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Adjustment and Poverty in Asia: Old Solutions and New Problems

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This paper analyses how adjustment policies affected the poor in Asian economies, focussing on the period up to 1997. It shows that there was a significant reduction in both private income poverty and social income poverty over the previous thirty years. The adjustment policies of the 1980s led to some episodes of rising poverty, but unlike in other regions, there was no substantial increase in poverty. Countries which adjusted on their own, however, did significantly better on poverty than those who adjusted with IMF or World Bank programmes. In both cases, the main basis for the good performance was a sustained growth rate not very high commitments of national income to social expenditure, nor a progressive improvement in income distribution. Social safety nets did not play a big part. As a result when the economic crisis occurred in East Asian countries in 1997-8, there were only limited safety nets, of either a traditional or state supported kind, so that a sharp increase in poverty ensued.

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I. Introduction

Asia is a huge area, covering a great range of experience, so generalisations are almost always invalid. Nonetheless, it appears that the Asian adjustment experience was not accompanied by the sharp rises in poverty and general worsening of human well-being that occurred in other regions of the world - notably Sub-Saharan Africa and Latin America. Indeed with a few blips and exceptions, poverty declined during adjustment in Asia. Recent events, however, seem to challenge this rather optimistic conclusion. This paper aims first to explore the apparently successful experience of past adjustment and explain why it differed so radically from that of much of the rest of the world; and secondly, briefly to consider the new situation, emerging problems for poverty and possible solutions.

Before considering Asian experience, the next section presents a short overview of some of the likely connections between adjustment and poverty, from a theoretical perspective. Section III reviews experience in Asian economies during adjustment (broadly during the decade following 1985). Section IV analyses some implications of the financial crisis of 1997/8 for poverty, and considers policies needed to protect the poor in the aftermath of the crisis.

II. Adjustment and poverty: what we might expect

The impact of adjustment on poverty is partly dependent on how we define poverty. Poverty is multidimensional and may be assessed and measured in many ways. One important distinction is between outcomes and inputs, where outcomes consist of measures of well-being (e.g. longevity, educational achievements, ability to function in different dimensions, happiness..) and input measures are indicators of access to the resources needed to produce a desired outcome. While what matters, from a welfare perspective, are *outcomes*, inputs are more immediately affected by policy and hence normally form the focus of an enquiry into the effects of adjustment on poverty.

Two types of input are key: first, *primary* income (or *private income*), i.e. income derived from the economic system, including employment and self-employment, subsistence production and income

from assets; secondly, *secondary* income or *social income*, derived from the state via social production of free (or subsidised) goods and services and income transfers (e.g. unemployment benefits). (Private transfers - most often within families - can provide another important source of support). Poverty arises when either primary or secondary incomes are inadequate to meet what are considered minimum needs.[1] The first type of poverty may be called private income poverty (PIP) and the second, social income poverty (SIP). To a certain extent private income can substitute for social income (i.e. with enough private income people can buy the services the state fails to provide), while generous state transfers can offset inadequacies in private income. But from an analytic perspective, the way adjustment affects poverty is different for PIP and SIC, so the two will be considered separately.

Adjustment policies broadly fall into three categories, with almost all packages containing elements of each of the three: first, deflation, consisting of rising taxation/cuts in public expenditure designed to reduce budget deficits; secondly, switching policies (normally devaluation) designed to encourage resources to move into tradables; and thirdly, measures of liberalisation such as price decontrol, financial reforms, tariff liberalisation, privatisation, all intended to increase the role of the market in resource allocation. For shorthand we shall refer to these measures as deflation, switching and liberalisation.

The impact of adjustment policies on PIP

a. *Deflation*

Demand restraint has unambiguously negative effects on PIP. Demand-reducing policies include cuts in government expenditure, rises in taxation, reductions in real wages and credit restraint. The policies cut into real incomes by reducing employment and real wages of those in employment and raising the prices of consumption goods, as indirect taxes are raised and prices liberalised.

[1] There is much debate on how to define the 'poverty line' and how to measure the numbers who fall below it, to incorporate some indicator of the depth of poverty. This debate will not be considered here.

Workers employed in the public sector are those most immediately affected by restraints on government expenditure and reduced real wages. But the credit restraints lead to cutbacks in the private sector, which also suffers from reverse multiplier effects as the public sector contracts. Wage restraints frequently apply to the large scale private sector as well. The informal sector suffers as a consequence of the cutback in the formal sector from two directions: an increased labour supply as the formal sector contracts (or fails to expand in line with the expansion of the labour force) and reduced market outlets as formal sector markets diminish.

If demand is restrained by holding back consumption disproportionately, then one would expect the burden to fall more heavily on people with high propensities to consume - i.e. lower income groups. Some policies are clearly designed to achieve a cutback in consumption - e.g. policies to hold down money wages while allowing prices to rise, policies to reduce public sector employment, raise indirect taxes and reduce consumer subsidies. Devaluation also has the effect of reducing the real wage in the modern sector. Other policies tend to reduce investment, such as credit restraint, high interest rates, cuts in public sector investment. These policies also affect wage-earners adversely by creating unemployment, but to the extent that they lead to a fall in investment they allow current consumption to be higher.

Most of these negative effects are, at least in the first instance, *urban* and, to start with, particularly among those employed in the formal sector. People in the rural sector are relatively insulated, especially, of course, those whose main activities are for self-consumption. But the many links between urban and rural sectors, via migration, markets, and remittances, mean that some negative effects are felt there. The distributional implications and the effects on poverty levels depend partly on the initial location of poverty. This tendency for an *urban bias* in the adverse distributional implications of demand restraint is the counterpart of a previous urban bias in the location of modern sector employment. Since the switching policies also exhibit an adverse bias against the urban sector (see below), urban poverty is particularly likely to rise as a consequence of the adjustment package.

Some economists in the IMF have argued that the deflationary policies need not hurt the poor.[2] They argue that there may be a negative short-run impact on the poor for two to three years, with falling output and employment following monetary contraction, [3] but these may be offset in the longer-run positive consequences from supply-side policies for economic growth so there is 'no clear presumption that Fund-supported programmes adversely affect growth' (Heller et al., p16). Empirical evidence on this issue is ambiguous.

Moreover, it is argued that the programmes reduce inflation and this will help the poor: 'one expects the poor to benefit from reduced inflation because they typically pay most of the inflation tax'.(Heller et al., p15). The argument is that the poor lack assets which act as hedges against inflation and also hold a disproportionately large amount of cash because they do not have other means of exchange such as credit cards. The effects of inflation on the poor depend on whether the goods consumed by the poor rise in price more quickly than do other categories of goods; the extent to which the poor have assets which can act as a hedge against inflation; and on time lags between price and income increases for the poor. For each mechanism, the effects vary according to who the poor are. For example, subsistence farmers will be little touched by inflation, while urban workers could be badly hit unless their earnings keep pace. In general, debtors are likely to gain relative to creditors, and debtors can be expected to be poorer than creditors. A recent review of 45 empirical studies found no evidence that the level, variability or the rate of change of inflation had a significant effect on the rate of inflation (Sarel 1997).

In summary, demand-reducing policies are likely to increase poverty in the short-term, especially urban poverty, although they may not worsen income distribution.

b. *Switching policies*[4]

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2 IMF, 1986; Heller et al., 1988.

3 Heller et al., 1988, drawing on the conclusions of Khan and Knight, 1985.

4 The issue of how the exchange rate affects income distribution has been explored, among others, by Krugman and Taylor, 1978, Knight, 1976, Demery and Addison, 1987, and

Switching policies aim to produce a change in the relative price of tradables. Devaluation is the main policy instrument used for switching (occurring in nearly all IMF programmes at the end of the 1980s and 85% in a sample of World Bank SALs from 1981-1988[5]).

Assuming that the policies succeed in bringing about a real exchange rate change[6] with a rise in the price of tradables (T) relative to non-tradables (NT), the effects on income distribution and poverty depend: on the factor intensity in T and NT; on whether there is factor mobility between sectors; on the initial location of poverty; and on how prices are formed.

When the economy behaves according to neo-classical assumptions, with well behaved production functions, complete factor mobility and competitive pricing, the well known Stolper-Samuelson theorem applies and the effect of the devaluation will be to increase returns to the factor that is used intensively in T relative to that used intensively in NT. This apparently straightforward result does not, however, lead to simple conclusions concerning income distribution because of the heterogeneous and varied nature of T and NT, in terms of factor-intensity, in developing countries. Only where the tradable sector consists in relatively labour-intensive commodities will the switch lead to improved employment and wage income. This will not be the case where exportables consist mainly of mineral resources or agricultural products produced on large estates, or human-capital intensive manufactures, especially if non-tradables consist largely of labour-intensive services. It is most likely to be the case where exports of labour-intensive manufactures increase.

The issue of factor mobility between sectors is key. If resources switch instantaneously, then full employment of resources can be assured. But if there is rigidity - with new projects requiring new

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Kanbur, 1987.

5 Evidence from Polak, 1991; World Bank 1990.

6 The more strongly organised groups are (e.g. when there are strong trade unions) and the greater the degree of indexation, the more likely it is that a nominal exchange rate change will fail to bring about a significant real exchange rate change. The presence of lax monetary policy may also make it more likely that devaluation leads to internal inflation.

investment which takes time as well as resources - there can be unemployment of labour and other resources in the transition - which is likely to increase poverty. With lack of mobility of factors, for example between the rural and urban sectors, exchange rate changes alter the terms of trade - normally in favour of the rural sector. This would tend to increase urban poverty, but might reduce rural poverty.

A further qualification is needed for economies with sizeable oligopolistic sectors, where mark-up pricing is the norm. Heavily protected import-substituting industrial sectors are examples. In these sectors, devaluation will tend to reduce the wage-share and increase the profit share, worsening (normally urban) income distribution.

In summary, improved terms of trade between tradables and non-tradables would tend to improve income distribution where the poor are heavily concentrated in primary production - i.e. in economies exporting agricultural products produced in a labour-intensive way by peasant producers, and also, where labour-intensive manufactures form an important and price elastic part of the economy and source of employment and income for the poor. But the change in income distribution would be adverse where production of primary products is in large firms owned by the better-off, employing little labour (such as in mineral economies, or where mechanised large farms dominate export production). In countries with relatively large modern sectors, where policy changes lower the labour-share, then a worsening would be expected. This is likely to be the case with devaluation, wage restraint and inelastic demand for labour. Worsening may also occur as a result of increased differentials between those with more and those with less human capital, especially in middle income countries where comparative advantage may lie with skilled rather than unskilled labour.

Applying these general principles to the various regions around the world, it seems that the Asian region, as a whole, is in a better position to secure poverty-reducing adjustment than other regions. In the first place, comparative advantage in most Asian economies lies in labour-intensive manufactures, given the low wages (arising from the heavy population pressure on land), the relatively high levels of human capital in the region and a fair amount of industrial experience. In

contrast, the African region lacks industrial experience and human capital; and Latin America and the Caribbean have relatively high wages owing to their more generous land and mineral endowment. Secondly, with high rates of investment, the region is able to move resources into new areas relatively rapidly. The oligopolistic import-substituting industrial sector is also smaller in most countries, but there are exceptions - e.g. the Philippines.

c. Liberalisation

The impact of liberalisation on income distribution and poverty depends on what the liberalisation is *from*. If the prior situation is the stereotypical one, of an elite gaining privileged access to most resources (credit; employment; foreign exchange...) then a market solution would be likely to extend access to the poor compared with the prior situation. But if in the previous situation state benefits did succeed in reaching the poor, e.g. through employment schemes; credit allocation; food subsidies, then the more market oriented solution may well deprive some of the poor of resources.

Contrast two models of the prior situation: (i) the model of a planned economy intended by Nyerere or Nehru which incorporates the poor in production - through special credit schemes; employment schemes; production quotas - and in consumption, through free access to health and education; access to rationed food at subsidised prices; access to scarce imported inputs for medicines, and so on; and (ii) the rent-seeking model of Krueger, Sahn etc. where all state interventions create rents which are monopolised by the elite. According to the first model, the poor will surely lose by liberalisation; in the latter they will surely gain. Which model is right? Probably neither as most societies contain elements of both models, with some leaning to one rather than the other. Work on food subsidies[7] has shown many cases where there is enough truth in model (i) for liberalisation to worsen the position of the poor; similarly with government supported credit schemes, like e.g. the Grameen Bank, or India and Indonesia's policies to force banks to lend a proportion of their resources to low income borrowers which have led to such successes as the Self Employed Women's Association in India and BKK in Indonesia. There are also cases where the

[7] See Cornia and Stewart, 1993.

prime beneficiaries of state interventions are the elite (e.g. food subsidies in Morocco or Pakistan). Generalisation is therefore not possible.

Evidence is accumulating, nonetheless, that liberalisation tends to be unequalising. For example, both the US and the UK have seen sharp rises in inequality (after decades of Kuznets-type improvements as they sailed down the right-hand curve of the inverted U) with the liberalising reforms of the 1980s. In Latin America there is strong evidence that import liberalisation, in particular, has been associated with rising inequality.[8] Privatisation and the relaxation of restrictions on wage and salary differentials tend to increase inequality.

However, whether these reforms help or hurt the primary incomes of the poor on balance depends above all on the impact on the growth rate. If the growth rate rises, then adverse changes in income distribution may well be more than offset, while if growth declines the impact on the poor is almost invariably negative. Fields (1989) and Deininger and Squire (1996) have shown that in almost all cases, private income poverty is reduced with growth in GDP per capita (i.e. growth is rarely immizerising). Conversely, normally poverty worsens with declining average per capita incomes.

Thus the impact of adjustment policies on growth is key. We have already noted that deflationary policies tend to have a negative impact in the short-term - hence the greater the deflationary element in the package, the more likely that falling incomes may follow. A second critical factor is the rate of investment; if this is high and sustained, then positive growth is likely. Some of the reforms tend to have a negative impact on investment, especially any cuts in public investment which tend to 'crowd-out' private investment.[9] Investment is also likely to be sustained if external markets are growing and responsive to exchange rate changes.

The longer-run impact on growth is even more difficult to judge. Will the policies lead to sustained growth on the model of East Asia (or was government intervention essential for that success), or to

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[8] See Berry, 1997.

[9] For evidence see Fitzgerald et al., 1993; Serven and Solimano, 1992.

moderate growth little different from the import-substitution era, as appears to be the case in most Latin America examples, or to prolonged stagnation, as in many African cases?

Empirical evidence has focussed on the short to medium term effects. Here the results are surprisingly weak - and highly dependent on who is doing the assessment. A summary of 23 investigations shows that the impact is very small, ranging from a small negative to a small positive effect on growth[10]. If this is the case, then in the longer run, the consequences for the poor do depend mainly on the distributional outcomes.

The impact of adjustment policies on SIP

What happens to SIP during adjustment is particularly important because (i) social income can adjust so as to compensate for losses in primary incomes (i.e. the safety net function), or can compound these losses; and (ii) parts of social income are important for building up human resources, especially educational access and nutrition, so that in the longer run PIP depends partially on what happens to SIP.

Changes in SIP can be viewed as the outcome of changes in three ratios:
the public expenditure ratio or G_E /Y; the social allocation ratio (where social expenditure includes health, education, water, sanitation, nutrition), or S/G_E ; and the priority ratio (i.e. the proportion of expenditure on the social sectors going to the poor), i.e. S_P.

As noted, deflationary policies may raise taxation or cut expenditure or both, but typically there is some downward pressure on government expenditure, so G_E/Y can be expected to fall. The social allocation ratio is likely to fall too if part of the adjustment package is to raise interest rates and/or improve debt payments, so that debt servicing takes a growing proportion of government expenditure. Moreover, the liberalisation package often involves a shift in responsibility for social services to the private sector, leading to a decline in state expenditure on the social sectors. In

[10] See Stewart, 1995, Table 2.2.

principle, those designing reform packages would intend to accompany such cuts with a rise in the proportion of state expenditure going to the poor, i.e. an improvement in S_P. The net effect on the poor will depend on the balance of these changes, with two going in a negative direction (the expenditure and social allocation ratio) and one, in principle, in a positive direction, the priority ratio. However, raising the priority ratio is the hardest to achieve because it depends on successful targeting. Much evidence on targeted food subsidies and exemptions from user charges suggests that almost always many of the poor are left out. Consequently, there is an improvement in S_P, but the coverage of the poor actually worsens.[11]

Changes in the tax/subsidy system also tend to be unequalising and to hit the poor. In the first place, food and fuel subsidies are removed, sometimes to be replaced by targeted subsidies, nearly always of a lesser value. Secondly, tax reform typically reduces the role of direct taxation (which the poor rarely pay) and raises that of indirect taxation. Universal value-added taxes are paid to a greater extent by the poor, particularly if food is included.

The effectiveness of the social safety net in compensating for rising PIP depends on the institutional arrangements in place and/or new ones that are introduced with the adjustment package. Where the arrangements in place are already fairly comprehensive - as for example in Costa Rica in the 1980s - they are able to be quite effective in protecting the poor during adjustment. But new arrangements specifically introduced for the crisis (as with many of the Social Funds that were developed in the late 1980s) have almost always had low coverage in relation to need.[12] This is partly because the concept of introducing a universal safety net sufficient to bring private incomes up to some poverty line is inconsistent with the philosophy of adjustment. An adequate safety net requires comprehensiveness of coverage, often associated with large scale government works programmes. A universal food subsidy on basic foods is another helpful instrument. The implication is large (albeit temporary) government expenditure at a time when the government is trying to introduce expenditure cuts, universal provision without means testing at a time when targeting is in vogue, and

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[11] Cornia and Stewart, 1993; Creese, 1990.

[12] See Stewart and van der Geest, 1995; Mehotra et al.

government financed projects at a time when private initiative is being promoted and government economic activity discouraged. Hence most social safety nets consist in project finance to be granted to privately organised activities - not surprisingly the end result is on a small scale and does not reach those most in need.[13]

Summary of expected consequences of adjustment policies for PIP and SIP:
The most important determinant of PIP is what happens to the growth rate. In the short-term this depends largely on the extent of deflation relative to other adjustment policies and how far investment is sustained over the adjustment period. Aspects of the package are likely to improve income distribution in some contexts - notably if labour-intensive manufactured exports and peasant-produced agricultural products respond positively to the package. However, the general trend of the liberalisation moves is towards rising income inequality, which might offset this effect. After-tax income distribution might worsen more as the tax system switches away from direct taxes to indirect, and towards reducing the marginal rates of income tax.

Adjustment policies also alter SIP, on the whole in a poverty-creating direction, though determined efforts to create effective safety nets and improve targeting have occasionally succeeded in reaching a high proportion of the poor. But more often 'safety nets' are misnamed, or at least the safety they provide is not for the majority of the poor but for the donors and politicians introducing the adjustment package who are able to convince themselves that effective protection policies are in place and hence there is no need for concern about the impact of the adjustment policies on the poor.

III. Experience in Asia over the 1980s and early 1990s

Asian economies were subject to less intensive IFI-sponsored adjustment packages than other areas, as their accumulated debt was substantially lower in relation to exports or GDP over the period and their current account deficits smaller (Table 1). Nonetheless, most countries in the

[13] Ibid.

region had Bank or Fund adjustment or stabilisation loans at some time over the 1980-96 period. The principal exceptions were Singapore, Indonesia, Taiwan and Malaysia (Table 2)[14].

In examining the impact of adjustment on poverty empirically, three problems stand out. First, many economies followed some adjustment policies without actually having International Financial Institution backing or policy conditionality. This was especially important in the Asian region where a number of countries adopted their own subset of adjustment policies - including devaluation and import liberalisation, for example - without formal IFI policy conditionality. Hence in one way or another most countries in South, East and South East Asia can be regarded as 'adjusting' economies. But there is an important distinction between those countries adjusting on their own, usually adopting adjustment policies selectively, and those which received IMF/World Bank finance associated with policy conditionality. In what follows we shall classify countries into countries adjusting with IFI-support (IFI-adjusting countries) and the rest which include two categories - the 'own adjusting category' and those which did not change their policies significantly. Taking five year periods, 1980-85, 1986-90, 1991-96 we define IFI-adjusting countries as those that had IFI-programmes during the subperiod. The South Asian countries were mainly IFI-adjusting. Thailand, the Philippines, China and Korea also had IFI-support for at least two of the three periods. Other countries in the region have been at war (Afghanistan and Cambodia) or have been socialist planned economies and as yet have undergone little in the way of transition (e.g. Burma, Laos, Mongolia) . Data is highly deficient for the last two categories, so the focus will be on East, Southeast and South Asia.

The second well-recognised problem is that of the counterfactual. In principle any assessment should look at what happened compared with what would have happened without the adjustments. There is no completely satisfactory way of getting at the counterfactual. Comparisons of before and after in the same country or between countries with and without programmes provide some indication, but neither is satisfactory - the first because the prior situation might not have been

[14] Also countries at war and socialist planned economies - .e.g Afghanistan, Cambodia and Burma.

sustainable, the second because countries which did not need to have IFI support are likely to have been in a better situation initially. However, what actually happened, without regard to the counterfactual, is of interest - especially to those who live through the experience. If conditions got better for the poor during adjustment is itself of considerable importance, whether or not they did so in comparison with some counterfactual. It is the fact that the actual position of the poor deteriorated in Latin America and Sub-Saharan Africa in the 1980s that caused alarm and led to calls for 'Adjustment with a Human Face', not a comparison with a counterfactual. In our analysis we shall focus primarily on what actually happened in the two main categories of country.

Thirdly, there is a problem of lack of or imperfect data. The review that follows is based on readily available data, may well be incomplete and does not adjust for deficiencies in the data.

The basis for the poverty estimates differs among countries and over time so the comparisons must be treated with caution. According to most indicators, poverty declined and social indicators improved in both IFI- assisted and other countries taking the period as a whole (Tables 3 and 4). But while national PIP rates declined in most countries from the early 1980s to the early 1990s, a rise in either rural or urban poverty rates was recorded in a significant number of cases over some part of this time, although it must be noted that the variety of methods adopted for measurement make it difficult to be confident about such changes, especially where the magnitude of change is small. Bearing this in mind, the data suggests that poverty rates rose significantly in rural India 1989/90 to 1993/4 and urban Nepal (1984/5 to 1995/6), rural Pakistan (1984/5 to 1994/5), urban Philippines (1971 to 1985- early 1980s data is lacking) and rural Sri Lanka (1979/8 to 1986/7). (This catalogue excludes changes of 3 percentage points or less). These are all in countries classified above as IFI-adjusting, and none in the own-adjusting category. Moreover, in each episode of rising poverty, an IFI-programme was in place, as it was in the five cases where small rises in poverty were recorded (3 or less percentage points or less). There were also cases of IFI-programmes associated with falling poverty - for example, the Korean, Bangladesh and Pakistan programmes of the early 1980s. But falls in both urban and rural poverty occurred in less than half the IFI-progammes. In contrast, the 'other' category of countries (which includes only what we have termed 'own-adjusters' in this case - as there is a lack of data for the other 'other'

cases), all showed falls in urban and rural poverty for each period. This is also true of Taiwan, which does not appear in the tables because data was not readily available.

When it comes to social poverty, countries in both groups reduced poverty according to almost all indicators (Table 4). The only possible exceptions were apparent worsening of coverage of safe water and health services in Bangladesh, safe water coverage in Indonesia and secondary education in Vietnam, but for the first two the data may not be comparable, coming from different sources. Using reductions in infant mortality rates as the single indicator of SIP, while all countries made improvements, the IFI-supported countries mainly did worse than the own-adjusting, with the exception of Sri Lanka, Korea and China (see Chart One). On average the 1995 IMR was 46% of the 1981 level for those without any IMF adjustment programmes while the IFI-assisted countries rate fell to 55% of the 1981 level.

Both groups of countries did well on poverty reduction compared with other adjusting regions - notably Latin America and Sub-Saharan Africa. In both these regions, private income poverty increased for the region as a whole over the adjusting years of the 1980s. For Latin America and the Caribbean, extreme poverty is estimated to have risen from 13.2 to 17.2% from 1985 to 1990; for Sub-Saharan Africa it rose from 31.7% to 33.4%. In contrast, in S.Asia it fell from 36.8% to 33.3%, and in East Asia extreme poverty remained constant at 4.9%, while a higher poverty line showed a fall from 54.6% to 49.3%[15]. Latin America and Sub-Saharan Africa also saw worsening in aspects of social income poverty.[16] Educational indicators worsened in a quite large number of countries. Both regions, however, continued to show improvements in infant mortality rates for most countries, but the rate of improvement was less than that achieved in the Asian countries. The 1995 IMR of Latin America and the Caribbean was 65% of its 1980 value, and for Sub-Saharan Africa it was 80% of the 1980 value, whereas for the adjusting countries in Asia it was 51% (taking the countries in Chart One together).[17] Hence there was relative success in both groups of Asian

[15] Data from Chen et al, 1994.

[16] See Stewart, 1995.

[17] Data for other regions from World Bank, World Development Indicators 1997.

countries with respect to both PIP and SIP, and, despite some blips, overall rural and urban poverty rates declined for all countries over the 1980-1995 period as a whole, with the possible exception of Pakistan.

The explanation for the relative success on poverty must lie, tautologically, in a combination of output growth and its allocation: for PIP the allocation concerns changing income distribution; for SIP it is a question of changes in the allocation of national income to social priorities. For any given allocation of private and social income the change in poverty depends on the change in per capita incomes.

For the 1980-96 period, average per capita incomes grew by 5.7% p.a. from 1980-96. IFI-supported countries' rate was a bit less than that of the others, at 5.6% compared with 6.4% (Table 5). The rate for both groups was much greater than that experienced in other parts of the world. In SSA income per head fell by over 1% p.a. over this period, and in LA it fell by a small amount in the 1980s and rose by about 1.5% from 1990-95. The rate of growth of agriculture is of particular importance for success in reducing rural poverty, not only because of the direct earnings from agriculture but also the rural non-agricultural linkages that result. Rates of growth of value-added in agricultural exceeding 3% p.a. 1980-95 - high enough to make a reduction in rural poverty probable - were experienced in China, India, Indonesia, Malaysia, Pakistan and Thailand , and Vietnam for 1990-95 (earlier data not available). The regional average growth considerably exceeded that of Latin America and the Caribbean, at 2.1% p.a. and Sub-Saharan Africa (1.8% p.a.).

This large difference in growth rates is more than sufficient to explain the differences in changes in PIP and SIP. This is confirmed by examining changes in the allocation of private and social income.

Private income poverty and private income distribution

In the Asian context - in contrast to LA and perhaps SSA - one might expect adjustment policies to be associated with an improvement in income distribution, as labour-intensive exports expand and with them employment. Exports did expand spectacularly - by 15.4% p.a. among countries with

IFI-support (about double the rate of increase of the 'other' category) - see Table 6. Moreover, the share taken by textiles, generally believed to be labour-intensive, was high: over 50% for the IFI-adjusters in the 1990-95 period and 25% for the others, in each case rising over the period from 1980-96. Electronics - also labour-intensive - formed a high and rising proportion of the 'other' country category. It was particularly high in Malaysia at nearly a third of exports and accounted for over a quarter of exports in Singapore and Korea, 1990-95. Electronics formed a low proportion of the IFI-supported countries' exports at under 5% 1990-95.

Estimates for the labour-intensity of growth are provided by employment elasticities. These varied considerably, partly (but not wholly) reflecting the changing pattern of exports. There was very high employment elasticity in Indonesia (0.9) from 1981-92, while in the Philippines it was actually negative (-0.5). The typical employment elasticity for East and SE Asia was 0.5. In South Asia, there was very high employment elasticity in Bangladesh (1.1) , while it was 0.5 in Pakistan and only 0.3 in India. Estimates for employment elasticity come nearest to being an indicator of labour-intensive growth. Defining labour-intensive growth as occurring where employment elasticities exceed 0.5, Bangladesh, Indonesia and Thailand qualify, and Sri Lanka in the latter part of the period. Korea, Malaysia, Thailand and the Philippines showed labour-intensive growth in the 1970s. Again there is a strong contrast with Latin America where the employment elasticity was negative in the 1980s.[18]

Rapid growth in employment depends on both output growth and its employment elasticity. Indonesia enjoyed high and labour-intensive growth - formal sector manufacturing employment is estimated to have grown by 11% p.a. 1981-92. In contrast, employment growth in India was only 0.6% p.a. in manufacturing as output growth was sluggish and employment elasticity low. Korea and Malaysia experienced high manufacturing employment growth in the 1980s (5.8% in Korea and 4.2 % in Malaysia by 4.2% p.a.) even though their employment elasticities were not particularly high, while manufacturing employment in Bangladesh grew by only 2.6% p.a. because slow output growth did not compensate for high employment elasticity. In general, the East and Southeast Asian

[18] The above data comes from Mazumdar and Basu, 1997.

countries which experienced fast employment growth also showed large falls in poverty rates and mostly improved income distribution. In contrast, manufacturing employment fell in the Philippines over the same period and poverty rose for a period and then fell. Manufacturing employment grew much more slowly in South Asia - by only 0.6% p.a. in India (1980-90) and by 2.6% and 2.3% p.a. respectively in Bangladesh and Pakistan.[19]

Aggregate formal sector employment (Table 7) failed to keep pace with the growth in the labour force on average in IFI-supported countries for the first period (1981-5), but exceeded the growth in the size of the labour force for the 'other' category for both periods and for the IFI-supported category in the 1986-93 period. However, Sri Lanka showed a very sharp change in direction. Excluding Sri Lanka, in the IFI-supported group, employment fell just behind the growth in the labour force in the 1981-5 period and grew by ½% more p.a. from 1986-93. This sluggish employment performance is probably partly responsible for the slow fall in poverty in these countries. Poverty fell fastest in the countries where employment grew most rapidly. However, even the slower growth countries compare favourably with Latin America in the 1980s, where employment fell by 0.8% p.a., 1981-92.

The net effect of complex changes in patterns of production on private income distribution is shown in Table 8. But it must first be noted that the data is particularly unreliable in this area: both rich and poor tend to have their incomes understated, as they successfully evade government control - the poor by retreating to the informal sector and parallel markets, the rich by retreating to financial havens of various kinds. Taking the available data as it stands, it seems that income distribution worsened in half the cases (all IFI-assisted), showed little change in three and became more equal in three, including two 'own-adjusters' - Malaysia and Indonesia - as well as Korea (which in practice was very much master of its own policies throughout most of the period). Hence it appears that on the whole IFI-assistance was associated with worsening income distribution. All three countries where income distribution improved enjoyed both relatively rapid agricultural growth and high growth in manufacturing employment, a combination most likely to lead to improved income

[19] Data from Muqtada and Basu, 1997.

distribution and reduced primary income poverty. In the case of Indonesia, the labour intensity of output was partly responsible, but this was not so in Korea and Malaysia, where it was the fast rate of output growth which was responsible. Other countries which did less well on PIP (showing some worsening in income distribution and sluggish poverty reduction), such as India and Bangladesh, experienced much slower employment growth, due to a combination of slower output growth and lower employment elasticities in the case of India, while in Bangladesh employment elasticities were high, but output growth in both industry and agriculture was relatively slow.

Social income poverty and social income distribution

Government expenditure remained around 20% of GDP over the period in both IFI-adjusters and others - with a few exceptionally high spenders - Bhutan and Malaysia (see Table 9). Expenditure ratios were lower than in Africa and Latin America - the average for all African countries was 27% in 1990, and 23% for Latin America.[20] The proportion of government expenditure going to education in the Asian region on average rose from 10.5% to 12.3% from 1980-90 to 1990-95. The proportion was higher and rose more among the 'other' category than the IFI adjusters, where the ratio remained at 9.4% throughout. The health allocation ratio also remained constant among the IFI-adjusters (at 4.5%) and rose from 3.9% to 4.3% among the others. Education plus health expenditure as a proportion of GDP remained constant among IFI-adjusters at 2.6% and rose among the others from 3.4% (1980-90) to 4.2% (1990-95). Other regions of the world generally had higher social allocation ratios: both Africa and Latin America devoted about 20% of their budgets to health and education in the 1980s compared with about 16% for this region. In these two regions, however, adjustment was associated with a cut in the share of government expenditure and of GDP going to the social sectors.[21] Nonetheless, even after the cuts, the share of GDP going to health and education in these regions in 1990 was greater than in Asia, at over 5% in both, compared with around 3% in Asia.

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[20] Data for other regions is taken from Stewart, 1995.

[21] In the case of Latin America the fall in the expenditure ratio was slight, but there was a marked fall in the social allocation ratio.

Within the region, Bhutan, Malaysia and Singapore have particularly high ratios (over 5%), while Thailand and Sri Lanka increased the social allocation ratio during the period and was spending over 4% on health and education by the end of the period.[22] Malaysia, Singapore and Sri Lanka were among the best performers on reduced IMR , but Thailand did poorly.

In summary, in Asia we observe little change in the expenditure and social allocation ratios during adjustment - avoiding the cuts experienced by other regions. But the most important difference from other regions was the rapid growth in per capita incomes which meant that in real terms expenditure per head rose significantly in both health and education among adjusting and 'other' countries (Table 10). Real expenditure per head on both health and education increased by two and a half times on average for the region. It increased both among IFI-adjusters and other countries, education expenditure per head increasing substantially faster among the other category, and health somewhat faster among the IFI-adjusters. Korea, Malaysia, Indonesia, Singapore and Thailand all tripled (or more) their expenditure in education per head. There is a very strong contrast with other adjusting regions. In Latin America in the 1980s, real expenditure on health and education fell by about 6%, staying roughly constant among adjusting countries, while in Sub-Saharan Africa it fell by 10%.

In conclusion, for both private and social income poverty, success in Asia was not, on the whole, due to improving the distribution of income, but to the rapid rate of growth of per capita incomes; as far as private income is concerned, in fact the distribution on balance worsened, while for social income it remained broadly unchanged.

Since growth in incomes was such an important aspect of securing improvements in poverty rates during adjustment, it is necessary to consider briefly why the region was so successful in securing GDP growth.

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[22] Its important to note that data relate to central government; this may greatly understate expenditure in federal states (e.g. India).

The precise responsibility for the successful economic performance of East and Southeast Asian countries is, of course, a matter of controversy on which the debate continues to rage.[23] Both the high rate of investment and effective industrial policies appeared to play an important role, combined with appropriate macro-policies, i.e. exchange rates and wage levels that maintained export competitiveness, and monetary and fiscal policies that were associated with only moderate levels of inflation. The adjustment programmes of the IFIs are partly consistent and partly inconsistent with this set of policies. On the one hand, their macro-policy advice on exchanges rate and fiscal and monetary balance are supportive of competitive exchange rates and moderate inflation levels. On the other hand, IFI policies are not good at securing sustained investment - and elsewhere have been associated with falling investment rates - since they often require high interest rates and restraints on public investment; in addition, IFI philosophy is quite inconsistent with an active industrial policy, directed credit etc.

The non-IFI group did somewhat better in poverty reduction than the IFI group because of their greater achievements with respect to economic growth. While it is not possible to attribute responsibility for the slower growth in IFI-assisted countries to the programmes - especially since some of the countries receiving IFI support had accelerated growth compared with previous decades- it does appear that countries without programmes were more successful in sustaining investment rates, a major element in generating high growth. The IFI-adjusters had a rate of investment of around 20% throughout the period, a bit below that of other adjusting regions in 1980, although the rate did not fall significantly in contrast to the other adjusting regions (Sub-Saharan Africa's` investment ratio was 23% in 1980 dropping to 19% in 1995, and Latin America and the Caribbean recorded a rate of 25% in 1980 falling to 20% in 1995). The other countries in Asia experienced much higher investment rates (27% in 1980-85 rising to 31% in 1990-95) - see Table 11. In addition, many of the 'other' adjusters had strongly interventionist industrial policies - which was ruled out by IFI programmes, even if in practice they did not succeed in eliminating industrial interventions in the countries they supported.

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[23] See e.g. World Bank, 1993; Ranis, 1994, special edition of World Development 1994, Lall, 1996, Wade, 1990; Amsden, 1989.

Social safety net programmes:

The Asian success in reducing poverty was, as shown above, mainly a function of economic growth and the associated growth in employment, not social safety net programmes. Nonetheless, there clearly were a large number of programmes that would qualify as social safety nets throughout the region, many reaching large numbers of people. For example: public works programmes in Bangladesh and India, credit for low-income people in Bangladesh, Indonesia, Sri Lanka, and parts of India; food subsidy/rations/price controls at various times in India, Pakistan, Sri Lanka and China. Some of these programmes were well targeted and extensive; others less so. There were also pension schemes for the low-income in a few areas: e.g. Kerala, has contributory welfare schemes for rural workers, and pensions for destitutes and handicapped persons, and some unemployment assistance; Tamil Nadhu has introduced low-level pensions for widows and the handicapped.

These programmes were, naturally, more extensive where economic growth was less successful in floating people out of poverty. In some cases, the adjustment process was associated with a quite dramatic unravelling of social safety nets - as in China and Sri Lanka. Downward pressure on public expenditure and the free market philosophy encouraged the introduction of charges for health and education, and replaced general subsidies with narrowly targeted food subsidies, as in Sri Lanka. Hence while the social safety net programmes supported the poor in various respects, they almost never provided a comprehensive safety net, and were weakened rather than strengthened by the adjustment process. The poor relied primarily on traditional support systems, including the family and the informal sector for their survival. Success in reducing poverty became heavily dependent on sustaining growth in incomes and employment, given the limited coverage of social support systems.[24]

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[24] There were a few exceptional cases where support systems were more nearly universal in coverage - for example, the Noon Day Meals in Tamil Nadu, and food subsidies in Kerala and formerly in Sri Lanka. In Kerala, which has the best record for social support, 90% of the population have ration cards. Each individual acquired 70 kg. of subsidised grain in 1991, compared with 6kg. in Uttar Pradesh and 8kg. Malnutrution rates are the lowest in India despite the state having among the lowest per capita income (see Ramachandran, 1997).

IV The social dimensions of the new crisis in Asia

The new economic crisis in Asia is different from previous crises, being a crisis of modernisation rather than underdevelopment. It is the outcome of flaws in the apparently successful development of capitalism - of the lack of controls over international capital movements, the dependence on foreign capital (often short-term), the perhaps premature development of stock exchanges and inadequate regulatory and supervisory systems. These developments increased the potential for (and indeed actual) accumulation - but also raised these economies' vulnerability to fluctuations in confidence. IFI stabilisation programmes, designed to reestablish confidence, appear to be harsh in terms of their deflationary implications, as well as apparently using the opportunity to insist on the introduction of more orthodox and less interventionist industrial policies. In the short term, the consequence is liable to be a significant reduction in output in some of the affected economies, and large falls in employment. In the longer term, the more orthodox policies may well lead to a lower growth rate.

Current forecasts are for GDP contraction of 5.0% in Indonesia, 3% in Thailand, 2.8% in Malaysia, 2.3% in Korea, and a growth rate of only 2.4% for Singapore.[25] There is a likelihood of large reductions in employment in the modern sector - of perhaps up to 20% in Indonesia and Thailand. The figures are, of course, speculative. But it is clear that there will be significant reductions in output and employment over the next year or so.

The reductions in employment will not hit the poorest sections of society in the first instance, though there are bound to be knock-on effects arising from the reduced dynamism of the formal sector which will adversely affect markets in the rest of the economy. More serious, there are virtually no safety nets for the newly unemployed. The traditional systems that supported the poor in the past - the ability to retreat to subsistence production, close family links and support from the community - have been seriously weakened with the advent of a dynamic, modern, urban economy. Yet new

[25] Forecasts of Neil Saker of SocGen Crosby in Singapore, quoted in *Financial Times*, 11/2/98.

social security systems suited to a modern industrial economy have not been put in place. The reliance on a growing economy which proved to be so successful in reducing poverty over the past twenty years had a severe drawback in making no provision for social security for the newly employed. Hence they are likely to suffer severe hardship unless some provisions are put in place. But a time of crisis is not a good time to introduce comprehensive support systems.

The situation is similar to that of 19th century Europe when the previous systems of protecting the poor had broken down, the emerging industrial system posed new problems of cyclical and chronic unemployment, and there was as yet no provision for the support of the unemployed.[26]

There is talk by the IFIs of the need to introduce some social safety nets. Yet the past record of safety nets IFIs have supported elsewhere has been extremely poor - in that the schemes have almost invariably reached only a fraction of those in need. Food subsidies have been narrowly targeted, missing the majority of the poor, while Social Funds and/or special credit schemes have typically covered an even smaller proportion.

A comprehensive support system would need to have some of the following features:
a. Some provision, of one kind or another, to be available for *all* who wanted it, not limited in coverage by a pre-set sum of money.
b. Support could take the form of public works employment and/or provision of food and/or and financial (means tested) support. In the long run, such support could be financed (or part financed) by an insurance scheme made up of workers and employers' contributions. But in the short run it would need to be financed by general taxation.

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[26] The harsh Poor Laws in Britain of 1834 were a response to parishes inability or unwillingness to provide for the many migrants associated with the industrial revolution and the enclosure movement. The Poor Laws provided minimal support for the destitute often in horrendous conditions in Workhouses. They did not meet the needs of the 'new poor' created by cyclical industrial unemployment. While the beneficiaries from the Poor Law provisions amounted to less than 3% of the population in1885, Booth and Rowntree estimated urban poverty at about 30%. (See Rose, 1986).

c. Whatever the form it took, the level of support would need to be limited to an affordable amount (e.g. set at the nationally defined poverty level). This would mean a large cut in income for the newly employed.

Support systems of this type have been effective in adjusting countries elsewhere in the world - e.g. Chile and Botswana.[27] In the early 1980s Chile introduced open-ended public works schemes that were effective in reaching as many as wanted employment at the very low wages offered. Targeted health and nutrition schemes reached those most in need. These interventions were not enough to prevent a severe worsening in income distribution and rising PIP, but did avoid the worst consequences of these changes for human indicators, such as health, nutrition and literacy.[28] Botswana used employment schemes and food relief available to all who came forward in regions badly affected by drought.

The need for support - in terms of numbers to be covered and duration of coverage - will depend critically on what happens to the macro-economy, which is a further reason why deflationary policies should be avoided as much as possible, and a focus be put on improved regulatory and financial systems to reestablish confidence in the system.

As far as social poverty is concerned, it is important that priority services be protected during cuts (primary health and primary and secondary education), and that charges for these services are not introduced, especially at a time when PIP is rising. Indonesia provided a successful example of selective cuts which protected priorities in the early 1980s.[29] While other adjusting regions were criticised for cutting investment in the social sectors during the 1980s and preserving consumption, this is a sensible strategy to meet a short term crisis, especially in the context of previous expansion of the system.

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[27] See Cornia et al., 1987.

[28] See Raczynksi, 1987; Raczynski and Romaguera, 1992.

[29] See Stewart, 1995, Chapter Eight.

This part of the discussion has focussed on East and South East Asia which have been hit by the recent crisis, and which, previously, had got furthest in transforming their economies towards modern industrial economies combined with the disintegration traditional support systems. The poverty in South Asian economies is greater in breadth and depth than in the economies of East and Southeast Asia. While so far adjustment policies have not led to any sustained rise in poverty in South Asian economies, if growth falls off there as a result of regional contagion there could be serious effects on poverty extending well beyond those newly unemployed in the modern sector. In that context, expansionary macro-policies that permit sustained economic growth, and meso-policies designed to protect priority sectors and safety net expenditure, will become of central importance.

Conclusions

The central conclusion of this paper is that Asian economies have been much more successful in reducing PIP and SIP during adjustment than other regions, a success which was greatest among those economies that adjusted on their own without the support of the IFIs. This success was due to the sustained growth in per capita incomes not to a particularly egalitarian pattern of growth or to improved social allocation ratios. But dependence on economic growth has dangers when this growth is threatened. In that situation - which is the reality today - new policies are needed to protect the poor, in particular a comprehensive social support system.

Table 1 - Contrasting conditions in Asia, Africa and Latin America, 1980-96

	Asia	Africa	Latin America and the Caribbean
Balance on current a/c as % exports			
1981	- 9.7	- 23.8	-31.0
1986	- 5.0	- 18.5	-23.6
1990	+1.9	- 5.8	- 3.9
1996*	- 3.2	-11.6	-12.8
Fiscal balance, % GDP			
1980	-3.4	- 3.9	-0.6
1990	-2.9	- 3.6	-0.8
1993	-2.9	-10.6	-0.1
External debt, ratio to GDP, %			
1980	15.9	35.7	27.3
1986	26.6	64.1	63.4
1990	30.2	68.4	46.5
1996*	28.2	68.7	41.4
Debt service ratio %			
1983	10.8	22.7	42.5
1990	16.3	22.5	24.5
1996*	8.1	14.8	30.0

Source: IMF: World Economic Outlook (various)
United Nations: World Economic and Social Survey 1997
*estimates

Table 2 - Dates of IMF Programmes and World Bank Structural Adjustment Loans in Asia 1980-96

	IMF Standby EFF SAF ESAF	World Bank SALs
Bangladesh	79-80;80-83;85-87;87-89;90-93	
China	1981; 1986-7	-
India	1981-4;1991; 91-3	1991
Indonesia	-	-
Korea	1980-82; 83-85;85-87	1981;1984
Lao	1980-81;89-92;93-97	1989;1991; 1996
Malaysia	-	-
Mongolia	1991-92;93-7	-
Nepal	1985-87;87-90;92-95	1987;1989
Pakistan	1980-86; 88-91; 93-97	1982
Philippines	1986-88;89-97	1980;1983
Singapore	-	-
Sri Lanka	1979-82; 83-84; 86-88;89-97	-
Thailand	1981-3;85-87	1982;1983
Vietnam	1993-97	1994

Source: World Bank Annual Reports; IMF Annual Reports

Table 3 - Private Income Poverty estimates for Asian countries, 1980-95

Country	IFI Prog.[a] between dates	Date	Poverty rate %		
			Rural	Urban	Total
Bangladesh	na	1981/2	74	66	73
	Y	1985/6	51	56	52
	Y	1991/2	53	34	50[b]
China	na	1981	24	11	20
	Y	1990	12	0.4	9
India	na	1977/78	55	34	43
	Y	1989/90	38	24	32
	Y	1992	48	25[c]	34
Indonesia	na	1980	28	29	29
	N	1987	16	20	17
	N	1990	14	17	15
	N	1993			8[d]
Korea, rep.	na	1980	9	10	10
	Y	1984	4	5	5
Malaysia	na	1980	37	13	29
	N	1987	25	8	17
	N	1989	19	7	15
Nepal	na	1979	61	55	60
	N	1984/5	43	14	43
	Y	1995/6[d]	44	23	42
Pakistan	na	1979	33	29	30
	Y	1984/5	26	25	26
	Y	1991	37	28	34
Philippines	na	1971	57	41	52
	Y	1985	59	45	54
	Y	1991	52	37	45
Sri Lanka	na	1978/9	26	20	23
	Y	1986/7	32	15	31
	Y	1991[d]	36	18	22

Thailand	na	1980/1	27	8	23
	Y	1988/9	29	7	2
	Y	1992	16	10	13
Vietnam	Y	1988	60	na	na
	N	1993	57	26	51

Source: Tabatai , 1996; World Bank, World Development Indicators, 1997; World Bank, 1998.Human Development Report 1997.

Note: a. Adjustment programmes include IMF Standby;SAF;ESAF; World Bank Structural Adjustment Loans; b. poverty rate rose according to some estimates; c. rate fell according to some estimates; d. comparability of estimates questionable.

Table 4 - Indicators of social poverty, 1980-1995

Country	Access to education, % of age-group not in school				% without access to				Infant mortality rate, deaths per 1,000 live births	
	Primary.[e]		Secondary		health services		safe water			
	1980	1993	1980	1993	1980	1993	1980	1994/5	1981	1995
Banglad.	38	0	82	81	20	26	59c	70	135	79
China	0	0	54	48	na	12	na	54	71	34
Ho. Kong	0	0	36	na	na	na	na	0	10	5
India	17	0	70	na	50	na	na	37	121	68
Indonesia	0	0	71	57	64b	57	25c	37	105	51
Kor. Rep.	0	0	22	7	na	0	7c	7	33	10
Lao PDR	0	0	79	75	na	na	na	56d	126	90
Malaysia	7	7	52	41	40a	12	na	10	30	12
Nepal	16	0	79	79	90	na	89	52	148	91
Pakistan	61	35	86	na	35	15	62	40	123	90
Philipp.	0	0	36	21	na	29	34c	16	63	39
Singapore	0	0	42	22	0a	0	0	0	12	4
Sri Lanka	0	0	47	26	10	10	64c	43	43	16
Thailand	1	2	71	63	70	41	34c	19	53	35
Vietnam	0	0	58	65	25	3	59	62	97	41

Source: World Bank, World Development Indicators 1997; UNDP, Human Development Report 1997 World Bank, World Development Report, 1983 UNICEF, State of the World's Children, 1988, 1998. a: 1985/7 b: 1980/86 c: 1983/86 d: 1990-96. The basis for estimates a-d may be different from other estimates. e. Figures of zero children not attending school are given where gross enrolment rates exceed 100, but in fact as children out of the 'right' age group also attend primary and secondary schools, there may still be some children out of school even with gross enrolment rates over 100.

Chart One

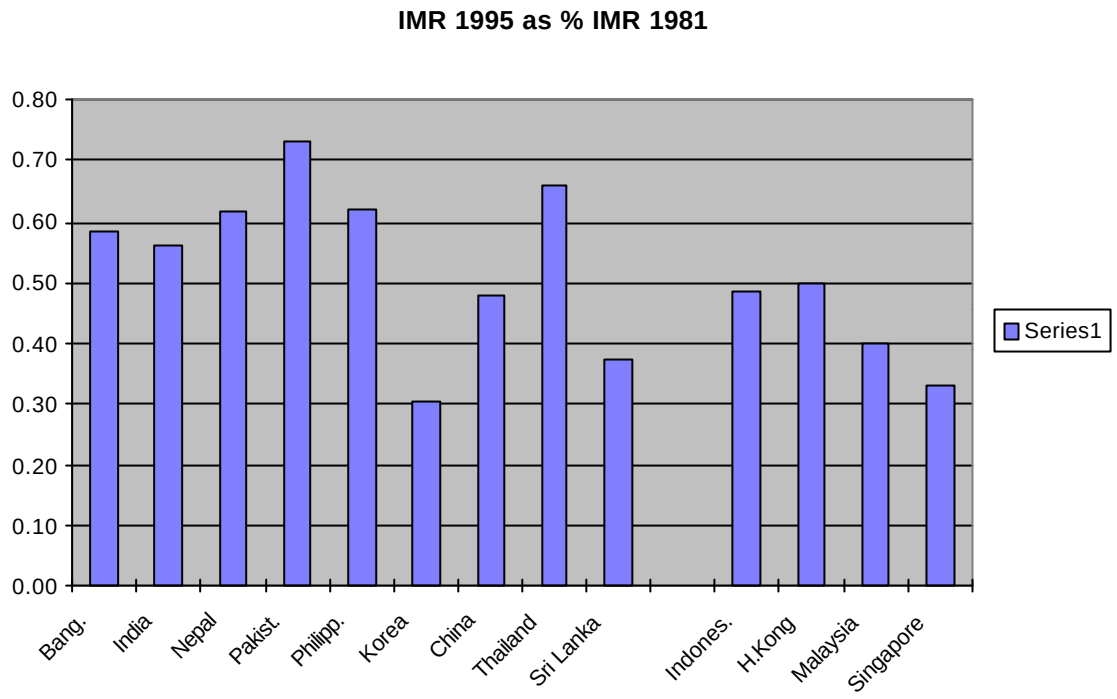
IMR 1995 as % IMR 1981
0.80
0.70
0.60
0.50
0.40
0.30
0.20
0.10
0.00
Bang.
India
Nepal
Pakist.
Philipp.
Korea
China
Thailand
Sri Lanka
Indones.
H.Kong
Malaysia
Singapore
Series1

Table 5 - Change in per capita income in Asian countries, 1980-96

Country	Change in p. capita incomes % p.a.				Rate of growth of value added in agriculture % pa.	
	1980-96	1980-85	1986-90	1990-96	1980-90	1990-95
Bangladesh.	4.4	5.0	3.5	4.2	2.7	1.1
Bhutan	6.6	7.7	na	4.7	na	na
Cambodia	6.2	na	7.7	5.3	na	2.1
China	10.0	9.0	10.0	9.9	5.9	4.3
Hong Kong	6.8	8.4	7.0	4.8	na	na
India	4.8	3.8	6.3	4.9	3.1	3.1
Indonesia	7.0	6.8	6.0	8.1	3.4	2.9
Korea, Rep.	7.9	6.5	9.7	7.7	2.8	3.1
Lao PDR	5.4	na	4.1	7.6	na	na
Macao	6.6	9.5	7.3	5.6	na	na
Malaysia	7.1	7.3	4.6	8.9	3.8	2.6
Mongolia	2.5	6.7	5.5	1.7	2.9	na
Myanmar	3.0	5.7	-2.0	4.6	0.5	5.1
Nepal	4.3	3.1	4.9	4.9	4.0	1.5
Pakistan	5.9	6.7	6.4	4.7	4.3	3.4
Philippines	2.3	2.0	2.7	2.9	1.0	1.6
Singapore	7.8	8.6	6.0	8.7	-6.2	0.5
Sri Lanka	4.6	5.8	3.1	4.4	2.2	2.4
Thailand	7.7	5.4	9.1	9.4	4.0	3.0
Vietnam	6.3	na	4.7	7.7	na	5.2
Region average	**5.7**	**6.2**	**5.4**	**5.8**	**2.2**	**2.8**
IFI-adjusters	**5.6**	**5.5**	**5.9**	**4.5**	**3.3**	**2.6**
Others	**6.4**	**7.1**	**5.3**	**7.2**	**0.9**	**3.1**

Source: World Bank, 1997, World Development Indicators (Cd-rom version);
World Bank, 1995, World Tables

Table 6: International trade in Asian countries, 1980-96

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Country	% change pa 1980-96 exports $	imports $	% exports 1980-96 Clothing and textiles	Electronics
Bangladesh.	10.3	7.9	72.9	0.2
Bhutan	12.5	8.2	na	na
Cambodia	49.7	27.9	na	na
China	17.0	15.2	29.3	9.5
Hong Kong	15.2	15.8	33.5	15.6
India	9.1	6.4	27.5	1.6
Indonesia	5.7	10.7	11.7	2.2
Korea, Rep.	13.6	13.3	21.2	21.2
Lao PDR	31.8	48.6	na	na
Macao	9.5	64.9	76.6	1.4
Malaysia	11.9	14.2	4.3	25.9
Mongolia	-3.3	-7.0	na	na
Myanmar	7.2	13.9	2.5	na
Nepal	12.8	10.3	65.8	0.2
Pakistan	9.1	6.3	72.6	0.1
Philippines	15.2	10.7	10.3	12.0
Singapore	10.1	11.8	4.0	24.1
Sri Lanka	15.9	6.9	31.6	0.6
Thailand	19.3	15.3	14.4	11.6
Vietnam	-0.8	14.7	5.5	0.2
Region average	**12.5**	**15.3**	**30.1**	**8.4**
IFI-adjusters	**15.4**	**13.6**	**35.1**	**5.7**
Others	**7.9**	**18.1**	**23.0**	**13.8**

Source: World BankWorld Bank 1997 World Development Indicators (Cd-rom version) Asian Development Bank Asian Economic Outlook

Table 7 - Labour force and employment growth, selected countries

	Labour force growth, % pa		Employment growth % pa		Emp. growth less labour force growth	
	1981-5	1986-93	1981-5	1986-93	1981-5	1986-93
Bangladesh	2.8	2.9	4.5 (1980-90)		2.6 (1980-90)	
India	2.0	1.9	1.7 (1980-90)		-0.2(1980-90)	
Pakistan	3.2	2.7	2.1	1.9	-1.1	-0.8
Sri Lanka	1.6	1.5	-4.8	12.1	-6.4	10.6
Indonesia	2.4	2.3	2.7	3.3	0.3	1.0
Malaysia	3.0	2.7	3.4	3.4	0.4	0.7
Thailand	2.5	1.9	3.0	3.2	0.5	1.3

Korea	2.7	2.1	1.8	3.4	-0.9	1.3
Hong Kong	2.1	1.9	2.6	1.3	-0.5	-0.6
Singapore	1.9	1.0	2.0	3.1	0.1	1.0
Philippines	2.5	2.5	3.5	2.3	-0.8	-0.2
Average, IFI-adj.[a]	**2.5(2.6)**	**2.2(2.3)**	**1.7(2.8)**	**4.1(2.8)**	**-0.8(-0.2)**	**1.9(0.5)**
Av. other	**2.4**	**2.0**	**2.7**	**2.7**	**0.3**	**0.7**

a. Figures in brackets exclude Sri Lanka

Source: ILO, World Employment 1996/7;
Muqtada and Basu, 1997.

Table 8 - Income distribution in Asian countries

	Dates	Rural	Urban	National
Bangladesh	1981/2 1988/9	0.35 0.37	0.41 0.38	0.39 0.38
China	1980 1988 1995	0.286 0.364	0.237 0.300	0.330 (85) 0.376 0.451
India	1983 1992	0.301 0.298	0.334 0.356	0.32 0.338
Indonesia	1978 1987 1993	0.361 0.26	0.381 0.32	0.348 0.321 0.317
Korea, Rep.	1980 1988	0.146 0.290	0.444 0.350	0.386 0.336
Malaysia	1979 1984 1989	0.482 0.444	0.501 0.466	0.508 0.480 0.445
Nepal	1984/5 1995-6	0.292	0.371	0.301 0.367
Pakistan	1979 1990/91	0.32 0.41	0.40 0.39	0.373 0.407
Philippines	1985 1988	0.378 0.378	0.442 0.431	0.446 0.445
Sri Lanka	1980/1 1985/6	0.40 0.43	0.44 0.50	0.41 0.437
Singapore	1982/3 1987/8			0.42 0.41
Thailand	1981 1988 1992	0.437 0.443	0.427 0.456 (86)	0.453 0.478 0.462

Source: Tabatai, 1996; World Bank, World Development Indicators, 1997.

Table 9 - Changing social allocation in Asian countries, 1980-95

Country	Govt. expend % GDP		Educ. expend. % govt.		Health expend. % govt.		Educ. plus health % GDP	
	1980-90	1990-5	1980-90	1990-95	1980-90	1990-95	1980-90	1990-95
Banglad.	9.9	na	9.4	9.5	5.7	na	1.5	na
Bhutan	35.5	41.2		10.5	na	6	0.7	6.8
China	10.1	9.7	11.7	12.4	na	0.4	1.2	1.2
India	15.3	16.7	10.0	11.2	na	na	1.7	2.0
Indonesia	20.2	17.3	8.9	10.5	2.5	2.7	2.3	2.3
Korea, R.	16.6	17	21.5	17.7	1.3	1.1	3.8	3.2
Malaysia	28.9	26.1	16.4	16.6	4.4	5.6	6.0	5.8
Myanmar	15.9	13.5	10.1	14.4	6.1	4.7	2.6	2.6
Nepal	15.8	17.3	9.5	10.9	4.1	4.6	2.1	2.7
Pakistan	20	22.8	3.2	5.5	1.6	na	1.0	1.5
Philippines	16.5	19	9.1	10.5	5	3	2.3	2.6
Singapore	16.5	19.6	8.6	21.8	7.2	6	2.6	5.4
Sri Lanka	20.8	28.3	5.3	8.8	3.9	5.8	1.9	4.1
Thailand	16.4	14.9	12.1	19.8	4.2	8.1	2.7	4.2
Av. region	19.6	20	10.5	12.3	4.2	4.4	2.9	3.3
IFI-countries	18.7	19.5	9.4	9.4	4.5	4.5	2.6	2.7
Others	21.3	21.4	12.0	15.5	3.9	4.3	3.4	4.2

Source: World Bank, 1997, World Development Indicators;

UNDP 1997 Human Development Report

UNESCO 1995 World Education Report & 1996 Statistical Yearbook

Table 10 - Estimates of changes in real expenditure per head on health and education in some Asian countries, 1980-95

	Ratio of expenditure per head, 1995 to 1980	
	Education	Health
India	2.1	na
Indonesia	3.0	2.5
Korea, Rep.	3.4	2.9
Malaysia	3.0	3.6
Myanmar	1.6	1.0
Nepal	2.0	2.6
Pakistan	2.5	2.1
Philippines	1.4	1.2
Singapore	3.3	2.7
Sri Lanka	2.1	2.1
Thailand	3.3	5.1
av. region	**2.5**	**2.5**
IFI-adj	**2.4**	**2.4**
Others	**2.7**	**2.2**

Source: as Table 8

Table 11 - Investment ratios in Asian countries, 1980-96

Country	Investment as % GDP			Foreign investment net flows, % GDI	
	1980-85	1986-90	1990-95	1980-85	1990-95
Bangladesh	14.1	12.7	13.8	-0.1	0.2
Bhutan	35.9	31.5	29.5	0	0
Cambodia	0.0	9.5	13.4	na	9.8
China	28.5	28.8	32.2	0.7	9.4
Hong Kong	27.4	24.7	27.7	na	na
India	19.8	22.0	22.6	0.1	0.6
Indonesia	23.7	25.9	27.3	1.0	4.2
Korea, Rep.	29.4	31.2	36.7	na	na
Lao PDR	6.6	11.2	13.2	0	5.5
Macao	16.8	19.5	27.3	na	na
Malaysia	33.6	27.0	36.3	11.2	20.2
Mongolia	50.4	44.2	24.6	0	0.5
Myanmar	18.3	12.2	12.7	na	na
Nepal	17.7	17.5	19.9	0	0.7
Pakistan	16.9	17.1	17.9	1.4	3.4
Philippines	25.7	19.0	22.3	0.4	6.9
Singapore	44.9	35.8	35.4	na	na
Sri Lanka	28.0	22.6	24.1	3.0	4.1
Thailand	27.8	31.8	40.9	2.4	4.2
Vietnam	na	12.0	18.4	0	8.3
Region average	**24.5**	**23.2**	**24.8**	**1.5**	**5.2**
IFI-adjusters	**21.9**	**21.3**	**19.0**	**1.0**	**3.8**
Others	**26.9**	**24.0**	**30.6**	**2.4**	**7.6**

Source: World Bank 1997 World Bank Development Indicators (Cd-rom version); WB 1995 Trends in Developing Economies

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