Singapore (1995)	6,809 (Mln. S$)	U.S.A. 2,075	Japan 1,153	U.K. 772	Holland 184	Mfg.only
Malaysia (1996)	17,064 (Mln.M$)	Japan 4,607	Singapore 4,765	U.S.A. 2,093	Switzer-land 1,608	Mfg.only
Thailand (1996)	171.6 (Bln. Baht)	Japan 11.7	U.S.A. 6.5	Europe 3.1	Hong Kong 0.1	Operation-start Basis
Philippines (1995)	257,154 (Mln Peso)	U.S.A. 16,147	Thailand 9,710	U.K. 3,213	Japan 2,603	BOT Approval Basis
Indonesia (1996)	29,931 (Mln.U.S.$)	Japan 7,655	U.K 3,391	Singapore 3130	Holland 1,330	Approval Basis
China (1995)	37,736 (Mln.U.S.$)	Hong Kong Macao 20,499	Japan 3,108	U.S.A. 3,033	Taiwan 3,004	Implementation Basis