

ASIAN DEVELOPMENT

Outlook 2002

ECONOMIC TRENDS AND PROSPECTS IN DEVELOPING ASIA

The Pacific

Cook Islands

East Timor

Fiji Islands

Kiribati

Marshall Islands

Federated States of Micronesia

Nauru

Papua New Guinea

Samoa

Solomon Islands

Tonga

Tuvalu

Vanuatu

COOK ISLANDS

GDP increased by an estimated 3% in 2001, and tourism was again the leading sector. Medium-term growth prospects have been clouded by the loss of some international air services in late 2001. The major policy issues are devolution of power to the outer islands, development of human resources, environmental management, and infrastructure development.

MACROECONOMIC ASSESSMENT

GDP in 2001 grew by an estimated 3%, after strengthening by slightly over 4% in 2000 (Figure 2.27). Tourism continued to be the leading sector, though the events of September 11th had a dampening effect on tourism growth in the last quarter of the year. International air services were curtailed for some airlines and visitor numbers fell by 17% in November 2001. Black pearl production fell from 2000's record high, with exports in the first three quarters of 2001 down 17.6% on the corresponding period in 2000. Commercial agriculture and fishing activity also declined from 2000's levels. In contrast, the finance and business sector grew rapidly, with gross turnover in the first three quarters of 2001 rising by 17.6% from the corresponding period in 2000. The inflation rate accelerated from 3.2% in 2000 to 8% in 2001.

The operating budget surplus in fiscal year 2001 was NZ\$6.9 million, or 4.2% of GDP, compared with an original budget estimate of NZ\$1.4 million. This outcome reflected unexpectedly strong revenue growth at 10.6% above the bud-

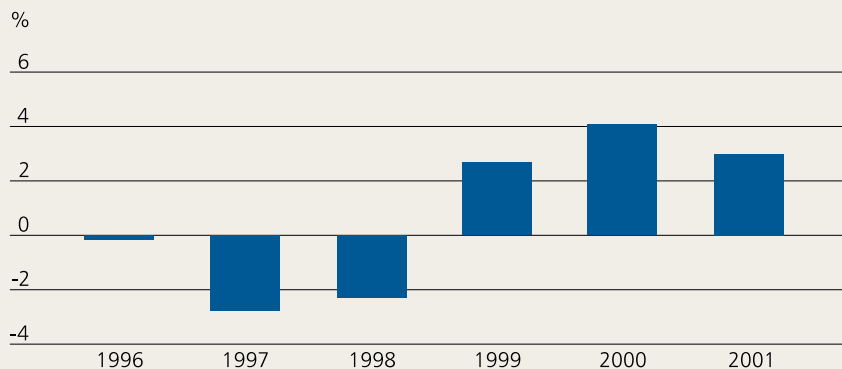
get estimate. Continued economic and import expansion led to increased receipts of VAT and import levies. Expenditures were kept close to the budget estimate, which allowed for a 14.4% rise compared with the previous fiscal year. The Government increased its spending on physical infrastructure to support tourism, education, health, welfare, cultural development, and environment protection. Net debt stood at NZ\$128.7 million, or about 72% of GDP, with the Government maintaining a reserve for

future debt repayment. This represented a fall from 77% of GDP in fiscal year 1999 and 76% of GDP in fiscal year 2000.

The budget for fiscal year 2002 estimated that revenues would be relatively static at around NZ\$64.7 million, but that expenditures, would rise by 12.2% to NZ\$64.2 million, leaving a modest operating surplus of NZ\$0.5 million. The outstanding debt was projected to rise to NZ\$129.9 million, but to fall as a proportion of GDP to approximately 68.3% by the end of fiscal year 2002.

A drop in pearl exports in the third quarter largely accounted for a decline in total merchandise exports in 2001. Imports grew by 14% during the first 9 months compared with the corresponding period in 2000. Consequently, the trade deficit rose from NZ\$58.7 million in the first three quarters of 2000 to NZ\$71.2 million in the corresponding period of 2001. Tourism growth, supplemented by private remittances and offi-

FIGURE 2.27 **Change in GDP, Cook Islands, 1996-2001**



Sources: Government of Cook Islands, *Cook Islands Half-Year Fiscal Economic Update FY 2001/2002*; staff estimates.

cial transfers, ensured that the current account remained in surplus. The use of the New Zealand dollar as the domestic currency and its 8.5% depreciation against the US dollar in 2001 enhanced international competitiveness, though the acceleration in inflation eroded some of this gain.

Net foreign assets in the banking system at the end of September 2001 were 41.6% higher than at the end of 2000. Net domestic credit grew at the more modest rate of 6.5%, but this aggregate concealed the fact that government deposits with the banking system had increased and that credit to the private sector had grown by 11.3%. The latter was concentrated in tourism, agriculture, and fisheries. On 1 July 2001, the Cook Islands Development Bank and the Cook Islands Savings Bank merged to form the Bank of the Cook Islands, becoming the third commercial bank in the banking system. Nominal interest rates on deposits ranged from 1% to 2%, and were thus significantly negative in real terms. Nominal lending rates were in the range of 9.25–19%, with the new Bank of the Cook Islands adopting a higher interest rate structure.

POLICY DEVELOPMENTS

The principal issue of economic management is to consolidate and build on recent improvements in fiscal governance, in order to maintain a stable macroeconomic environment that supports private sector growth.

The budget policy statement for 2002 stressed five strategic priorities: economic sustainability, outer island empowerment, social cohesiveness, infrastructure advancement, and good governance. It also affirmed the Government's commitment to fiscal responsibility, including meeting all debt obligations, and to building an enabling environment for private sector development. Formulation and implementation of this budget was disrupted somewhat by a period of political instability in the latter half of 2001, beginning with the dismissal of the deputy prime minister in early July. Resolution of political uncertainties is essential for effective continuation of the economic, public sector, and governance reform process begun in 1996. A new Government was formed in February 2002.

A major policy issue arising in the context of public service reform is the need to improve service delivery, both on the main island of Rarotonga and on the outer islands. Public service downsizing in the late 1990s was successful in aggregate terms, but led to migration to New Zealand of some skilled and qualified workers. The outer islands were particularly hard hit by emigration. Implementation of the Government's devolution policy is crucial to reversing the decline in service delivery. This involves assigning greater service delivery responsibility to outer island administrations, capacity building in these administrations, and improving the provision of technical support from the central administration.

The devolution policy is to be complemented by public investment in roads, ports, and airstrips, and in health and education. Human resources development, in both the public and private sectors, is essential if the country is to improve the match between the skills needed in the civil service and the economy, and the skills available. Another major issue is the need to improve environmental management, particularly waste management on Rarotonga, as this is fundamental to sustainable tourism development.

OUTLOOK FOR 2002–2003

The official medium-term economic forecast made prior to the events of September 11th was that GDP would grow at annual rates of 3.3% in 2002–2003, with tourism and black pearl production acting as the primary drivers. The gloomier global economic outlook after September 11th, the loss of some international air services to the Cook Islands, and recent concerns over pearl oyster mortality rates call for a downward revision to these forecasts. In addition, continued emigration would further reduce the domestic economically active population. On the other hand, growth could be boosted by several large aid-funded infrastructure projects that were not factored into the official forecast, and by the fact that the Cook Islands retains its appeal as a safe tourist destination. Overall, GDP can be expected to grow at an annual rate of around 2.5% in the next few years. Inflation could fall back to the 2–3% range.

A major policy issue arising in the context of public service reform is the need to improve service delivery.

EAST TIMOR

Economic growth continued at a rapid pace in 2001 as the economy maintained its recovery from the devastation that occurred following the referendum on independence in 1999. A gradual transition to greater self-reliance has begun, although substantial international assistance is expected to continue in the medium term.

MACROECONOMIC ASSESSMENT

Agriculture has been recorded as the main source of income in nearly all of East Timor's approximately 500 villages, and most of them consume their agricultural production—only a small proportion of them sell a significant amount of their rice or maize harvest. During 2000 and 2001, rebuilding of seed stocks and irrigation systems, improved access to fertilizer and transport, a reduced threat of violence, and high demand resulting from the large international presence contributed to expansion in the agriculture sector. Estimates put GDP growth in 2001 at 18% (Figure 2.28), which compares with 15% growth in 2000 and a contraction of 34% in 1999. The strong growth in the services sector in Dili to meet the needs of international staff and reconstruction activities also helped lift overall output to close to precrisis levels by end-2001.

The large international presence, the reconstruction program, and the

ongoing development of a large oil project in the Timor Sea led to a very high level of imports and a large current account deficit in 2001. The deficit was estimated at approximately \$470 million that year, and is forecast to rise to about \$662 million in 2002. However, the start of oil production in 2004 is expected to improve the current account balance.

Meaningful monetary statistics are not yet available. The annual inflation rate was estimated at only 3% in 2001, compared with 140% in 1999 and 20%

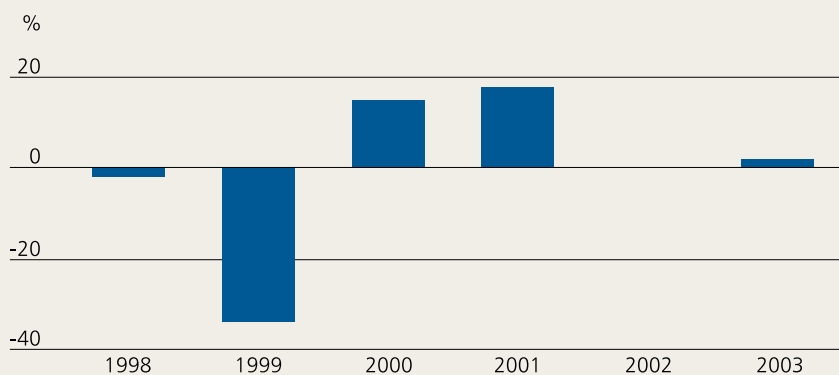
in 2000. The finance sector is very small, consisting largely of informal lenders, two operating branch offices of overseas banks, and a limited central bank role played by the Banking and Payments Authority (formerly the Central Payments Office).

A presidential election is scheduled for April 2002. UNTAET, the United Nations Transitional Administration in East Timor, is to complete its term at independence and a much smaller successor mission has been approved by the United Nations Security Council. There is a corresponding downsizing in international staff numbers.

POLICY DEVELOPMENTS

The future budget position rests heavily on accessing revenues from petroleum projects in the Timor Sea. Production in the first project, a gas recycling project in the Bayu Undan offshore gas field, is

FIGURE 2.28 Change in GDP, East Timor, 1998-2003



Source: Staff estimates.

The territory of East Timor is under the supervision of the United Nations. A Trust Fund for East Timor was established in 1999 with support from international donors. Grant projects under this Fund are formulated and supervised by ADB and the World Bank.

There is some risk of recession, depending on the extent to which the private sector can adjust to the decline in the size of the public sector.

expected to begin in fiscal year 2004. There is the prospect of revenues being earned from additional projects once a range of fiscal, legal, and market issues is resolved. By fiscal year 2006, revenues are projected to flow in, but they will begin to fall off by the end of the decade. The Government has announced its intention to save some of the earnings in high-revenue years, and invest the funds. The Government will have to make up the short-run revenue shortfall either through borrowing against future oil income or continued funding from the international donor community.

One consequence of the absence of a financial market and the use of the US dollar is that many poorly educated rural dwellers are required to revise the basis of their trading arrangements. This imposes new transaction costs at a time when the rural economy is generally weak and reestablishing itself after the violence.

A second consequence is that the exchange rate cannot be used as an instrument for increasing the competitiveness of the non-oil private sector. Public sector wages that are well above previous levels may create artificially high reservation wages in the non-oil private sector and cause serious market distortions. At the same time, the essential physical, legal, and social infrastructure is generally in a poor condition. In such an environment, the private sector faces significant hurdles to expansion.

One of the pressing constraints for East Timor's development effort is its limited human capacity. Many East Timorese worked in the previous administration but, frequently, the more senior positions were held by non-East Timorese and many of the important policy, expenditure, and administrative decisions were made outside East Timor. Consequently, the human resources required to manage all facets of government need to be built up. It is also clear that the development needs, especially in basic social services such as health and education, remain very high.

OUTLOOK FOR 2002–2003

The gradual reduction in international support is expected to see GDP growth slow considerably to zero and 2% in 2002 and 2003, respectively. There is some risk of recession, depending on the extent to which the private sector can adjust to the decline in the size of the public sector. Domestic revenues are growing, but the need for international support remains substantial and is estimated at \$150 million–\$170 million over the 3 years to fiscal year 2005. Local revenues are expected to outweigh international funding after fiscal year 2005 as the Timor Sea oil project enters production and this should help establish a stronger fiscal environment. For non-oil exports to be competitive, inflation will have to remain low given that the currency is the US dollar.

FIJI ISLANDS

The economy grew slowly in 2001. A new administration is adopting a more interventionist approach to economic management to address the long-standing problems of weak employment growth and poverty, low levels of private investment, and restructuring of the sugar industry. The official medium-term outlook is for growth of 3.5% or more.

MACROECONOMIC ASSESSMENT

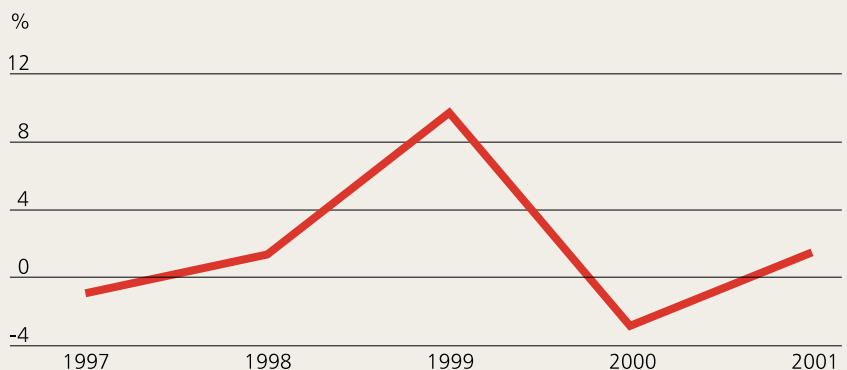
After falling by 2.8% in 2000 due to political instability and civil disorder, GDP increased by an estimated 1.5% in 2001 (Figure 2.29), largely reflecting the partial recovery of the tourism sector (and despite a temporary decline following the events of September 11th). The trade, restaurant, and hotel sector, and the transport and communications sector expanded by 4.2% and 7.3%, respectively. Mining and quarrying activity rose by 2% due to improved gold ore extraction, while the community, social, and personal services sector also registered modest growth, of 2.2%, mainly because of increased civil service employment. Construction activity grew by 2.9%, primarily as a result of public investment projects completed during the year, while the electricity and water sector strengthened by 3.5%. The primary sector as a whole contracted by 0.5% in 2001, largely due to a 10.2% drop in sugarcane production, reflecting transport problems and underlying uncertainty over the renewal of land leases. Aggregate manufacturing output fell by 5.5%. The finance, insurance, real

estate, and business services sector declined by 3.1%, mirroring weaker business and consumer confidence.

The labor market remained sluggish in 2001 as a result of the slow economic growth. In the period from May 2000 to the end of 2001, an estimated 9,000 workers at least were laid off, of whom 2,700, or 30%, were in the garment industry. Further, skills shortages became more apparent in both the public and private sectors, as qualified and skilled citizens emigrated.

In 2001, the nominal and real effective exchange rates of the Fiji dollar remained relatively stable. The average inflation rate in 2001 was 4.3%, following one-off rises in transport and postal charges and reinstatement of VAT on basic food items. There were no demand-side pressures on the price level. These developments permitted progressive relaxation of exchange controls during the year. Monetary policy continued to focus on maintaining low inflation and ensuring adequate foreign reserves, but it was eased over the year to stimulate aggregate demand. The Reserve Bank of Fiji's minimum lending rate fell from 8.0% in January to 1.75% in October. The commercial banks' weighted average lending rate fell slightly, from 8.38% in January to 8.21% in November, while rates on savings and time deposits fell more—to 0.77% and 2.43%, respectively. The central bank undertook an initiative intended to stimulate export growth. From 1 August 2001, commercial banks

FIGURE 2.29 Change in GDP, Fiji Islands, 1997-2001



Source: Ministry of Finance and National Planning.

TABLE 2.24 Major Economic Indicators, Fiji Islands, 1999–2003 (%)

Item	1999	2000	2001	2002	2003
GDP growth ^a	9.7	-2.8	1.5	3.5	4.7
Inflation rate (consumer price index)	2.0	1.1	4.3	3.0	—
Merchandise export growth	19.2	-0.7	-17.2	7.7	12.8
Merchandise import growth	25.1	-5.4	-12.8	2.7	6.1
Current account balance/GDP	-4.1	-3.6	-4.4	-2.4	0.0
Budget balance/GDP	-6.4	-3.4	-4.9	-6.0	-3.7
Central government debt/GDP	38.2	40.9	42.7	46.0	46.2

— Not available.

^a Constant 1989 factor cost.

Sources: Ministry of Finance and National Planning; staff estimates.

Despite a substantial improvement in VAT collection, operating revenues declined due to a sharp drop in direct taxation receipts, reflecting the lagged effect of the 2000 recession.

were required to lend a minimum amount to eligible exporters. The lending rate of the existing Export Finance Facility was also reduced from 3.0% to 2.0%.

Money and credit growth in 2001 continued to reflect slow economic growth, and weak consumer and business confidence. Broad money supply contracted by 1.5% as net foreign assets dropped by 11% and total domestic credit declined marginally. Within the latter area, credit to the Government, albeit a small share of the total, increased by 79.5%, while official entities reduced their borrowing by 20.3% and lending to the private sector contracted by 3.8%.

Despite a substantial improvement in VAT collection, operating revenues declined due to a sharp drop in direct taxation revenues, reflecting the lagged effect of the 2000 recession. Revenue arrears were also substantial. On the other hand, operating expenditures rose because of higher personnel spending, transfer payments, and interest payments on public debt. The outlay on general elections in September 2001 also pushed up total spending. Thus, the budget deficit in 2001 of 4.9% of GDP exceeded the target because of supplementary appropriations and a delay in asset sales of the Colonial National Bank. The underlying deficit (excluding asset sales) was 7% of GDP in 2001. Central government debt increased to 42.7% of GDP at the end of 2001. In addition, the Government confronted significant contingent liabilities, largely in the form of loan guarantees for public enterprises, which rose to over 60% of GDP at the end of 2001.

The 2002 budget stated that the Government was committed to a more interventionist

role in rebuilding the economy. Priorities include a strong redistributive spending policy aimed at addressing people's basic needs; improving economic efficiency and international competitiveness; and reforming the civil service, public enterprises, and public financial management. The budget proposed an expansionary fiscal policy along with a deficit of 6% of GDP (with the underlying deficit at 6.3% of GDP) and a rise in public debt to 46% of GDP. It emphasized strengthening tax compliance and arrears collection. Operating revenues were projected to climb by 15.4% from the 2001 level, primarily as a result of higher direct taxation revenues. On the expenditure side, a shift toward capital spending, from 20% to 24% of the total, was projected. Operating expenditures were projected to rise by 3.7%, involving a reallocation away from personnel spending toward transfer payments. Planned spending on poverty reduction and rural development, education, health, and infrastructure development was raised significantly. The risks to these projections arise from their assumptions of continued political stability, nominal GDP growth of 6.1%, and success in substantially improving compliance and recovery of arrears in the area of direct taxation.

Compared with the previous year, exports declined by 17.2% in 2001. (A notable exception was fish, exports of which rose by 6%.) Total imports fell by 12.8%, largely reflecting the decline in imports of intermediate goods due to the contraction of garment production. Tourism earnings improved the services account balance, but net investment income outflows increased, as did private transfers. Official transfers (mostly

EU sugar transfers) declined. The current account deficit widened to 4.4% of GDP. The capital account surplus continued to fall as direct investment inflows and government net loan drawdowns fell. The overall outcome on the balance of payments was a deficit of \$29.8 million and a lower foreign exchange reserve level of about \$360 million, or 4.4 months of import cover. The external debt in mid-2001 totaled F\$532.8 million, of which 58% was owed by the private sector. Interest payments on this debt were equivalent to about 1% of merchandise exports.

POLICY DEVELOPMENTS

The Government is making an effort to stimulate aggregate demand through an expansionary fiscal policy and an accommodative monetary policy. While emphasis on public investment in basic infrastructure and in health and education is appropriate, the crucial issue is ensuring that these efforts do not raise the already substantial public debt burden and threaten macroeconomic stability and growth.

In the 2002 budget, the Government announced its intention to support the implementation of a performance management system in the civil service, and to coordinate this implementation with financial management reform. A key component of the latter is a commitment to greater fiscal transparency. This will involve strengthening the financial management information system, reconsidering the 1999 Public Financial Management Act with a view to ensuring greater accountability, adopting the IMF Code of Good Practices on Fiscal Transparency, and reintroducing an internationally reputable official credit rating for the country.

Since the coup of 1987, the levels of total and private sector investment have steadily declined. Insecurity of property rights remains the major reason for the low level of investor confidence. The maintenance of political stability and consistency in policy implementation are also critical for rebuilding investor confidence. Another important issue relates to public enterprise reform, given the low return on investment. In view of the large public debt, the Government needs to be cautious in extending guarantees for public enterprise loans and in incurring contingent liabilities. It should encourage these enterprises to improve performance and borrow on the strength of their balance sheets.

The resolution of the difficult issue of land tenure arrangements is a major task for the Government. Thirty-year leases for farmers began expiring in 1997 and most have not been renewed, which is a cause for concern over the future of sugarcane production. The Government also needs to reform transport, sugar-milling infrastructure, and industrial relations in the sugar industry. The potential for crop diversification needs to be investigated in this context, given the long-term prospect of losing preferential access to EU markets.

OUTLOOK FOR 2002–2003

The official forecast is for the growth rate to accelerate to 3.5% in 2002 and to exceed 4% in the subsequent 2 years, notching up to the Government's long-term target of 5%. This is expected to generate employment growth of just under 2% a year. Based on such growth and targeted interventions, the Government aims to steadily reduce poverty. While growth is expected to be broad based, tourism is the leading sector in this drive. The agriculture, forestry, and fisheries sector is projected to grow at rates of 4–5% after 2002, assuming that sugarcane production recovers, strong growth in forestry resumes, and fisheries expansion continues.

Inflation is projected to be about 3% in 2002–2003. Annual export growth rates of 7.7% and 12.8%, respectively, are forecast for 2002 and 2003, while import growth rates are projected to be 2.7% and 6.1%. As a result, the current account deficit will become negligible by 2003. The capital account surplus is projected to decline further as FDI inflows weaken, but the overall balance of payments should move into surplus by 2003. Import cover is projected to hold at 4 months.

After the expansionary budget of 2002, the budget deficit is projected to decline to 3.7% of GDP in 2003, primarily because the absolute levels of both operating and capital expenditures are reduced. Central government debt is projected to rise further to 46% and 46.2% of GDP, respectively, in 2002 and 2003. Assumptions about a significant rise in the investment-to-GDP ratio may not be realistic, especially when it is explicitly forecast that direct investment inflows on the balance of payments will fall during 2002–2003. However, given the small base and gradual return to normalcy, an annual GDP growth rate of 3% seems achievable in the medium term.

Since 1987, the levels of total and private sector investment have steadily declined. Insecurity of property rights remains the major reason.

KIRIBATI

The economy strengthened during 2001 as government expenditures grew and copra production recovered. The economy is dominated by the public sector and is likely to remain reasonably stable over the medium term given the anticipated continued high level of government expenditures. Key emerging issues are the shift to an expansionary fiscal stance and an apparent change in attitude to the use of earnings of the country's trust fund.

MACROECONOMIC ASSESSMENT

Kiribati's economy grew by 1.5% in 2001, after a contraction of 1.7% in 2000. The improvement was attributed to a large increase in recurrent government spending, a recovery in copra production, implementation of a number of development projects, and increased private sector investment.

The inflation rate in 2001 rose to 7.1%, from 0.9% in 2000. Most of the increase was attributable to a depreciation of the Australian dollar (used as the domestic currency) and a delayed increase in local oil prices (in response to higher international oil prices) that fed into higher prices for food, drink, electricity, and local transport services.

The 2001 fishing season turned out much better than initially expected, and license fees reached a record level of US\$22 million, representing more than half the revenues raised locally over the year.

The Revenue Equalization Reserve Fund (RERF) has almost tripled in

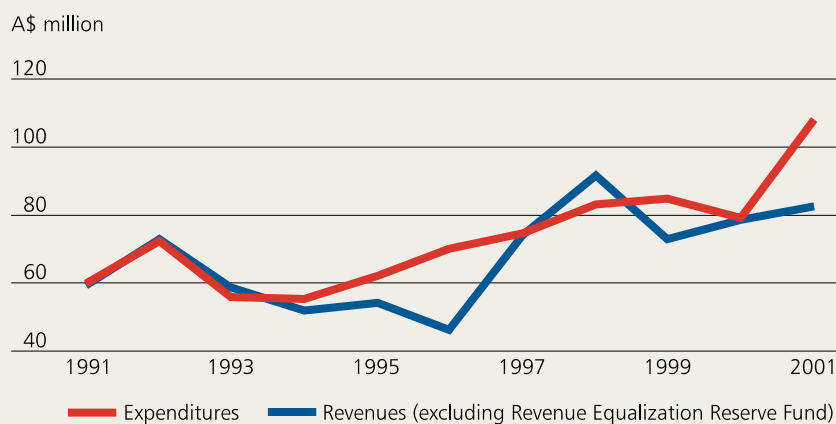
value over the past 10 years and, by the end of 2001, stood at US\$329 million. All funds are currently invested in offshore markets, and so declined in value a little during 2001 due to the downturn in world equity markets. The RERF is

designed to maintain its real per capita value over time, but good returns over recent years allowed a US\$7 million drawdown of income—the first since 1997—to fund government expenditures during the year.

Fiscal management has tended to be conservative in Kiribati but has now shifted to an expansionary stance (Figure 2.30). The deficit, very small in 2000, grew substantially in 2001 to 37.5% of GDP. A large part of the additional expenditure in 2001 was attributed to a higher wages and salaries bill, higher subsidies to government-owned businesses and the copra industry, payments for landing craft, and a large contribution to development projects.

Kiribati holds a small level of external debt, in the order of US\$7.6 million. But the large holding of the RERF

FIGURE 2.30 Government Revenues and Expenditures, Kiribati, 1991-2001



Sources: Asian Development Bank estimates based on Kiribati Statistics Office, *Government Finance Statistics, 1985-2000*; Republic of Kiribati, 2002, *Budget Papers*.

means that it has a large positive net external asset position.

The balance of payments was expected to be close to balance in 2001. Despite sizable imports and a trade deficit of some US\$28 million, large inflows from fishing license fees, investment income from the RERF, and seafarers' remittances are expected to have resulted in a small current account surplus.

During the year, ownership of the sole commercial bank, the Bank of Kiribati—changed hands. The Australia and New Zealand Banking Group now owns 75% of it, with the Government owning the rest.

POLICY DEVELOPMENTS

The Government projects public sector deficits of a similar magnitude to that seen in 2001 for the medium term, and expects to finance them by higher drawdowns from the RERF, surplus funds accumulated in previous years, and loans. Important elements in the ongoing deficits are continuing increases in the wages and salaries bill and sustained subsidies and higher contributions by the Government to development projects. The use of the Australian dollar as the local currency means that this expansionary stance will have limited effect on inflation. It is likely to be felt mainly as a slowdown in the rate of growth of the country's external assets held in the RERF.

One of the key contributory factors to the strong growth in the value of the RERF over the 1990s was the policy of investing all funds offshore through professional investment managers. The 2002 budget speech foreshadowed a potential revision to this policy. The Government is studying the prospect of using some of the RERF to boost the performance of public and private enterprises via cofinancing or provision of capital for viable enterprises. Such a policy needs to be approached with considerable caution as it could lead to the erosion of the long-term benefits offered by the RERF. It could also see an increasing role for the Government at a time when the contrary approach, namely, of an increased role for the private sector, is being targeted through the country's National Development Strategy.

Nearly 20% of the formally employed labor force work on foreign merchant or fishing vessels

and generate a substantial amount of factor income. This is an important source of income, particularly for people from the outer islands where poverty levels are higher and opportunities for formal employment are very limited. The copra industry too provides an important source of income on the outer islands. For many years, funds from Stabex—an EU scheme to stabilize export earnings—have been used to subsidize the copra price but these funds were largely exhausted in 2000. The Government has since pledged to fund the subsidy itself, which amounted to US\$2 million in 2001. In addition, it has committed US\$2 million to build a copra mill. The mill, to be operated by a private firm, is intended to increase value added from Kiribati's copra and reduce the subsidy required.

OUTLOOK FOR 2002–2003

GDP is officially projected to increase by 2–3% in 2002–2003. The development of major public projects—including a power generation plant, sewerage project, sports complex, satellite project, rural electrification project, copra mill, and, potentially, an outer-island water supply project—are key components in the outlook.

However, the projected overall decline in government expenditures of almost 20% in 2002 (in real terms) will tend to weaken demand, and the full effect of this may not have been factored into the outlook. The growth outcome will ultimately depend on the actual government expenditures during the year.

A reduction in donor projects is foreshadowed in 2003 and locally financed development expenditures are projected to remain at 2002 levels. If total expenditures do fall as projected, economic activity may soften. However, the projected development budget for 2003 can be expected to build over the year as additional donor projects are committed to.

Inflation is expected to ease over 2002 due to lower oil prices.

The current account may move into deficit over the medium term due to high imports of materials and equipment for the sizable donor-funded projects scheduled for 2002. However, as they are donor funded, an offsetting capital inflow will help preserve the overall balance-of-payments position.

Large inflows from fishing license fees, investment income from the RERF, and seafarers' remittances are expected to have contributed to a small current account surplus in 2001.

MARSHALL ISLANDS

Growth in the economy was minimal in 2001, and was based largely on limited expansion in private sector activity.

A temporary increase in funding through the Compact of Free Association with the US is likely to result in some economic growth in the near term.

MACROECONOMIC ASSESSMENT

The economic difficulties of recent years continued into 2001, with estimated GDP growth slowing to only 0.6% from 0.7% in 2000. A contraction in government expenditures was brought about by the need to adjust to a downward trend in revenues and to repay the high debts accumulated over the 1990s. A positive factor was some, though limited, expansion in private sector activity due to a small rise in copra exports and the first full year of operation of a tuna processing plant. Consumer price inflation was relatively stable over the year at an estimated 2%, and is largely attributable to the low level of inflation in the US. (The US dollar is the country's currency.)

Total revenues and grants are estimated to have grown by over 13% in fiscal year 2001 while expenditures rose by just under 2%. This resulted in a budget surplus of about 17.5% of GDP, and marks a continuation of recent trends. The large surplus was required to meet large principal repayments that peaked in fiscal year 1999 at \$42 million and were estimated at \$25 million in fiscal year 2001 (Figure 2.31). This compares with total revenues and grants of \$66 million and \$84 million in fiscal years

1999 and 2001, respectively.

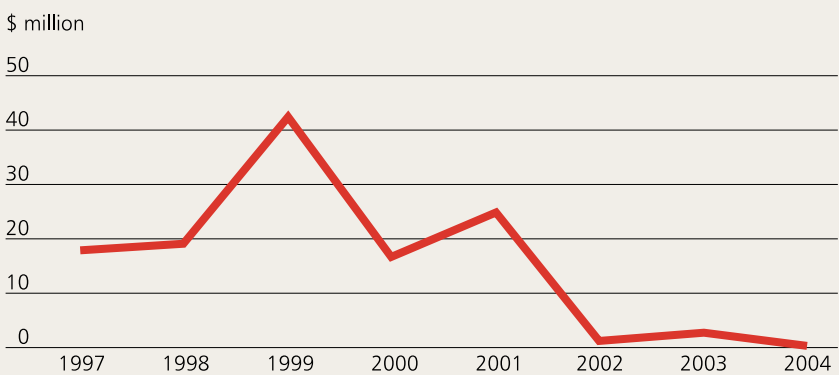
The Marshall Islands' export base is very narrow, with estimated exports of \$8 million in fiscal year 2001 heavily outweighed by projected imports of about \$60 million. Such a high level of imports is made possible by the provision of substantial financial assistance by the US under the Compact of Free Association.

Copra provides the main source of exports and of income on the outer islands. It also supports a small manufacturing operation in Majuro where it is processed into coconut oil and other

products. Despite a government price subsidy, exports have trended downward in recent years. The income gained from the sale of fishing rights provides the main source of nontax revenues, amounting to approximately \$3 million in fiscal year 2001. Tourism numbers are very small at around 2,000–3,000 visitors a year, and make little contribution to foreign exchange earnings.

The formal finance sector consists of two foreign commercial banks, one domestic commercial bank, and one national development bank. Local conditions determine interest rates despite the use of the US dollar and the absence of exchange controls. Commercial bank reserves are ample at around 44% of assets. Nonperforming loans are not a major issue for the commercial banks but are a problem for the development bank, which has suffered in the past from political interference and poor management.

FIGURE 2.31 Principal Repayments, Marshall Islands, 1997-2004



Sources: International Monetary Fund, 2001, *Staff Report for the Article IV Consultation*; staff estimates.

POLICY DEVELOPMENTS

External debt repayment requirements will fall substantially in fiscal year 2002 and remain considerably lower than in recent years. The Government intends to allocate at least 60% of the resources freed by the decline in external debt servicing to the Marshall Islands Intergenerational Trust Fund, which is also intended to receive contributions from the US and other donors in the future. The Government allocated \$14 million to the Fund in 2001; and, under one scenario, the Fund would reach \$750 million within 20 years and thereafter provide a regular income flow of around \$30 million–\$40 million a year (in nominal terms). This compares with a GDP of about \$100 million in 2001.

Tax revenues have fallen in recent years following the reduction in fiscal year 1998 of general import duties from 10–12% to 5%. Total import duties have fallen by around \$3 million a year. The potential exists to replace these lost revenues through a broad-based sales tax as a substitute for an existing turnover-type tax. A simple VAT was proposed for implementation in 1996 but this did not materialize. Other reasonable means for strengthening the fiscal position include the reduction of subsidies to government-owned enterprises, the adoption of (means-tested) co-payments for overseas medical referrals, and the collection of unpaid social security taxes.

OUTLOOK FOR 2002–2003

The pace of growth in 2002 will be about the same as in 2001, while the outturn for 2003 will depend upon Compact negotiations. Inflation in 2002 will remain about the same as in 2001.

The Marshall Islands receives considerable direct US assistance, currently averaging around \$35 million a year, the vast majority of which is in the form of direct budget support under the Compact. The availability of such support over

many decades, combined with limited local resources, has created a heavy economic dependence on the Government. This dependence has inhibited the development of the fundamentals required for economic growth, from education attainment to entrepreneurial drive. Autonomous expansion of the private sector is very unlikely. Developments in the public sector, notably the future level of US funding, will continue to drive the economy over the medium term.

The financial arrangements contained in the Compact were to be revised by October 2001. However, the Compact provided for a 2-year extension and this has secured a higher level of assistance than in the last 5 years, known as “bump-up” funds. This will increase direct budget support to \$37 million annually in fiscal years 2002–2003. Assisted by this, the 2002 budget provides for an increase in expenditures from \$66 million in fiscal year 2001 to \$74 million. This can be expected to help sustain economic activity over the year.

Negotiations on the future level of support are continuing and the extent of adjustment that will be required post-October 2003 is unclear at this stage. In light of this impending change in revenues, it is important that expenditures, particularly recurrent expenditures, are kept to long-run sustainable levels. However, the 2002 budget provides for an increase in recurrent expenditures to \$59 million from \$55 million. Fiscal responsibility will probably require this to be reversed over the medium term.

The Compact provides the Marshallese with the right to work in and emigrate to the US, and there has been a steady outflow of citizens during the 1990s for this reason. While emigration will tend to encourage the most qualified people to leave the country and so depress economic activity, the option at least provides a safety valve and safeguards the quality of life for the remaining Marshallese, even if a large contraction in the public sector becomes inevitable.

Compact support over many decades, and limited local resources, have created a heavy economic dependence on the Government.

FEDERATED STATES OF MICRONESIA

The economy grew at a modest 0.9% in 2001, helped by a temporary increase in funding from the Compact of Free Association with the US. Prospects depend largely on future funding under the Compact and on how these funds are used to increase economic efficiency and production in the private sector.

MACROECONOMIC ASSESSMENT

Fishing is the primary industry in the Federated States of Micronesia (FSM), followed by tourism and a modest level of manufacturing and construction. However, the economy has been highly dependent on funds from the US under the Compact of Free Association. In recent years, the Compact has provided a total of around \$80 million annually in budget support for the national and four state governments (Figure 2.32). US funding reached almost \$85 million in 2001, compared with an estimated GDP of \$240 million for the year. The level of funding provided under the Compact has been stepped down twice since 1986, and this has required a contraction in the size of the public sector. The adjustment to the second step-down in the mid-1990s was a key factor behind 3 years of falling GDP at that time.

Current levels of Compact funding were to have ceased in September 2001 and to be replaced by a new negotiated level. In anticipation of a potentially pro-

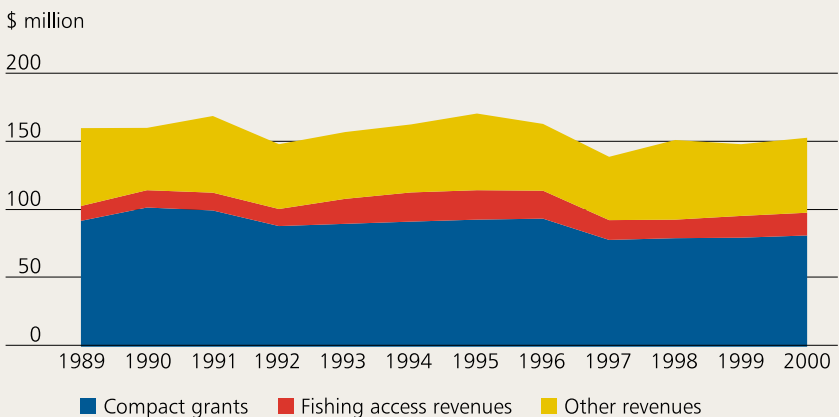
tracted negotiation and approval process, the current agreement was extended for a further 2 years, during which time funding was set at the average rate of the 15 years of the agreement. This amounted to a temporary increase of about \$17 million a year, known as “bump-up” funds. The additional funds allowed for an increase in government expenditures, mainly on development projects and wages. This helped boost

economic activity over the last quarter of 2001, leading to marginal GDP growth for the year estimated at 0.9%.

Marine products generate almost all export revenues. Foreign fishing companies, operating mainly offshore, dominate the fishing industry. While fish exports have grown considerably, the industry has created relatively few jobs or profitable business opportunities for locals. The main impact of the fishing industry is via the payment of fish license fees to the national Government. With a small export base, the private sector is dominated by production for domestic consumption. Most nongovernment market activities are in services and the retail and wholesale trade, which are substantially dependent on the demand generated by government spending.

Within the private sector, the tourism industry has the best potential.

FIGURE 2.32 Government Revenues, Federated States of Micronesia, 1989-2000



Source: Department of Economic Affairs.

2001 refers to fiscal year 2000/01, ending 30 September.

However, visitor arrivals declined from 16,500 in 2000 to 15,250 in 2001, with the fall concentrated among visitors from Japan and other parts of Asia. For the full year, the number of visitors from the US (accounting for around half the total) increased slightly, but this includes a decline immediately after the September 11th events.

In 2001, total formal employment (employing only about 16% of the population) fell by around 7%. Most of the decline came from cut-backs in the government sector. The annual inflation rate (for Pohnpei only) was estimated at 2.6% as of end-June 2001. The low rate reflects both the stagnant economy and low inflation in the US—the major source of imports.

Total loans from commercial banks amounted to just over \$50 million at end-June 2001, or equivalent to about one fifth of GDP. Reflecting the low level of private sector activity, only \$18 million were lent for commercial purposes, and the volume of these loans had declined over the 12 months to June 2001. This led to a high level of excess liquidity in the commercial banking sector.

POLICY DEVELOPMENTS

The availability of the bump-up funds has tested the fiscal credentials of the national and the four state governments. The state governments of Pohnpei and Yap, and the national Government, committed themselves to putting 50% of the additional funds into a special stabilization account of the FSM Trust Fund. This was intended to promote fiscal discipline by avoiding an increase in expenditures to likely unsustainable levels after September 2003. In contrast, Chuuk state government proposes to save the bump-up funds only for 2003, while fully spending the funds for 2002 on additional development projects and higher wages. Kosrae state government intends to use the funds to increase its wages by 20%. The risk, though, is that these two states may find it difficult to cut back the public sector if Compact funding declines after September 2003.

The Government has the potential to raise more revenues domestically, and one option is to replace an existing turnover tax. Improved tax administration is also required.

The external debt-to-GDP ratio was estimated at 24% in 2001. The national Government is committed to maintaining the debt at no more than this level through 2004. This represents a substantial reduction from a peak of 66% in the early 1990s. Given the prospect of declining revenues once Compact support is renegotiated, it is important that current debt levels remain manageable.

OUTLOOK FOR 2002–2003

Given the uncertainty of the amount of future Compact funding, it is difficult to judge how fast the economy will grow after September 2003. However, it is projected to strengthen by 3.3% in 2002, supported by the temporary increase in Compact funding, before falling to 0.7% growth in 2003. The uncertainty over the future size of the public sector is deterring private sector investment and the potential for economic expansion. It is difficult to expect much new activity prior to the finalization of negotiations with the US. Over time, national and state governments will be required to reduce expenditures or introduce new revenue-raising measures (or a combination of the two), either of which would tend to have an adverse impact on the private sector.

The international donor community has extended considerable support to strengthen fiscal management and improve the enabling environment for private sector development. Some achievements have been realized, but these need to be consolidated in Pohnpei and Yap states, while fiscal responsibility is not yet ensured in Chuuk and Kosrae states.

One consequence of large external flows has been that public sector pay rates have risen substantially above (to around double) those of the private sector. The resulting high reservation wage causes labor market distortion in the form of an excessively high cost of domestic labor to the private sector. It is very difficult to see this sector substantially reducing its dependence on the public sector as a source of demand. This factor will tend to continue to influence the prospects for private sector development over the medium term.

The international donor community has extended considerable support to strengthen fiscal management and improve the enabling environment for private sector development.

NAURU

While the economy was boosted toward the end of 2001 by external financial support, the medium-term outlook is weak, given the adverse effect of declining phosphate reserves and many years of poor fiscal management. The provision of basic public services is regularly disrupted and is at serious risk over the medium term.

MACROECONOMIC ASSESSMENT

The economy is dominated by the public sector. Power, water, telephone, post, banking, and air transport services are all provided by SOEs. The Government also owns the country's main on-island income-earning activity, a phosphate mining operation. The private sector is very small and consists largely of trade stores, an offshore banking sector, and some fishing operations. Phosphate output dropped off sharply in the early 1990s and is now at around a quarter of the levels seen in the late 1980s. This decline has led to economic activity becoming increasingly dependent on the government wages bill, compensation and royalty payments to landowners, and other initiatives as the main stimulus to demand, and this trend continued over 2001.

The state of government finances is difficult to assess. But it is clear that the Government faced serious cash constraints in 2001. This was due mainly to the suspension of phosphate exports in the second half of the year caused by the blockade of a processing plant as landowners sought additional compensation

for the land occupied by the plant. By early 2002, government payrolls and payments to several creditors were delayed. The Government continued to rely heavily on the practically insolvent Bank of Nauru to help fund its budget deficits and royalty payments.

As Nauru uses the Australian dollar as its currency, inflation often follows the Australian inflation rate. However, the significant transport element (due to distances from major markets) and a lagged effect of oil price rises led to higher inflation in Nauru than Australia during the year.

In the second half of 2001, the Government of Nauru agreed with the Government of Australia to house and process over 1,000 asylum-seekers transferred from Australian waters. In return, Australia has agreed to fund a range of Nauru's equipment, material, and services needs as well as all costs of caring for the asylum-seekers. These payments will both enhance government service delivery and provide an injection of demand into the economy that will help support economic activity in 2002 and, potentially, beyond. In total, Australia's net contribution to Nauru's economy is expected to be substantial.

A pressing problem for the economy is the frequent disruptions of supplies of food, fuel, equipment, and materials. Air Nauru, the only airline servicing the country, faced repeated interruptions in 2001 due to a shortage of funds for lease payments, fuel, maintenance, and other running costs. Prior to Australian support, fuel supplies on the island had frequently been exhausted before the next shipment arrived. Public services, notably power, telecommunications, water, and health care also faced increasing problems over the year.

POLICY DEVELOPMENTS

It is expected that government revenues from phosphate mining will continue to weaken over the medium term: primary phosphate resources are largely exhausted and difficult to access; much of the mining operation's equipment is in a poor state; there is gross overstaffing; and plans to mine secondary deposits are not well developed. This decline in revenues will place considerable pressure on the budget.

Over time, the Government has faced fewer options to fund its continuing deficits. In the past, loans were acquired from official bilateral sources, overseas corporations, or the local bank, and deficits were also funded by draw-downs from the Nauru Phosphate Royalties Trust (NPRT). However, the ability to secure new deficit funding is seriously impaired by the absence of adequate collateral, local liquidity, or future revenue sources. For fiscal year 2002 (ending 30 June 2002), a deficit of A\$40 million–A\$50 million is budgeted, but it is unclear how this can be fully funded.

An ADB-sponsored reform program that began in 1998 was intended to promote an orderly adjustment process through fiscal and financial reforms and a one-third reduction in the civil service headcount to around 1,200. However, the retrenchment program was largely reversed in early 2000 with the appointment of up to 500 additional employees to the mining operation. At the same time, the net worth of the NPRT is believed to have seriously eroded due to the financing of continued large government deficits and poor investment of the Trust's assets.

Improved fiscal discipline would require streamlining the civil service, reducing subsidies to government services, and adopting a more appropriate tax regime (few taxes are currently levied in Nauru). The Government also needs to consider further reform to its offshore banking sector.

OUTLOOK FOR 2002–2003

Despite the short-term boost provided by the financial assistance received for housing the asylum-seekers, the medium-term outlook for the economy is weak. Per capita income is estimated to have fallen from A\$9,000 in fiscal year 1988 to around A\$4,600 in fiscal year 1998. It is likely that the trend continued since then. The very real risk of a crisis over the medium term exists if there is a substantial shortage of public funds, which would further impair the provision

of basic public services and the import of essential goods. This would have a significant adverse impact on efforts to reduce poverty.

An important step toward bottom-up reform was made in 1999 through a National Economic Summit; however, the proceedings of the Summit were not made public. There is a need to improve transparency. The true debt position of the Government and its instrumentality, the net worth of the NPRT, and the reasons for the substantial decline in its value are not fully known. The economy's eventual adjustment will be made more difficult by its limited human resources base and, as the funds to employ such labor diminish, Nauruan workers will have to seek employment in the private sector. However, their weak education background limits their ability to undertake technical tasks, or to migrate as economic conditions deteriorate.

Economic adjustment is likely to exacerbate existing social problems. In the late 1990s, the unemployment rate of those aged 15–19 was estimated to be 33% for males and 52% for females. This situation will worsen as employment opportunities in the public sector and the very small private sector decline; replacement jobs will be very difficult to generate. There is a high incidence of gout and diabetes, because of poor dietary habits, and the incidence of these and other health problems can be expected to rise as incomes decline and funding tightens for health care and other public services.

There is a very real risk of crisis over the medium term if there is a substantial shortage of public funds.

PAPUA NEW GUINEA

The combination of a sharp decline in mining, weak domestic demand, and poor industrial profitability kept the economy in recession in 2001. There may, however, be some improvement in economic growth in 2002 as agriculture expands, though it may take longer for economic fundamentals to improve and for growth to be sustained.

MACROECONOMIC ASSESSMENT

GDP contracted in 4 of the 5 years 1997–2001, the key contributors being poor macroeconomic management, drought, the Asian financial crisis and, most recently, slower growth in the world economy and low commodity prices. Earlier expectations of growth in GDP in 2001 did not materialize, partly due to delays in starting a gas pipeline project and a nickel-cobalt project in Ramu. In 2001, total and nonmining GDP contracted by 3.3% and 1.8%, respectively (Figure 2.33). The largest contractions by sector were seen in construction (9.3%); mining (9%); and transport, storage, and communications (7.4%). Sectors estimated to have expanded over the year are electricity, gas, and water (7.9%); finance, real estate, and business services (3.8%); and agriculture, forestry, and fisheries (0.9%).

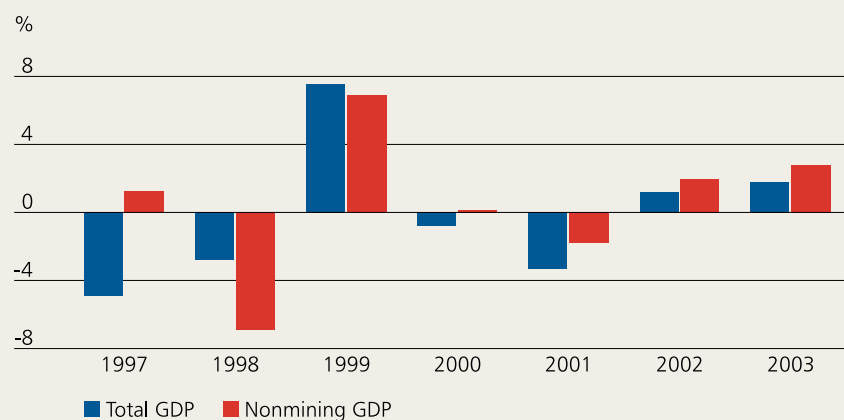
A general decline in world commodity prices constrained most sectors over 2001, notably the mining and oil sector. World prices of coffee and copra fell by about 30%, and of copper and oil by about 10%. As a result, the export sector failed to realize the full potential benefit of a weaker kina.

The Government faced major difficulties in managing its finances in the first half of 2001. This was due to repeated problems in accessing all the external extraordinary financing from various donors due to a delay in meeting a major milestone for readying the country's largest bank—the Papua New Guinea Banking Corporation—for privatization. At the same time, tax revenues were lower than expected due to

continuing problems with the implementation of VAT, falling oil prices, and a weak domestic economy. The Government had to cut back expenditure and put tight controls in place in the middle of the year. Overall, the budget recorded a deficit equal to 1.8% of GDP in 2001, which was mainly funded by an eventual drawdown on the external extraordinary financing in the second half of 2001. Foreign debt rose by 5.6% in 2001.

Despite the poor growth outcome, there were some important achievements in 2001. By the end of the year, inflation had fallen to below 10% due to tight monetary policy and weak demand. This was reflected in the movement of interest rates as inflationary expectations subsided. The official interest rate was reduced to 10%, a fall of about one third over the previous year's level. The weighted average of commer-

FIGURE 2.33 Change in GDP, Papua New Guinea, 1997-2003



Sources: Government of Papua New Guinea, 2001 and 2002, *Budget Papers*; International Monetary Fund, 1996 and 1999, *Staff Report for the Article IV Consultation*.

TABLE 2.25 Major Economic Indicators, Papua New Guinea, 1999–2003 (%)

Item	1999	2000	2001	2002	2003
GDP growth	7.6	-0.8	-3.3	1.2	1.8
Inflation rate (consumer price index)	14.9	15.6	9.8	8.3	5.0
Money supply (M2) growth	8.9	5.4	10.0	9.3	—
Merchandise export growth	9.1	7.3	-6.3	10.9	1.9
Merchandise import growth	-0.1	-7.0	-2.2	26.0	-6.1
Current account balance/GDP	4.2	10.1	7.5	2.7	5.7
Debt service ratio	7.5	6.7	6.8	6.8	9.1

— Not available.

Sources: Government of Papua New Guinea, 2001 and 2002, *Budget Papers*; Bank of Papua New Guinea, *Quarterly Economic Bulletin*; staff estimates.

cial bank lending rates also dropped from 16.9% in June to 14.7% in November 2001. The weighted average term deposit rate was 4.5% at the end of November 2001. Broad money supply (M2) rose by about 10% over 2001, with increases of 13.0% and 15.3% in net credit to the private sector and net foreign assets, respectively. Net credit to the Government climbed by about 4.5%.

Exports and imports declined by 6.3% and 2.2%, respectively, in 2001, reflecting weak global and domestic activities. As a result, both the trade and current account surpluses shrank, the latter from \$352.6 million in 2000 to \$221.3 million in 2001. The capital account deficit also fell from \$234.7 million to \$115.5 million in 2001, reflecting the large inflow of external extraordinary financing. The overall balance-of-payments surplus declined from \$130 million in 2000 to \$105.8 million in 2001. At the end of 2001, gross international reserves were around \$400 million, sufficient to cover more than 5 months of imports or about 7 months of nonmining imports.

The annual average exchange rate of the kina against the dollar depreciated by about 20% in 2001 from the previous year's level. Due to the continuing long-term downward trend in the kina exchange rate, the business sector experienced pressure on profit margins due to the higher costs of imported inputs. The fall in the kina is triggering structural change as new operators emerge or as businesses seek to increase local content and find cheaper sources of production inputs.

POLICY DEVELOPMENTS

A continuation of the decline in GDP and per capita income has increased social tensions and unrest. This was reflected in a series of events during 2001, including student protests against privatization and temporary halts in production at important mining and oil projects caused by landowners' actions. Increased political activities in the run-up to the elections in mid-2002 have made the situation more volatile. This is adversely affecting business and investment activities, as businesses adopt an extremely cautious attitude to expansion. Such an attitude can be expected to last at least until a new government is formed in the second half of the year.

A feature of the Government's medium-term projections is an increase in the budget deficit to 2% of GDP in 2002, before a turnaround begins in 2003. While revenues and grants are projected to remain fairly stable, a cut in government expenditures is assumed after 2002. Privatization is expected to provide the main source of financing this year. However, the Government's domestic debt will have to rise thereafter, as increased domestic financing is required to offset rising external obligations. Risks to the 2002 projections arise from the possibility that the baseline assumptions on expenditure cuts, privatization receipts, correction of VAT implementation problems, continued high revenue collection from the forestry sector, and growth of personal and company tax payments may not hold good. If

The fall in the kina is triggering structural change as new operators emerge or as businesses seek to increase local content and find cheaper sources of production inputs.

the hoped-for turnaround in the budget deficit does not materialize, reliance on domestic financing may be even greater than currently predicted, adding to the potential for renewed macroeconomic instability.

Over recent years, the main role of monetary policy has been to compensate for the expansionary fiscal policy. Since 2000, the Bank of Papua New Guinea has had a legislated obligation to target price stability and has enjoyed greater independence from the Government in meeting this objective. In the past, the Bank adopted a policy of tightening the money supply as the exchange rate fell with a view to controlling inflation and curbing import demand. This approach will likely continue over the medium term, so as to break down inflationary expectations.

Many of the ongoing externally supported adjustment programs closed in 2001. Thus, the management of the balance-of-payments account and the maintenance of stable or orderly movements of the kina will be a major challenge in the medium term. The medium- and long-term prospects of the economy depend on how quickly the fall in the kina brings about structural change, thereby building the capacity to export and replace imports.

Major adjustments are required in the economy, which faces the grim prospect of substantial depletion of mining and oil resources within a decade. Continuing weaknesses in physical and social infrastructure add to the adjustment difficulties. It is important that the Government address these two areas. In addition, adoption of an acceptable reform of the land laws is critical as the present situation underlies both the social unrest and business risk perception in the country. Improved availability of credit through expansion of the capital market in rural areas is also crucial for long-term growth and poverty reduction prospects.

OUTLOOK FOR 2002–2003

The Government expects the economy to rebound moderately in the medium term, with GDP growth of 1.2% and 1.8% in 2002 and 2003, respectively. The strongest expansion is ex-

pected in agriculture, forestry, and fisheries, at 5.1% and 3.6%, respectively, in these two years. The contribution of the mining and oil sector to GDP is projected to weaken over the medium term as mining and oil resources are depleted. Inflation is projected to fall to 8.3% and 5%, respectively, in 2002 and 2003, while the current account surplus is forecast to stay at about 2.7% of GDP this year, widening to 5.7% in 2003.

The Government's forecast for economic expansion rests on growth in the agriculture sector. The projected growth for 2002 is mainly attributed to non-export activities, which largely means expansion in the domestic economy, particularly agricultural production. By 2003, improved exports are projected, with an expansion in output volumes of all major tree crops.

Palm-oil production is rising strongly, but other agricultural exports are suffering from a number of structural problems, which could derail the forecast expansion over the short to medium term. For example, the coffee harvest has been constrained by a deteriorating road network (attributable to a long-term shortfall in the funding of road maintenance) and law and order problems. Growth of the copra industry is limited by a poorly managed statutory market authority. Low world copra prices are further hampering incentives for farmers. Although a moratorium on the release of new timber areas was lifted in late 2001 and the 2002 budget reduced export taxes by around 13%, most logging operations will continue to suffer losses due to current low world timber prices. Much of the logging industry's heavy equipment is reaching the end of its useful life, and the industry is probably not making enough profit to encourage the reequipment required to meet even the minor expansion slated in government forecasts. Should the fiscal position not stabilize as projected, macroeconomic instability—including high inflation—is a possibility. Thus, there are major risks to the Government's medium-term projections and, while the economy is better placed now than it was 12 months ago, structural adjustment is still in its infancy, and the economy remains weak and very exposed to macroeconomic shocks.

The Government's forecast for economic expansion rests on growth in the agriculture sector.

SAMOA

The growth rate of the Samoan economy increased substantially to about 10% in 2001 as manufacturing, construction, private services, and fishing all continued their rapid expansion. Macroeconomic developments therefore need to be monitored closely to avoid inflationary and balance-of-payments pressures. The medium-term outlook is for economic growth to decline to the 4–5% range, avoiding overheating of the economy.

MACROECONOMIC ASSESSMENT

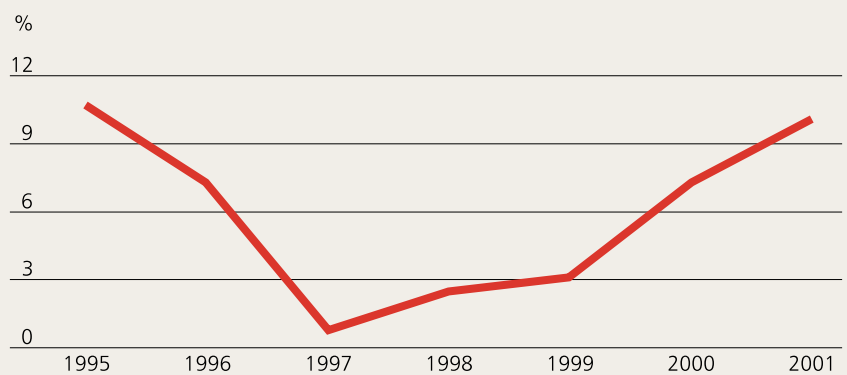
Economic performance has benefited in recent years from reforms introduced in the 1990s. In 2001, GDP growth accelerated to about 10% from 7.3% in 2000 (Figure 2.34). Manufacturing, construction, transport and communications, electricity and water, and hotels and restaurants all did well. However, agriculture declined by about 16% as subsistence production fell and efforts to diversify production for export remained unsuccessful. Fishing continued its expansion with the introduction of new, larger fishing vessels. In contrast, tourist arrivals were down somewhat because of the impact of the September 11th events. For example, September arrivals were nearly 12% lower than the corresponding monthly arrivals in the previous year, but because spending per tourist was higher, gross tourism earnings strengthened. The acceleration in the rate of output growth was accompanied by an increase in the inflation rate from under 1% in 2000 to 4% in 2001, above the central bank target of a maximum of 3%.

Total export revenues strengthened by about 20% in 2001 due to a surge in fresh fish exports and further growth in garment exports. Imports were about 31% higher than in 2000, with non-oil private sector imports accounting for most of the rise. The merchandise trade deficit fell to \$79.8 million from \$90.8 million. Despite the stronger earnings from tourism, and increased private remittances, the current account surplus as a share of GDP declined slightly.

So, even with a higher surplus on the capital account, the balance of payments was in overall deficit. Foreign exchange reserves dropped and provided about 4.8 months of import cover at the end of the year, compared with 6.4 months in the previous year. As a proportion of GDP, external public debt declined from 64.8% to 60.2% at the end of fiscal year 2001 (ending 30 June). Debt service costs amounted to 18.5% of merchandise exports. During 2001, the effective exchange rate of the tala remained stable in nominal and real terms.

The budget deficit widened to 2.3% of GDP in fiscal year 2001 from 0.7% in the preceeding year. Tax revenues rose by 11.5% compared with the previous year as a result of continued rapid GDP and import growth. External grants increased by 15%. Current expenditures declined by 3%, with the wages bill falling, despite a 5% civil service salary increase from 1 January 2001. There was a reallocation away from general ser-

FIGURE 2.34 GDP Growth, Samoa, 1995-2001



Source: Treasury Department, *National Accounts Tables*, Table 1, September, 2001.

vices toward education, pensions, and public works. A current surplus equivalent to 3.2% of GDP was recorded. Development expenditures rose by 53.6% from the fiscal year 2000 level, and the overall deficit in fiscal year 2001 was financed about 30% externally (through soft loans) and 70% domestically. This quite heavy reliance on domestic financing resulted from disbursement delays in external loans.

Broad money supply increased by about 14%. Since net foreign assets declined, an expansion in net domestic assets accounted for the growth. The Government reduced its net deposits with the banking system, while credit to the private sector and public institutions increased by almost 19%. The weighted average lending rate of commercial banks fell from 12.1% at the end of 2000 to 11.8% in September 2001, and the average deposit rate rose slightly to 4.45%, narrowing the interest rate spread. The central bank continued to use the issuance of its own securities as the main monetary policy instrument.

With rapid economic expansion in 2001, careful monitoring is needed to avoid undesirable pressures on the balance of payments and inflation.

POLICY DEVELOPMENTS

The Government's major short-term policy challenge is to ensure macroeconomic stability while facilitating growth-promoting structural change and investment. An expansionary fiscal policy and an accommodative monetary policy stance were major factors in the rapid economic expansion of 2001, and careful monitoring is needed to avoid undesirable pressures on the balance of payments and inflation. The central bank considered tightening the money supply in the second half of the year but deferred this step in view of the events of September 11th. It also lowered its target for foreign exchange reserves to 4 months of import cover from about 6 months in 2000.

Implementation of the economic and public sector reform program continued in 2001, and the Government's commitment to ongoing reform was reaffirmed in the Strategy for the Development of Samoa 2002–2004, which emphasizes the theme of opportunities for all through sustained economic growth, better education and health, and revitalized cultural and traditional values.

A new Public Finance Management Act 2001 provided the legal framework for improved fiscal governance, and the Public Bodies (Performance and Accountability) Act 2001 likewise proposed a legal framework for better corporate

governance of SOEs. A major issue in the latter context was the performance of Polynesian Airlines, which had begun to incur operating losses and was provided with a capital infusion of ST20 million in fiscal year 2001 and in the 2002 budget. Additionally, the first step in improving the commercial legal environment was taken with the passing of the Companies Act 2001, which replaced the outmoded Companies Act 1955. In the area of finance sector reform, the Financial Institutions Act was amended to place nonbank financial intermediaries under central bank supervision. The Government also moved to improve regulation and supervision of Samoa's offshore financial center by introducing amendments to the Offshore Banking Act 1997.

The process of achieving full compliance with the requirements of WTO and the Pacific Island Countries Trade Agreement continued, as did that of improving delivery of public services through performance-oriented planning and management.

OUTLOOK FOR 2002–2003

Provided that the economy does not receive severe external shocks, the outlook is for annual growth in 2002–2003 of 5%, driven mainly by ongoing and new construction projects. The expansion of the fishing fleet and of agricultural production will also contribute. Stronger agriculture will have a beneficial impact on the poor, who reside mainly in rural areas. Manufacturing will continue to register strong growth as garment production strengthens further, and copra-processing activity recovers somewhat. However, a slowdown in tourism-related sectors is expected. Annual inflation is forecast to be around 3% in 2002–2003. Stronger exports and private remittances are expected to prevent any deterioration in the current account balance as a result of import growth.

In fiscal year 2002, an overall deficit of 1.5% of GDP is budgeted as the Government continues to implement a strategy of current surpluses and development expenditures funded by external concessional loans. Total revenues and grants are projected to rise by 3.2% compared with 2001, while current expenditures are budgeted to be 9.7% higher. The current surplus is projected to fall to 1.7% of GDP, while development expenditures are projected to remain close to the 2001 level.

SOLOMON ISLANDS

The economy is still suffering from the aftereffects of recent ethnic tension. Weak management of the economy and subdued private sector activity have led to a sharp deterioration in government finances and pose a serious threat to the trade and current account balances. The Government needs to quickly adopt sound and credible socioeconomic policies.

MACROECONOMIC ASSESSMENT

After the Townsville Peace Accord in October 2000, the Solomon Islands had an opportunity to recover from the adverse effects of ethnic unrest. However, poor economic management and delays in starting the reconstruction process kept the economy depressed in 2001. GDP is estimated to have declined by about 5% following a much sharper decline of 14% in 2000. Thus the economy's output level declined by almost one fifth in two years, along with a larger decline in per capita income. The contraction in 2001 was broad based.

The Peace Accord led to substantial compensation payments. Faced with very tight budget constraints, the Government secured a \$25 million concessional loan, \$15 million of which were disbursed during 2001, helping maintain consumer spending. Domestic demand was also supported by a government payroll increase of around 30% from the 2001 level. Inflation declined marginally to about 8% in 2001, despite subdued economic activity and a decline in the money supply.

The Government's fiscal position deteriorated greatly in 2001, resulting in

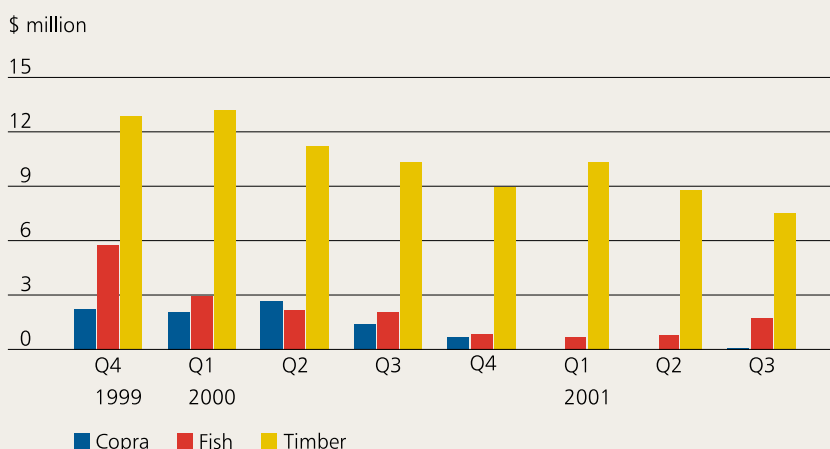
a deficit of about 8% of GDP. This was caused mainly by the rise in the number of government employees, the adverse impact on general revenue collections of a weaker economy, and import duty and tax remissions. By the end of 2001, payments to public servants, transfers to provincial governments for education and health, and payments to utilities were all delayed. Repairs to infrastructure damaged during the ethnic tension

could not be started. No employee contributions were made to the Solomon Islands National Provident Fund (NPF) for the year. In addition, the Government defaulted on international debts and domestic debts held by local commercial banks and the NPF.

The Government exceeded the statutory limit on borrowing from the central bank. According to an official report, total government debt reached 115% of GDP in December 2001. Further, most key public enterprises also faced cash-flow problems, which were reflected in the delivery of services.

In line with declining economic activity, broad money supply and credit to the private sector contracted by about 12.5% and 21.5%, respectively, in 2001. However, a large level of excess liquidity built up in the banking system—three times the minimum liquid asset ratio set

FIGURE 2.35 Principal Exports, Solomon Islands, Q4 1999-Q3 2001



Source: Statistics Division, Ministry of Finance, as cited in Central Bank of Solomon Islands, *Quarterly Review*, various issues.

The formal sector of the economy faces major challenges due to damaged plant and equipment, financial difficulties, and the high cost of rehabilitation.

by the central bank at the end of September—while the demand for loans remained low due to weak business confidence.

Major export-oriented business related to fisheries, copra, cocoa, palm oil, and gold remained closed in 2001. Timber exports increased for the first three quarters of 2001, before stalling after exporters and the Government disagreed over log valuations. These supply disruptions, together with generally weaker world prices, led to a substantial fall in exports during the year (Figure 2.35), which was a major factor behind the decline in GDP. Imports, on the other hand, declined only marginally due to the compensation payments under the Peace Accord, the government payroll, and the import duty and tax concessions. Consequently, the trade deficit widened considerably in 2001. Gross external reserves at end-2001 were sufficient to cover only about one month of imports.

In recent years, the Solomon Islands adopted an exchange rate policy that was relatively inflexible, with some controls on capital movements. In mid-2000, further exchange controls were put in place to prevent capital outflows in the wake of lower deposit rates and concerns about capital flight following the ethnic conflict. By the end of 2001, the central bank decided on a more flexible exchange rate regime.

POLICY DEVELOPMENTS

A new Government was elected in December 2001, and faces the challenge of rebuilding an economy that is almost devastated. Further, the incomplete collection of weapons and insecure law and order conditions are serious concerns. Compensation has also been a major burden on government finances since last year. One of the first initiatives of the new Government was a decision on the cessation of the duty and tax remissions. However, sustainable fiscal consolidation will require further large cuts to the government payroll, strict controls on other expenditure items, and, possibly, the introduction of new revenue measures. There are indications that the Government will consider measures along these lines in the new budget.

It is important that the infrastructure is quickly restored. Special efforts are needed to restore business in the main export-oriented

areas. Such initiatives, along with firm commitments to wide-ranging reforms, are likely to generate a more positive and critically needed response from the global donor community.

The finance sector is under great strain due to increased nonperforming assets. Maintenance of stable and efficient financial intermediation will remain crucial during the reconstruction period for sustainable economic development. The financial position of the NPF is also of particular concern as it has a bearing on financial market instability. It already faces large arrears, mainly from the Government, and almost its entire investment portfolio is held domestically.

OUTLOOK FOR 2002–2003

The formal sector of the economy faces major challenges due to damaged plant and equipment, financial difficulties, and the high cost of rehabilitation. Insurance will be very difficult to obtain for any future venture, particularly in mining, and this will create an added hurdle to investors seeking to restart closed operations. However, some encouraging recent economic developments should be noted, notably in the recommencement of fresh fish exports and sales of tinned fish.

Any forecast for the medium term is severely constrained by the lack of adequate economic data, as the country's statistical capacity was greatly damaged during the ethnic conflict. However, based on the assumption of substantial positive measures by the Government, an official report expects the contraction in the economy to halt by the end of 2002. Accordingly, GDP is projected to decline by 5% in 2002 and to stagnate in 2003 before growth begins. These projections are realistically achievable given that the economy's base is already very low.

Inflation is unlikely to change significantly in the medium term since domestic demand is expected to be restrained along with the fiscal deficit, and the supply position is likely to improve. Officials project the current account deficit to decline further to SIs\$85 million in 2002 before turning into a surplus of SIs\$40 million in 2003. The overall balance of payments is expected to show a surplus of SIs\$70 million and SIs\$192 million, respectively, in 2002 and 2003. The major risks to these projections stem from the possible continuity of weak fiscal management, and from sagging business confidence because of the security conditions.

TONGA

The economy expanded by a slower rate of 3% in 2001, led by the government administration and community services subsector. Medium-term prospects are for growth to remain at around this level. Key policy issues include the need for short-term tightening of fiscal and monetary policies, and effective implementation of a public sector reform program.

MACROECONOMIC ASSESSMENT

GDP growth decelerated to 3% in 2001 (Figure 2.36), largely reflecting slow growth in agriculture and tourism. Although there was a sharp slowdown in primary sector growth to 1.3%, the secondary sector grew by 5.4%, largely reflecting increased handicrafts manufacture, breadfruit production, and processing of agricultural products. Activity in the construction and quarrying subsectors was also up by 9% as a result of several large aid-funded and private sector projects. The services sector as a whole expanded by 3.8% in 2001, but the performance of the subsectors displayed considerable variation. The commerce, hotels, and restaurant subsector contracted by 2%, after significant expansion in 2000 due to millennium celebrations and conferences. The government administration and community services subsector, which accounts for some 18% of GDP, increased by 10% as a result of a 20% pay rise for civil servants. Most other services subsectors recorded modest

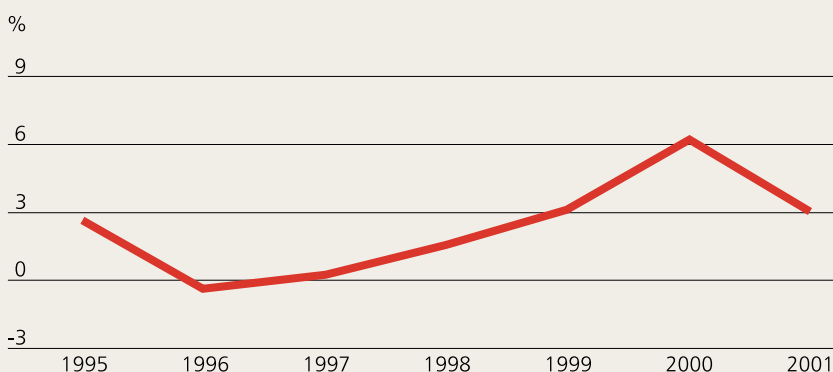
growth. The inflation rate accelerated to 6.3% due to expansionary fiscal and monetary policies and substantial currency depreciation.

The fiscal situation deteriorated in 2001, largely due to the civil servants' pay rise, a shortfall in nontax revenues, and substantially increased spending to support certain ailing public enterprises. The wages share of current expenditures reached 57% and the current budget was in deficit at about 0.5% of

GDP. The overall budget deficit was 2.6% of GDP, financed largely by advances from the domestic banking system and by some bond issues. Public domestic debt outstanding rose to TS\$32.5 million in 2001, to which must be added an estimated TS\$32 million in unfunded liabilities arising from a retirement scheme for civil servants introduced in 1999. As of mid-2001, the assets of the Tonga Trust Fund, which is held offshore and maintained separately from the budget and official foreign reserves, had fallen steeply due to weak management.

Broad money supply rose sharply by 26.5% in 2001. Domestic credit expanded by 31.3%, with private sector credit rising by 24.8% (partly reflecting a large loan for imports of telecommunications equipment), and net credit to government increasing more than five-fold in line with the financing of the fiscal deficit. Credit to nonfinancial public

FIGURE 2.36 Change in GDP, Tonga, 1995-2001



Sources: International Monetary Fund, 2001, *Statistical Appendix*, September; International Monetary Fund, 2001, *Staff Report for the Article IV Consultation*, October.

2001 refers to fiscal year 2000/01, ending 30 June.

The major impediment to private sector growth and foreign investment is the lack of transparency and predictability in the regulatory mechanism.

enterprises more than doubled. The effectiveness of monetary policy remained constrained by the weakness of the balance sheet of the central bank, which placed increased reliance on credit ceilings. The weighted average deposit rate dropped marginally to 4.7% in 2001. The base lending rate was stable at 9.0%, so that the interest rate spread widened slightly. With higher inflation, the real deposit rate became negative.

The trade deficit shrank to approximately one third of GDP in 2001 as merchandise exports, primarily squash and fish, increased by 3.7%, while imports declined by 4.3%, due to weak domestic demand. Net private transfers from Tongans living abroad continued to be the major source of foreign exchange, at about four times the value of exports. However, the services account turned negative due to payments made to Australia in connection with aircraft leasing arrangements; net investment income flows were also negative. The current account recorded a deficit equivalent to 8.2% of GDP. The capital account surplus fell further from its historically low level in 2000 due to a rise in Tongans' overseas investments. Consequently, the level of official foreign reserves dropped to US\$12 million, or equivalent to about 2 months of imports of goods. The official external debt (including that of public corporations) stood at 44.6% of GDP. The debt service ratio was 19.5% of exports of goods and services. The pa'anga depreciated by 11% in nominal effective terms and by 6.8% in real effective terms.

POLICY DEVELOPMENTS

The rise in substantial unbudgeted expenditures poses a risk of even higher inflation as well as a risk to the balance of payments. In addition, the Government needs to direct public spending away from wages toward operation and maintenance. To improve fiscal performance, the Government has already begun to consider the extensive range of tax and tariff exemptions granted under the Industrial Development Incentives Act. The issue of capturing a reasonable share of the resource rent in the fast-growing fisheries subsector also needs to be addressed. A large public enterprise sector has been a drain on the public purse and is still in need of major reform.

The most promising industry in the country is tuna fishing, primarily for export, with more modest prospects in agriculture and tourism.

The major impediment to private sector growth and foreign investment is the lack of transparency and predictability in the regulatory mechanism. Other hurdles include an inefficient tax system and a costly public sector. These are being addressed through an economic and public sector reform program approved in principle by the Cabinet in early 2002.

OUTLOOK FOR 2002–2003

The outlook is for marginally slower GDP expansion in 2002 of 2.9%, and higher inflation at 10%, since monetary expansion may be used to finance the fiscal deficit. A stimulus to growth is expected from a rapid rise in production of fish for export and a modest expansion in agricultural production, with the primary sector growing slightly faster at 3%. However, secondary sector growth is projected to slow to 4% as expansion in construction, mining, and quarrying decelerates. Slower tertiary sector growth of 2.5% is projected. A strong recovery in tourism-related services is unlikely given the events of September 11th 2001, which are also expected to reduce remittance flows, as about 60% of these flows were from the US, where many Tongans worked in the airline industry and faced job losses. A slowdown in the dominant government services subsector is likely as long as a hiring freeze, introduced by the Government in mid-2001, remains in place.

Growth in 2003 is projected at 2.6% as a result of slightly slower expansion in all sectors, except for commerce, restaurants, and hotels, and private services, which are forecast to pick up as the tourism sector shows additional strength. Inflation is projected to moderate to around 5% as macroeconomic policy tightens following the implementation of a major economic and public sector reform program. In late 2002 and in 2003, the current account balance is expected to improve as somewhat faster export growth combines with slower import growth. A rise in net official capital inflows and an overall improvement in the balance of payments are forecast.

The 2002 budget anticipates substantial rises in nontax revenues and in external grants. Current expenditures are projected to rise by 8%. The overall budget deficit is projected at 2.3% of GDP. However, the revenue outlook appears overoptimistic, and unbudgeted expenditures are likely to cause the actual spending level to substantially exceed estimates. An overall budget deficit of over 4% of GDP seems more likely.

TUVALU

GDP expanded by 4% in 2001, led primarily by the public sector. Major policy issues include the sustainability of recent increases in public spending and public sector management. The medium-term outlook is for growth of 3%.

MACROECONOMIC ASSESSMENT

The economy grew by approximately 4% in 2001, following 3% expansion in 2000. Growth was led by the public sector, with public administration rising by close to 5% and construction continuing its recent expansion due to government- and donor-funded projects. Road improvement on the main island of Funafuti was the most significant of these projects and stimulated growth in mining and quarrying. Other sectors grew at more modest rates of around 2%. GNP in 2001 substantially exceeded GDP because of estimated remittances from Tuvalu's seafarers of \$2.6 million, fishing license fees of \$6.1 million, telecommunications license fees of \$0.31 million, and revenues from leasing out Tuvalu's Internet domain address (.tv) of \$1.6 million.

Prior to 2001, net income from overseas had been augmented significantly by returns from the Tuvalu Trust Fund (TTF), but these returns were smaller in 2001 due to weakness in overseas financial markets. In 2000, a windfall of \$14.5 million in revenues from .tv Corporation International, the company leasing the Internet address, supported a substantial rise in government spending while maintaining the large budget surplus (Figure 2.37). The expectation of fur-

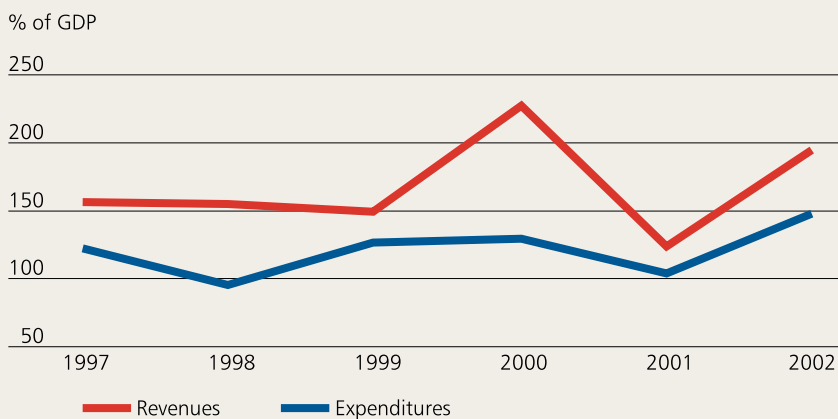
ther windfall gains encouraged a 2001 budget that explicitly broke with the post-independence tradition of fiscal prudence by planning operating expenditures of \$2.3 million in excess of estimated sustainable (or "core") revenues. The Government's special development expenditures were projected at \$6.5 million. An estimated \$5.7 million in the windfall revenues were intended to fund such special expenditures resulting in an overall budget deficit of \$3.1 million. Extrabudgetary development expenditures are entirely financed by external

capital grants and were projected at \$6.5 million in 2001.

The actual budget outcome for 2001 was estimated to yield an overall budget surplus of \$2.5 million, equivalent to about 20% of GDP. Total revenues were 11% above the original budget estimate because of unexpectedly high tax and fishing license revenues. However, revenues from interest, dividends, and telecommunications license fees were lower than the budget estimate.

Total expenditures were 44% below the estimate because of below-budget spending on all current and capital expenditure items. During the year, the Government drew down on the Consolidated Investment Fund (the B account) of the TTF and borrowed from the state-owned National Bank of Tuvalu to buy shares in Air Fiji. The opening of a permanent mission to the United

FIGURE 2.37 Government Revenues and Expenditures, Tuvalu, 1997-2002



Source: Ministry of Finance and Economic Planning.

The sustainability of recent increases in government spending is a major emerging policy concern.

Nations in New York added \$370,000 to expenditures; subsidies to copra growers and public corporations also continued.

The inflation rate in 2001 fell to 1.8%, from 5.3% in 2000, reflecting falls in textiles and clothing prices, and in costs of miscellaneous items. The National Bank's lending rates for house and personal loans were 8% and 11%, respectively. The rate on savings deposits remained at 2% and offered little incentive to potential depositors.

Imports in the first three quarters of 2001 were \$5.3 million, approximately double the level of the corresponding period in 2000. The substantial trade deficit continued to be financed by remittances, investment income, fishing and telecommunications license fees, and official transfers. Net foreign assets, inclusive of the TTF, were adversely affected by weakness in global financial markets, but still underpinned a sound external position. The market value of the TTF at 30 September 2001 was \$32.6 million, equivalent to around 5 years of import cover.

POLICY DEVELOPMENTS

The budget for 2002 set a core operating spending ceiling of \$11.6 million, special development expenditures at \$2.5 million, and capital spending at \$5.6 million. Revenues and grants were projected to total \$26.1 million as a result of higher interest income and dividends and \$10 million from another installment on the sale of the Internet address. An overall budget surplus of \$6.4 million, or 47% of GDP, was projected.

The sustainability of recent increases in government spending is a major emerging policy concern. The balance of the B account needs to be raised toward the target level of \$18.9 million (as determined by the Government and external consultants) to protect public expenditures against revenue volatility and possible decline. This will require better public financial management based on timely preparation of a realistic budget, which involves line ministries, and on sound budget execution, which in turn requires good cash management and an operative accounting and reporting system.

A related policy issue is the desirability of establishing a formal, arms-length relationship between the Government and the National Bank, to minimize the risk of improper political influence on bank management and to ensure appropriate regulation of a profitable monopoly. One recommendation is that regular and inde-

pendent prudential supervision be arranged with donor assistance, and that an experienced overseas bank executive be appointed as a visiting bank director.

The management of public enterprises needs to be improved to reduce the drain on the public purse and to improve service delivery, following the example of the Tuvalu Maritime School, which has been commercialized into the Tuvalu Maritime Institute.

In an effort to reduce the disparity between household income in Funafuti and the outer islands, the Government is implementing an Island Development Program. This aims to decentralize administration, improve public service delivery, promote small business development, and encourage the sustainable augmentation of financial resources for outer island development through the Falekaupule Trust Fund. In 2001, the Fund reached a capital base of \$8.2 million and the first distribution of earnings of \$318,000 was made to island councils for development expenditures and \$104,000 was placed in a buffer account modeled on the B account of the TTF. Continued implementation of the Program and of the associated Falekaupule Trust Fund is necessary if internal migration flows to Funafuti are to be reversed.

OUTLOOK FOR 2002–2003

Annual growth in 2002–2003 is projected to be around 3%, with inflation stabilizing at 1.5% in 2002 and 2.1% in 2003. Activity in the market economy will remain concentrated in Funafuti and will be dominated by the public sector. In 2002, the construction of a new \$7 million government office building and a new hospital is scheduled to begin, while road reconstruction continues. New school classrooms are to be built on two of the outer islands. A slight increase in public sector employment is projected as existing vacancies are filled. These developments will stimulate private sector activity, which is otherwise constrained by remoteness from markets and poor international transport links. Given the projected state of the global economy and financial markets, no automatic distribution from the TTF is likely in either 2002 or 2003. Following the windfall gain in 2002, revenues from the marketing of the Internet address are projected to be lower in 2003, in the range of \$1 million–\$2 million, while fishing and telecommunications license fees are expected to be stable.

VANUATU

The economy contracted slightly during 2001, a key factor being the loss of agricultural production following two damaging cyclones early in the year. Over the medium term, a tighter fiscal stance will be necessary to avoid macroeconomic instability and to underpin efforts to promote a favorable investment climate.

MACROECONOMIC ASSESSMENT

GDP is estimated to have declined by 0.5% in 2001 after a 3.7% expansion in the previous year (Figure 2.38). Much of the decline is attributed to a contraction in agriculture, forestry, and fisheries. Tourism also performed poorly, particularly in the last few months of the year. Two cyclones that hit Vanuatu early in 2001 led to considerable destruction of coconut palms, and copra exports fell by nearly 50%; exports of kava and beef also weakened.

Government revenues fell below forecast levels in 2001 as the economic slowdown reduced import duties and VAT collections. Revenues from Internet gambling and the Asset Management Unit's sale of public assets failed to live up to expectations. As a result of the deteriorating fiscal position, the Government reduced spending on recruitment of new staff and introduced other restrictions. These controls were projected to have lowered total expenditures to 7.4% below the original appropriation and to have kept the budget deficit for the year to within 1% of GDP. However, the actual outcome for the year showed that total recurrent expenditures exceeded the budget by 4%. Due to the

weakening fiscal position, the Government resorted to net domestic market borrowing of approximately US\$4.3 million, mostly accounted for by an increased overdraft with the Reserve Bank of Vanuatu.

Private sector credit grew from US\$81 million at the end of 2000 to US\$85 million at the end of 2001, due to increased borrowing by construction, distribution (wholesale and retail), transport, manufacturing, and tourism. Broad money supply expanded by 5.5% over the year. Interest rates remained

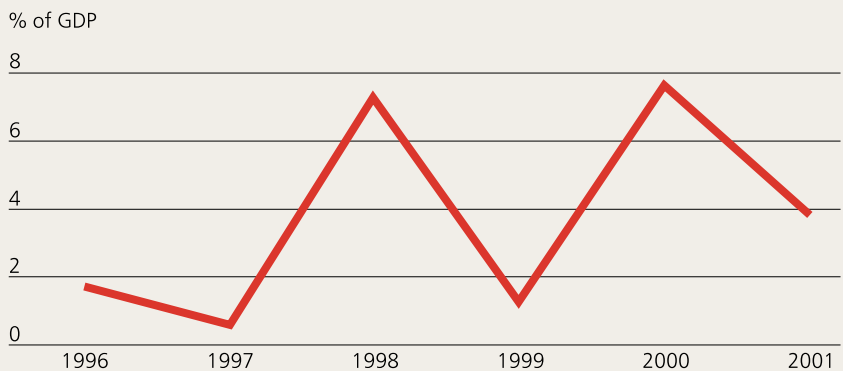
well above international levels during the year.

Poor export performance resulted in a deterioration of the trade balance. Nevertheless, international reserves remained comfortable, covering about 5.7 months of imports at the end of September. Inflation accelerated to 3.6% from 2.5% in the previous year, mainly because of higher prices for housing and utilities, and for transport and communications.

The vatu depreciated slightly against the US dollar in 2001. The annual average exchange rate in 2000 was 137.8 to the US dollar, but it fell to 147.0 by the end of 2001. Against the Australian dollar, the vatu showed a slight appreciation over the year.

Public debt surged in the 1990s, from 16% of GDP in 1990 to more than 40% in 2001, partly due to the need to fund losses by the National Provident Fund. The increased debt led to higher

FIGURE 2.38 Fiscal Deficit, Vanuatu, 1996-2003



Source: Vanuatu Statistics Office, 2001, as cited in Reserve Bank of Vanuatu, 2001, *Quarterly Economic Review*, March.

To look at ways of broadening the tax base, a Revenue Review Committee has been established.

debt service costs, which rose by 13% in 2001. Around 80% of the public debt is external.

POLICY DEVELOPMENTS

The Vanuatu Public Finance and Economic Management Act restricts the level of external debt and debt service costs to "prudent" levels, defined as an external debt-to-GDP ratio of 40% and a ratio of debt service costs (excluding principal repayments of domestic debt) to domestic revenues of 8%. External public debt is currently 33% of GDP and so well within the limit set. Annual debt service costs are anticipated to rise to 7.4% of domestic revenues in 2003 and to reach their ceiling in 2007.

The Government has responded to the situation by planning for small budget deficits over the medium term. Domestic debt incurs a higher interest cost than concessional external loans, and domestically financed deficits run the risk of deteriorating the exchange rate and increasing inflation.

To strengthen the fiscal position through a broadening of the tax base, the Government recently established a Revenue Review Committee to prepare a strategic tax policy framework. The intention was to lift the ratio of revenues to GDP from the current level of 22–23% to 27%. However, none of the major recommendations made by the Committee in mid-2001 has yet been implemented.

The fiscal position could also be improved through better revenue administration, and additional resources are now being allocated to both the Department of Customs and Inland Revenue

to improve compliance. Unfortunately, the resources required to administer VAT, which was introduced in 1998, meant that the collection of import duties and other revenues suffered.

OUTLOOK FOR 2002–2003

The Government is aiming to achieve GDP growth of 4.5% over the medium term by encouraging private, including foreign, investment. Accordingly, the Foreign Investment Act was amended in 2001 to promote investment from overseas. The reform efforts pursued since 1997 under the country's Comprehensive Reform Program also remain important in improving the climate for the private sector.

However, the budget forecasts recognize the difficulties that will be faced in rapidly building economic activity, and project GDP growth of only 0.7% in 2002 and 1.9% in 2003. A budget deficit equal to 1.5% of GDP is projected for 2002, but the Government will find it hard to achieve this unless it significantly improves current revenue collections and expenditure control.

There is some risk of a further increase in inflation if fiscal policy loosens over the medium term or if external shocks lift import prices. The Reserve Bank of Vanuatu views the current level of inflation of 4% as a critical level, and any further increase may trigger a tightening of monetary policy. The high level of international reserves and prospects of a rebuilding of export revenues during 2002 mean that a stable exchange rate and a sustainable balance-of-payments position should be achievable over the medium term.

STATISTICAL NOTES

The Statistical Appendix presents selected economic indicators for 40 developing member countries (DMCs) of the Asian Development Bank (ADB), plus East Timor, in a total of 23 tables. These are presented by account, namely: (i) production and demand sectors of the national income accounts, (ii) inflation, (iii) money supply, (iv) components of the balance of payments, (v) external debt and debt service, (vi) exchange rate, and (vii) the budget of the central government. These tables contain time series information from 1996 to 2001. Except for fiscal and external variables, such as the budget of the central government, exchange rate, external debt, and debt service, the tables give projections for 2002 and 2003. The table on foreign direct investment shows data from 1995 to 2000 (the latest year for which data are available). The following sections describe the source, scope, and conceptual definition of the data in each table.

Historical data are derived primarily from ADB's Statistical Database System; official sources; statistical publications; secondary publications; and working papers and other internal documents of ADB, the International Monetary Fund (IMF), World Bank, and the United Nations. Some of the preliminary data for 2001 are official estimates or staff estimates calculated from quarterly or monthly data available for the year. Projections for 2002 and 2003 are staff estimates.

Despite limitations arising from differences in statistical methodology, definition, and coverage, efforts were made to standardize the data. The aim is to allow comparability of data over time

and across DMCs, and to ensure consistency across accounts. Data-splicing and data-rebasing techniques were also used to merge data sets and to fill in data gaps.

Data in the tables refer to either calendar year or fiscal year. All data for Bangladesh, India, Federated States of Micronesia, Myanmar, Nauru, Nepal, Pakistan, and Tonga are on a fiscal year basis. For Bhutan, Marshall Islands, and Sri Lanka, except for national income accounts, data refer to the fiscal year. For the rest of the DMCs, data on national accounts, consumer or wholesale price index, monetary survey, and balance of payments are reported for the calendar year. Government finances for all DMCs are reported on a fiscal year basis though it coincides with the calendar year for some countries.

Regional averages or totals for the DMCs are incorporated in 10 of the 23 tables. These tables include growth rate of gross domestic product (GDP), growth rate of per capita GDP, changes in the consumer or wholesale price index, growth rate of merchandise exports and imports, trade balance, current account balance in absolute levels, current account balance as a percentage of GDP, and foreign direct investment.

The averages are computed as simple, weighted arithmetic means using the average of GDP values in 1995–1996, in current US dollars. This convention smooths out the rapid change in structure attributed to rapid movement of Asian currencies as a result of the financial crisis. The computation of averages for country groupings for Tables A1, A2, A9, and A16 is based on these weights.

Because of measurement problems,

data for Afghanistan, East Timor, Myanmar, and Nauru are excluded from the computation of averages and totals. Where there are missing numbers, averages or totals are computed on the basis of a consistent set of sums.

Tables A1, A2, A3, A4, A5, and A6: Growth and Structure of Production. The definitions used in these tables relating to output growth and production are generally based on the United Nations System of National Accounts. Table A1 shows annual growth rates of GDP valued either at constant market prices or at constant factor costs. Most DMCs use constant market price valuations. The exceptions are Azerbaijan, Bhutan, Fiji Islands, India, Nepal, Pakistan, Solomon Islands, Sri Lanka, and Tuvalu, which use GDP at constant factor cost.

Table A2: Growth Rate of Real Per Capita GDP. Real per capita GDP is obtained by subtracting mid-year population growth from real GDP growth.

Tables A3, A4, and A5: Growth Rates of Real Gross Value Added in agriculture, industry, and services. The agriculture sector includes agricultural crops, livestock, poultry, fisheries, and forestry. Mining and quarrying, manufacturing, construction, and utilities fall under the industry sector. The services sector consists of transport and communications, trade, banking and finance, real estate, public administration, and other services. The sector growth rates are consistent with the reported GDP values in Table A1, except for the Republic of Korea (Korea); People's

Republic of China (PRC); and Taipei, China, where subsidies net of indirect taxes are included in the computation of sector growth. Growth of agriculture for Hong Kong, China is not included. Adding-up restrictions are imposed where numerical discrepancies are noted or where reclassifications of the sectors are implemented.

Table A6: Sector Shares of GDP. The sector shares of GDP are based on constant market prices. For Bhutan; Cambodia; PRC; Fiji Islands; India; Korea; Pakistan; Singapore; Solomon Islands; Sri Lanka; Taipei, China; and Tuvalu, the sector shares of GDP are based on constant factor costs. For the Marshall Islands, the shares are based on current market prices.

Tables A7 and A8: Savings and Investment. Gross national savings (GNS) or gross domestic savings (GDS) are computed as the difference between gross national product (GNP) or GDP, respectively, and total consumption expenditure. They are expressed as a proportion of GNP or GDP. For some DMCs, gross savings data are obtained from official sources. Gross savings may differ from either GNS or GDS by being derived from the consolidated income and outlay account, and include private transfers recorded in the balance of payments. Gross domestic investment (GDI) is calculated as the sum of gross fixed capital formation and changes in stocks. For Cambodia, Lao People's Democratic Republic (Lao PDR), Thailand, and Viet Nam, GDS is computed as the sum of GDI and the current account balance. For India, adjusted GDS/GDI figures are obtained from official sources except for Azerbaijan which is based on the Statistical Database System, and the Kyrgyz Republic and Uzbekistan which are obtained from resident missions.

Table A7 gives the ratio of GDS to GDP, calculated from official sources. For Bangladesh, Bhutan, and Pakistan, the ratio of GNS to GDP is used and for the Philippines, the ratio of GNS to GNP is used. *Table A8* presents the ratio of GDI to GDP. Where GDS/GNS are taken as a ratio to GNP then GDI is computed as a proportion to GNP. All figures used in computing the ratios in Tables A7 and A8 are in current market prices. The data are obtained from official sources.

Table A9: Inflation. This table presents the

annual inflation rate based on the consumer price index (except for India which reports the wholesale price index and Solomon Islands which uses the retail price index) as obtained from official local sources. For DMCs for which data are not available locally, data were obtained from IMF. For most DMCs, the reported inflation rates are period averages. For the Federated States of Micronesia, Tajikistan, and Uzbekistan, the end-of-period consumer price index is used. For Cambodia, inflation is based on the final quarter (October–December) of the year. For the Lao PDR, inflation is computed as the average of monthly year-on-year inflation. The consumer price index for Cambodia and Myanmar is for Phnom Penh and Yangon only.

Table A10: Growth of Money Supply. This table tracks the annual percentage change in broad money as represented by M2. M2 is defined as the sum of M1 and quasi-money, where M1 denotes currency in circulation plus demand deposits, and quasi-money consists of time and savings deposits, plus foreign currency deposits. For India, Kazakhstan, and the Philippines, M3 is used as the measure of liquidity. M3 is M2 plus quasi deposits for Kazakhstan and the Philippines, and M2 plus deposits with the Reserve Bank of India for India.

Tables A11 and A13: Growth Rates of Merchandise Exports and Imports. Historical data for 1996–2000 and some preliminary estimates for 2001 on merchandise exports and imports are taken from the balance-of-payments accounts, except for Hong Kong, China data, which are taken from the national income accounts. These figures are in US dollars and on a free on board basis. Export and import statistics are reported on a calendar year basis except for Bangladesh, Bhutan, India, Marshall Islands, Federated States of Micronesia, Myanmar, Nepal, Pakistan, and Tonga, which use fiscal year figures. For Cambodia, export data refer to domestic exports only, while import data refer to retained imports only. Retained imports are total imports net of reexports, and include project aid imports and an estimate of unrecorded imports. For the Maldives, export data includes reexports. Data for Cambodia, Lao PDR, Kiribati, Mongolia, Papua New Guinea, Tajikistan, Tonga, and Uzbekistan are derived from IMF documents. For Thailand and Viet Nam, the data come from the State Bank of Viet Nam and the Bank of

Thailand, respectively, and IMF.

Table A12: Direction of Exports. For each DMC, the table indicates the percentage share of that economy's exports going to each of its major trading partners (other DMCs, Japan, United States, European Union, and Australia and New Zealand). With the exception of Taipei, China, for which data are obtained directly from local sources, data are from IMF's *Direction of Trade Statistics*.

Tables A14, A15, and A16: Balance of Payments. The balance of trade is the difference between merchandise exports and merchandise imports. The current account balance is the sum of the balance of trade, net trade in services and factor income, and net transfers. In the case of Cambodia, Lao PDR, Mongolia, Nepal, Pakistan, Thailand, and Viet Nam, official transfers are excluded from the current account balance. The current account balance for Hong Kong, China is excluded as it is based on a different concept. The balance-of-payments data for the DMCs are obtained from local sources except for Cambodia, Kiribati, Lao PDR, Mongolia, Papua New Guinea, Tajikistan, Thailand, Tonga, Uzbekistan, and Viet Nam where data are obtained from IMF documents.

Table A17: Foreign Direct Investment. Data on gross inflows for 1995–2000 are obtained from the United Nations Conference on Trade and Development (UNCTAD) *World Investment Report 2001*. Direct investment capital refers to equity capital, reinvested earnings, and other capital associated with the transactions of enterprises.

Tables A18 and A19: External Debt. For most DMCs, external debt outstanding includes long-term debt, short-term debt, and IMF credit. Principal repayments and interest payments on long-term debt and IMF credit, and interest payments on short-term debt, are lumped together in the debt service payment. For most DMCs, data are collected from official country sources, except for Kiribati, Marshall Islands, Mongolia, Nepal, Samoa, Tajikistan, and Tonga where the data come from IMF documents, and for Bangladesh where the data are obtained from the World Bank. The debt service ratio is computed as a proportion of total exports of goods and services. For Kazakhstan, the ratio is ex-

pressed as a percentage of exports of goods, for India as a percentage of current receipts, and for the Lao PDR and Myanmar as a percentage of exports of goods and services and net factor services, with the latter being obtained from balance-of-payments data. For Cambodia, debt excludes debt to the Russian Federation. External debt and debt service for Hong Kong, China; Korea; Singapore; and Taipei, China are not presented as they are considered as capital surplus economies, and hence debt is not a binding financial constraint.

Table A20: Foreign Exchange Rates. The annual average exchange rates of the DMCs are quoted in local currencies per US dollar. IMF's *International Financial Statistics* is the source of basic data for Kiribati, Marshall Islands, Mongolia, Nepal, Samoa, Pakistan, Papua New Guinea, Tajikistan, and Tonga. For all other DMCs, the sources are official country publications.

Tables A21, A22, and A23: Government Finance. These tables account for only central government finance on a fiscal year basis, except for Azerbaijan data, which refers to the general Government, Myanmar data which refers to the union Government only, Tajikistan which present consolidated government figures, and the PRC which reports central and local government figures. Government expenditures include both current and capital expenditures. Likewise, total revenues include current revenues and capital receipts. For Hong Kong, China and Taipei, China expenditures exclude net lending. For Cambodia; Hong Kong, China; Indonesia; Korea; Lao PDR; Malaysia; Mongolia; Pakistan; Singapore; and Taipei, China, revenues exclude grants. In most DMCs, the overall budget surplus or deficit is the balance between government revenues and expenditures, including grants. For Korea, the balance includes social security contributions. For India, the overall balance excludes small savings to state, includes recovery of loans and disinvestments. For Vanuatu, and Kiribati it excludes in-kind grants. For Thailand it includes non-budgetary expenditures from loans. For Pakistan, and Viet Nam, the overall budget balance excludes grants. All ratios are reported as a percentage of GDP at current market prices. Data are from official country sources.

Consistency with ADB Annual Report 2001. In general, ADO 2002 figures are consistent with

the ADB *Annual Report 2001* figures. However, moderate discrepancies may be noted for some countries. The primary reason is that the *Annual Report* derives its numbers from official government sources. For instance, most of the *ADO 2002* figures for Central Asia were obtained through the respective ADB resident missions and from IMF documents as against the *Annual Report 2001* numbers which were reported by the official statistical agencies or from *Annual Report 2001* survey replies. In some cases, the concept and computational method used differ between the *ADO 2002* and the *Annual Report 2001*. For instance, the average of period inflation rates are derived from the average index for the year for the *Annual Report 2001*, as against taking the average based on a year-on-year computation of inflation rate using monthly data for the *ADO 2002*. Differences in base years for the various time series also account for minor discrepancies between the same series used in both publications. There are also some imputed adjustments in the definition for GDS and exports, imports and, balance of trade. Finally, there are cases, where our independent assessment falls short of converging with the official view of the Government. For these reasons, an artificial convergence between the *ADO 2002* and the *Annual Report 2001* numbers is not made.

GDP growth for the US, euro area, and Japan. These are deseasonalized figures and were obtained from the following websites, www.fedstats.gov; www.ecb.int; and www.stat.go.jp.

Yield curve on US swap rates. The yield curve presents the yields of bonds of the same quality but different maturities. Swap rates represent the fixed rate that the broker is willing to pay in order to receive a floating rate (the pay side). For the receiver side, it is the rate the broker wants to receive in order to pay a floating rate.

Sovereign risk spreads. Yield spreads are the difference between the yields on sovereign bonds of developing countries and the US treasury bonds of comparable maturities. The Emerging Markets Bond Index stripped spreads are based on 150 sovereign US dollar bonds. In layperson's terms, the yield spreads on sovereign bonds reflect the market's perception of the risk of default, i.e., the higher the spread the greater the risk of default.

Multiyear average GDP growth rate for 12 selected DMCs. These are long run or decade growth figures estimated by fitting a trend line to the logarithmic values of GDP for the relevant period. The data begin in 1951 except for Korea which starts in 1953, Malaysia in 1955, and Bangladesh and Singapore in 1960.

TABLE A1 Growth Rate of GDP (% per year)

	1996	1997	1998	1999	2000	2001	2002	2003
East Asia	7.7	7.0	1.8	7.6	8.3	3.9	5.2	6.2
China, People's Rep. of	9.6	8.8	7.8	7.1	8.0	7.3	7.0	7.4
Hong Kong, China	4.5	5.0	-5.3	3.0	10.5	0.1	2.1	4.8
Korea, Rep. of	6.8	5.0	-6.7	10.9	9.3	3.0	4.8	6.0
Mongolia	2.4	4.0	3.5	3.2	1.1	1.5	3.0	4.9
Taipei, China	6.1	6.7	4.6	5.4	5.9	-1.9	2.8	4.0
Southeast Asia	7.5	4.1	-7.9	3.8	5.9	1.9	3.4	4.3
Cambodia	3.5	3.7	1.5	6.9	5.4	5.3	4.5	6.1
Indonesia	8.0	4.5	-13.2	0.9	4.8	3.3	3.0	3.6
Lao People's Dem. Rep.	6.9	6.9	4.0	7.3	5.9	5.5	5.8	6.1
Malaysia	10.0	7.3	-7.4	6.1	8.3	0.4	4.2	5.8
Myanmar	6.4	5.7	5.8	10.9	6.2	—	—	—
Philippines	5.8	5.2	-0.6	3.4	4.0	3.4	4.0	4.5
Singapore	7.7	8.5	0.0	6.9	10.3	-2.0	3.7	6.5
Thailand	5.9	-1.4	-10.8	4.4	4.6	1.8	2.5	3.0
Viet Nam	9.3	8.2	4.4	4.7	6.1	5.8	6.2	6.8
South Asia	7.5	4.5	5.8	5.7	4.2	4.9	5.4	6.4
Afghanistan	—	—	—	—	—	—	—	—
Bangladesh	4.6	5.4	5.2	4.9	5.9	5.2	4.5	5.7
Bhutan	5.2	7.6	6.5	7.3	5.7	6.5	6.5	6.5
India	8.0	4.8	6.5	6.1	4.0	5.4	6.0	6.8
Maldives	9.1	10.2	8.2	7.4	4.6	2.1	2.0	0.0
Nepal	5.6	4.9	3.3	4.4	6.1	5.0	3.5	5.0
Pakistan	6.8	1.9	2.0	4.2	3.9	2.6	3.0	5.0
Sri Lanka	3.3	6.3	4.7	4.3	6.0	-1.3	3.5	5.5
Central Asia	0.3	2.1	2.0	4.9	8.7	10.7	5.7	6.4
Azerbaijan	1.3	5.8	10.0	7.4	11.1	9.9	10.0	11.0
Kazakhstan	0.5	1.8	-1.9	2.7	9.8	13.2	7.0	6.0
Kyrgyz Republic	7.1	9.9	2.1	3.7	5.4	5.3	4.5	4.5
Tajikistan	-4.4	1.7	5.3	3.7	8.3	10.0	6.0	5.0
Turkmenistan	-6.7	-11.3	7.0	16.0	17.6	20.5	11.0	11.0
Uzbekistan	1.6	5.2	4.4	4.4	4.0	4.5	4.0	5.0
Pacific Developing Member Countries	5.6	-3.4	-1.0	6.6	-1.0	-0.8	1.9	2.6
Cook Islands	-0.2	-2.8	-2.3	2.7	4.1	3.0	2.5	3.3
East Timor	—	—	—	—	—	—	—	—
Fiji Islands	3.1	-0.9	1.4	9.7	-2.8	1.5	3.5	4.7
Kiribati	4.1	1.6	6.6	2.1	-1.7	1.5	2.8	2.5
Marshall Islands	-16.6	-10.1	0.8	-0.2	0.7	0.6	0.7	—
Micronesia, Federated States of	-2.4	-5.2	-2.3	1.1	2.5	0.9	3.3	0.7
Nauru	—	—	—	—	—	—	—	—
Papua New Guinea	7.7	-4.9	-2.8	7.6	-0.8	-3.3	1.2	1.8
Samoa	7.3	0.8	2.5	3.1	7.3	10.0	5.0	5.0
Solomon Islands	3.5	-2.3	1.1	-1.3	-14.0	-5.0	-5.0	0.0
Tonga	-0.4	0.2	1.6	3.1	6.2	3.0	2.9	2.6
Tuvalu	10.3	3.5	14.9	3.0	3.0	4.0	3.0	3.0
Vanuatu	2.5	1.5	2.2	-2.5	3.7	-0.5	0.7	1.9
Average	7.5	5.8	0.2	6.4	7.0	3.7	4.8	5.8

— Not available.

TABLE A2 Growth Rate of Per Capita GDP (% per year)

	1996	1997	1998	1999	2000	2001	2002	2003	Per Capita GNP, \$ 2000
East Asia	6.4	6.0	0.8	6.7	7.5	3.3	4.6	5.6	
China, People's Rep. of	8.5	7.8	6.8	6.2	7.3	6.8	6.5	6.9	840
Hong Kong, China	-0.8	3.7	-6.5	1.9	9.5	1.0	2.9	5.6	25,950
Korea, Rep. of	5.7	4.0	-7.6	10.0	8.4	2.2	4.0	5.2	8,910
Mongolia	0.8	2.5	2.1	2.1	-0.2	0.3	1.8	3.7	390
Taipei, China	5.3	5.8	3.6	4.6	5.0	-2.9	1.8	3.0	13,880
Southeast Asia	5.4	2.3	-9.8	2.3	4.3	0.3	1.9	3.5	
Cambodia	-1.8	1.8	-3.4	4.3	2.3	1.8	1.4	3.0	260
Indonesia	6.2	3.0	-14.7	-0.5	3.3	1.9	1.6	3.6	570
Lao People's Dem. Rep.	4.5	4.4	1.5	4.9	2.9	4.0	3.9	4.2	290
Malaysia	7.7	5.0	-9.7	3.7	5.8	-1.9	1.7	3.3	3,380
Myanmar	4.6	3.9	3.9	9.1	4.4	—	—	—	—
Philippines	3.5	2.9	-2.8	1.2	1.8	1.3	2.1	2.6	1,040
Singapore	3.6	5.1	-3.4	6.2	8.6	-4.9	0.9	3.7	24,740
Thailand	4.9	-2.2	-12.0	3.4	3.8	1.0	1.7	3.0	2,010
Viet Nam	7.7	6.7	2.9	3.4	4.6	4.3	4.7	5.3	390
South Asia	5.5	2.4	4.0	3.2	2.3	3.1	3.6	4.7	
Afghanistan	—	—	—	—	—	—	—	—	—
Bangladesh	2.8	3.6	3.7	3.4	4.3	3.6	3.2	4.1	380
Bhutan	2.2	4.6	3.4	4.3	2.8	3.5	3.5	4.0	550
India	6.1	2.7	4.8	3.4	2.2	3.7	4.2	5.0	460
Maldives	7.2	8.3	6.3	5.5	2.7	0.2	0.1	-1.9	1,460
Nepal	3.6	2.4	0.9	2.1	3.6	2.0	1.2	5.0	220
Pakistan	4.3	-0.5	-0.4	1.9	1.6	0.3	0.8	2.8	470
Sri Lanka	2.2	5.2	3.5	2.9	4.3	-2.4	2.3	5.5	870
Central Asia	0.9	3.4	1.9	4.2	8.0	—	—	—	
Azerbaijan	0.3	6.8	9.0	4.6	10.3	—	—	—	610
Kazakhstan	1.9	3.4	-0.2	3.6	10.2	13.9	7.5	6.6	1,190
Kyrgyz Republic	5.6	8.4	0.7	2.2	4.0	—	—	—	270
Tajikistan	-6.0	0.1	3.7	2.3	6.8	—	—	—	170
Turkmenistan	-9.2	-14.1	4.0	12.4	13.9	16.9	8.3	7.3	840
Uzbekistan	-0.3	3.3	2.8	2.9	2.6	—	—	—	610
Pacific Developing Member Countries	3.1	-5.5	-3.4	4.1	-3.2	-3.0	-0.5	0.3	
Cook Islands	3.0	5.0	2.4	9.9	10.5	7.4	2.5	—	—
East Timor	—	—	—	—	—	—	—	—	—
Fiji Islands	2.1	-1.7	-0.7	7.8	-4.5	-0.3	1.6	2.8	1,830
Kiribati	1.7	-1.6	9.7	1.8	-2.3	2.0	—	—	950
Marshall Islands	-17.0	-10.6	-0.5	-1.5	-0.7	-0.8	-0.7	—	1,970
Micronesia, Federated States of	-2.6	-5.5	-2.5	-0.9	2.3	0.6	3.1	0.5	2,110
Nauru	—	—	—	—	—	—	—	—	—
Papua New Guinea	4.5	-7.7	-5.7	4.3	-3.7	-6.2	-1.9	-1.3	760
Samoa	6.7	0.3	2.0	2.6	6.8	9.5	4.5	4.5	1,460
Solomon Islands	0.5	-5.2	-1.9	-4.0	-16.3	-7.6	-7.6	-2.8	630
Tonga	-2.1	-0.6	0.9	2.5	5.6	2.4	2.3	2.0	1,660
Tuvalu	8.9	-2.6	12.2	1.0	1.0	2.0	1.0	1.0	—
Vanuatu	-0.2	-1.0	-0.4	-4.9	1.2	-3.1	-1.8	-0.6	1,140
Average	5.9	4.5	-1.1	5.0	5.8	2.5	3.7	4.9	

— Not available.

TABLE A3 Growth Rate of Value Added in Agriculture (% per year)

	1996	1997	1998	1999	2000	2001	2002	2003
East Asia								
China, People's Rep. of	5.1	3.5	3.5	2.8	2.4	2.8	2.4	2.5
Hong Kong, China	—	—	—	—	—	—	—	—
Korea, Rep. of	3.3	4.6	-6.6	5.4	2.0	1.4	3.0	3.0
Mongolia	4.4	4.3	6.4	4.2	-16.8	-16.0	—	—
Taipei, China	-0.3	-1.5	-6.6	2.7	1.2	-0.6	0.3	0.4
Southeast Asia								
Cambodia	-0.7	5.8	2.5	4.8	-2.7	5.0	3.0	5.4
Indonesia	3.1	1.0	-1.3	2.7	1.2	0.6	1.5	3.0
Lao People's Dem. Rep.	2.8	7.0	3.1	8.2	5.1	3.9	—	—
Malaysia	4.5	0.7	-2.8	0.4	0.6	2.3	-0.5	1.8
Myanmar	5.0	3.7	4.5	11.5	—	—	—	—
Philippines	3.8	3.1	-6.4	6.5	3.3	3.9	—	—
Singapore	3.4	0.0	-6.9	-1.1	-5.7	-4.9	-4.5	-4.0
Thailand	-8.1	-0.4	-3.2	2.7	4.8	1.5	1.4	2.0
Viet Nam	4.4	4.3	2.8	5.2	4.0	2.3	2.1	2.4
South Asia								
Afghanistan	—	—	—	—	—	—	—	—
Bangladesh	3.1	6.0	3.2	4.8	7.4	3.1	—	—
Bhutan	6.5	4.0	2.8	5.3	4.7	4.8	2.5	2.5
India	9.6	-2.4	6.2	1.3	-0.2	5.7	3.3	6.0
Maldives	2.2	1.3	6.4	3.3	-0.2	1.6	—	—
Nepal	4.4	4.1	1.0	2.7	5.0	4.0	3.0	2.5
Pakistan	11.7	0.1	4.5	1.9	6.1	-2.5	—	—
Sri Lanka	-4.6	3.0	2.5	4.5	1.8	-1.5	1.5	2.5
Central Asia								
Azerbaijan	3.0	-4.0	6.6	7.1	—	—	—	—
Kazakhstan	-5.0	-0.8	-18.9	28.0	-3.3	16.9	—	—
Kyrgyz Republic	15.2	12.3	2.9	8.2	2.7	6.8	—	—
Tajikistan	—	0.2	6.5	3.8	—	—	—	—
Turkmenistan	—	—	—	—	—	—	—	—
Uzbekistan	-7.3	5.8	4.1	5.9	—	4.5	—	—
Pacific Developing Member Countries								
Cook Islands	4.3	12.2	-17.2	-28.2	32.7	—	—	—
East Timor	—	—	—	—	—	—	—	—
Fiji Islands	1.9	-13.0	-7.2	16.1	-1.2	-0.5	-0.1	4.1
Kiribati	12.1	-14.6	6.0	8.8	7.9	—	—	—
Marshall Islands	-21.9	-9.0	-13.9	1.7	3.7	—	—	—
Micronesia, Federated States of	—	—	—	—	—	—	—	—
Nauru	—	—	—	—	—	—	—	—
Papua New Guinea	11.0	-1.2	-11.3	4.3	9.1	0.9	5.1	3.6
Samoa	3.2	6.5	3.4	-3.5	1.5	—	—	—
Solomon Islands	-4.2	4.7	-7.5	-12.0	-26.4	—	—	—
Tonga	-8.2	3.8	-0.1	-3.1	10.8	1.3	3.0	—
Tuvalu	-16.2	5.8	0.7	—	—	—	—	—
Vanuatu	4.4	3.4	9.0	-9.3	2.5	-14.9	2.2	2.7

— Not available.

TABLE A4 Growth Rate of Value Added in Industry (% per year)

	1996	1997	1998	1999	2000	2001	2002	2003
East Asia								
China, People's Rep. of	12.1	10.5	8.9	8.1	9.6	8.7	8.0	8.3
Hong Kong, China	—	—	—	—	—	—	—	—
Korea, Rep. of	7.0	5.4	-7.5	12.8	11.9	2.6	6.0	8.0
Mongolia	-3.2	-3.3	3.8	1.1	7.4	11.8	—	—
Taipei, China	3.4	6.1	2.7	4.7	5.7	-6.0	2.0	2.9
Southeast Asia								
Cambodia	11.1	20.4	7.7	12.0	29.0	12.0	10.9	12.6
Indonesia	10.7	5.2	-29.0	2.1	6.1	3.0	3.6	3.5
Lao People's Dem. Rep.	17.3	8.1	9.2	7.9	7.5	8.5	—	—
Malaysia	14.4	7.5	-10.6	8.5	15.3	-3.6	4.4	7.0
Myanmar	10.7	8.9	6.1	13.7	—	—	—	—
Philippines	6.4	6.1	-2.1	0.9	3.9	1.9	—	—
Singapore	7.3	7.6	0.7	7.1	10.8	-8.9	2.5	7.5
Thailand	10.1	-1.9	-13.3	9.5	5.3	1.3	2.5	3.6
Viet Nam	14.5	12.6	7.3	7.6	9.6	9.7	10.0	10.2
South Asia								
Afghanistan	—	—	—	—	—	—	—	—
Bangladesh	7.0	5.8	8.3	4.9	6.2	7.2	—	—
Bhutan	5.8	3.5	8.6	11.6	4.0	8.0	10.5	11.0
India	7.8	4.3	3.7	4.9	6.3	3.3	4.8	5.7
Maldives	3.4	23.1	16.0	8.1	-0.9	4.7	—	—
Nepal	8.3	6.4	2.3	6.0	8.2	2.5	3.5	5.9
Pakistan	5.4	0.6	0.3	4.7	0.2	4.2	—	—
Sri Lanka	5.4	7.7	5.9	4.8	7.5	-1.9	4.0	7.5
Central Asia								
Azerbaijan	8.4	14.8	18.1	6.2	—	—	—	—
Kazakhstan	0.3	4.1	-2.4	2.8	15.5	13.5	—	—
Kyrgyz Republic	2.6	19.8	-1.8	-3.8	8.9	5.4	—	—
Tajikistan	—	-2.0	8.1	5.0	—	—	—	—
Turkmenistan	—	—	—	—	—	—	—	—
Uzbekistan	6.0	6.5	5.8	6.1	5.8	8.1	—	—
Pacific Developing Member Countries								
Cook Islands	-5.0	6.4	3.3	7.0	6.8	—	—	—
East Timor	—	—	—	—	—	—	—	—
Fiji Islands	5.3	1.4	3.1	9.8	-7.4	-1.8	5.0	6.2
Kiribati	-4.6	17.4	32.9	38.0	-32.4	—	—	—
Marshall Islands	-36.6	-4.6	28.3	1.3	3.7	—	—	—
Micronesia, Federated States of	—	—	—	—	—	—	—	—
Nauru	—	—	—	—	—	—	—	—
Papua New Guinea	10.1	-17.0	9.7	5.7	-5.4	-6.1	-1.3	-0.4
Samoa	4.6	-2.1	-8.9	4.3	17.0	—	—	—
Solomon Islands	12.3	-10.9	-8.4	-3.9	-25.9	—	—	—
Tonga	11.3	-11.7	6.8	12.4	3.0	5.4	4.0	—
Tuvalu	85.6	4.0	21.5	—	—	—	—	—
Vanuatu	-5.7	-3.2	6.7	5.2	8.4	-1.1	-2.5	1.1

— Not available.

TABLE A5 Growth Rate of Value Added in Services (% per year)

	1996	1997	1998	1999	2000	2001	2002	2003
East Asia								
China, People's Rep. of	7.9	9.2	8.3	7.5	9.5	7.4	8.5	7.0
Hong Kong, China	—	—	—	—	—	—	—	—
Korea, Rep. of	6.7	5.7	-4.0	8.4	7.3	4.6	5.0	5.2
Mongolia	4.6	9.0	0.3	3.5	17.0	9.2	—	—
Taipei, China	7.7	8.1	6.0	5.7	5.4	0.9	2.9	4.5
Southeast Asia								
Cambodia	3.1	-3.7	-0.6	5.8	3.1	1.9	1.8	2.5
Indonesia	6.8	5.6	-1.0	-0.7	5.2	4.5	3.1	3.8
Lao People's Dem. Rep.	8.5	7.5	5.5	6.9	6.2	6.0	—	—
Malaysia	8.9	11.1	-1.1	4.5	4.6	3.9	4.1	5.4
Myanmar	6.5	6.7	7.0	9.2	—	—	—	—
Philippines	6.4	5.4	3.5	4.0	4.4	4.3	—	—
Singapore	8.1	9.4	-0.2	6.1	8.8	1.7	5.0	7.9
Thailand	5.3	-1.2	-10.0	-0.1	4.0	2.3	1.7	2.5
Viet Nam	8.8	7.1	3.0	2.1	4.5	4.4	5.0	6.0
South Asia								
Afghanistan	—	—	—	—	—	—	—	—
Bangladesh	4.0	4.5	5.0	5.2	5.5	5.4	—	—
Bhutan	4.7	13.4	6.7	5.1	9.1	6.3	7.0	7.6
India	7.2	9.8	8.3	9.5	4.8	6.5	8.0	7.8
Maldives	11.2	9.2	6.9	7.8	6.3	1.6	—	—
Nepal	5.8	4.6	6.4	5.6	6.3	7.3	3.5	5.5
Pakistan	5.0	3.6	1.6	5.0	4.8	4.4	—	—
Sri Lanka	6.0	7.1	5.1	4.0	7.0	-1.0	4.0	5.5
Central Asia								
Azerbaijan	-5.9	11.2	5.2	8.8	—	—	—	—
Kazakhstan	0.0	0.0	-0.1	-0.7	9.3	13.6	—	—
Kyrgyz Republic	-0.2	1.2	3.6	1.2	7.7	2.4	—	—
Tajikistan	—	—	—	—	—	—	—	—
Turkmenistan	—	—	—	—	—	—	—	—
Uzbekistan	9.9	21.3	9.5	12.6	13.0	14.2	—	—
Pacific Developing Member Countries								
Cook Islands	-0.6	-6.9	-2.0	13.5	6.5	—	—	—
East Timor	—	—	—	—	—	—	—	—
Fiji Islands	2.5	2.4	3.3	7.9	-1.1	3.5	12.7	4.0
Kiribati	2.6	8.1	6.5	3.4	2.1	—	—	—
Marshall Islands	-10.2	-10.1	0.2	-0.5	-0.8	—	—	—
Micronesia, Federated States of	—	—	—	—	—	—	—	—
Nauru	—	—	—	—	—	—	—	—
Papua New Guinea	3.4	6.1	-8.6	12.4	-5.8	-2.6	-0.1	1.3
Samoa	10.9	5.7	7.8	5.2	5.5	—	—	—
Solomon Islands	5.6	-2.0	-2.9	-2.0	0.8	—	—	—
Tonga	1.8	0.9	3.2	4.1	5.6	3.8	2.5	—
Tuvalu	2.6	2.7	16.0	—	—	—	—	—
Vanuatu	3.3	1.8	-0.1	-1.7	3.3	3.3	0.8	1.8

— Not available.

TABLE A6 Sector Share of GDP (%)

	Agriculture			Industry			Services		
	1970	1980	2001	1970	1980	2001	1970	1980	2001
East Asia									
China, People's Rep. of	42.2	25.6	11.3	44.6	51.7	64.6	13.2	22.7	24.0
Hong Kong, China	—	—	—	—	—	—	—	—	—
Korea, Rep. of	29.8	14.2	5.1	23.8	37.8	44.0	46.4	48.1	50.9
Mongolia	33.1	17.4	27.5	26.3	33.3	27.8	40.6	49.3	44.7
Taipei, China	17.3	8.4	2.4	32.3	42.8	32.1	50.4	48.8	65.5
Southeast Asia									
Cambodia	—	—	32.0	—	—	24.0	—	—	44.0
Indonesia	35.0	24.4	16.2	28.0	41.3	36.0	37.0	34.3	47.8
Lao People's Dem. Rep.	—	—	51.3	—	—	23.1	—	—	25.6
Malaysia	—	22.9	8.2	—	35.8	43.1	—	41.3	48.7
Myanmar	49.5	47.9	—	12.0	12.3	—	38.5	39.8	—
Philippines	28.2	23.5	20.1	33.7	40.5	34.0	38.1	36.0	46.0
Singapore	2.2	1.1	0.1	36.4	38.8	30.7	61.4	60.0	69.2
Thailand	30.2	20.2	8.0	25.7	30.1	44.0	44.1	49.7	48.0
Viet Nam	—	42.7	22.7	—	26.3	36.9	—	31.0	40.4
South Asia									
Afghanistan	—	—	—	—	—	—	—	—	—
Bangladesh	—	49.4	25.1	—	14.8	26.2	—	35.8	48.7
Bhutan	—	56.7	49.4	—	12.2	5.0	—	31.1	45.6
India	44.5	38.1	24.3	23.9	25.9	26.8	31.6	36.0	49.0
Maldives	—	—	8.8	—	—	15.4	—	—	75.7
Nepal	—	61.8	38.5	—	11.9	20.1	—	26.3	41.3
Pakistan	40.1	30.6	24.7	19.6	25.6	25.1	40.3	43.8	50.3
Sri Lanka	30.7	26.6	20.4	27.1	27.2	27.4	42.2	46.2	52.1
Central Asia									
Azerbaijan	—	—	—	—	—	—	—	—	—
Kazakhstan	—	—	—	—	—	—	—	—	—
Kyrgyz Republic	—	—	50.2	—	—	18.9	—	—	30.9
Tajikistan	—	—	—	—	—	—	—	—	—
Turkmenistan	—	—	—	—	—	—	—	—	—
Uzbekistan	—	—	30.1	—	—	19.9	—	—	50.0
Pacific Developing Member Countries									
Cook Islands	—	—	—	—	—	—	—	—	—
East Timor	—	—	—	—	—	—	—	—	—
Fiji Islands	30.2	22.5	16.5	23.1	21.7	24.9	46.7	55.8	58.6
Kiribati	—	—	—	—	—	—	—	—	—
Marshall Islands	—	—	—	—	—	—	—	—	—
Micronesia, Federated States of	—	—	—	—	—	—	—	—	—
Nauru	—	—	—	—	—	—	—	—	—
Papua New Guinea	—	—	33.1	—	—	36.0	—	—	30.9
Samoa	—	—	—	—	—	—	—	—	—
Solomon Islands	—	52.5	—	—	10.0	—	—	37.4	—
Tonga	—	47.6	29.4	—	11.0	14.9	—	41.4	55.6
Tuvalu	—	—	—	—	—	—	—	—	—
Vanuatu	—	—	15.5	—	—	11.6	—	—	72.9

— Not available.

TABLE A7 Gross Domestic Savings (% of GDP)

	1996	1997	1998	1999	2000	2001	2002	2003
East Asia								
China, People's Rep. of	41.1	41.5	39.8	39.4	38.9	38.1	37.9	37.6
Hong Kong, China	30.7	31.1	30.1	30.4	32.3	31.1	34.9	34.7
Korea, Rep. of	34.0	33.7	34.4	33.5	32.6	30.1	30.5	31.0
Mongolia	—	—	—	20.0	18.0	18.0	19.0	21.0
Taipei, China	26.6	26.4	26.0	26.1	25.2	23.5	24.1	25.5
Southeast Asia								
Cambodia	10.8	9.0	9.5	11.8	6.9	9.6	11.1	12.3
Indonesia	30.1	31.5	26.5	20.2	25.7	25.5	23.0	21.0
Lao People's Dem. Rep.	12.4	9.4	14.8	16.4	14.7	13.8	14.0	14.0
Malaysia	42.9	43.9	48.7	47.3	46.8	42.3	41.8	41.0
Myanmar	11.5	11.8	11.8	13.0	11.1	—	—	—
Philippines	18.0	17.7	16.7	18.7	21.0	22.1	20.2	19.5
Singapore	49.3	50.5	50.8	48.8	49.3	45.8	44.5	45.7
Thailand	37.4	37.4	36.5	29.9	30.2	27.5	26.3	25.5
Viet Nam	17.6	21.8	17.8	26.3	25.5	27.4	27.1	27.8
South Asia								
Afghanistan	—	—	—	—	—	—	—	—
Bangladesh	20.2	21.6	21.8	20.8	22.0	21.0	20.7	21.9
Bhutan	27.6	21.6	12.7	13.5	17.2	27.5	27.5	27.7
India	23.2	23.1	21.7	23.2	23.4	23.0	23.6	23.8
Maldives	—	—	—	—	—	—	—	—
Nepal	13.8	14.0	13.8	13.8	15.0	16.0	13.0	13.0
Pakistan	11.6	11.6	14.3	11.4	13.5	12.8	14.6	14.7
Sri Lanka	15.3	17.3	19.1	19.5	17.3	17.3	17.5	18.0
Central Asia								
Azerbaijan	-4.0	12.9	4.8	4.9	23.1	—	—	—
Kazakhstan	19.8	17.1	15.9	16.0	22.9	22.3	23.5	24.7
Kyrgyz Republic	-0.6	13.8	8.1	3.2	9.8	—	—	—
Tajikistan	32.0	—	23.3	19.4	—	—	—	—
Turkmenistan	—	—	—	—	—	—	—	—
Uzbekistan	7.9	14.9	9.9	10.5	16.5	—	—	—
Pacific Developing Member Countries								
Cook Islands	—	—	—	—	—	—	—	—
East Timor	—	—	—	—	—	—	—	—
Fiji Islands	—	—	—	—	—	—	—	—
Kiribati	—	—	—	—	—	—	—	—
Marshall Islands	—	—	—	—	—	—	—	—
Micronesia, Federated States of	—	—	—	—	—	—	—	—
Nauru	—	—	—	—	—	—	—	—
Papua New Guinea	31.0	21.5	22.6	13.3	—	—	—	—
Samoa	—	—	—	—	—	—	—	—
Solomon Islands	—	—	—	—	—	—	—	—
Tonga	—	—	—	—	—	—	—	—
Tuvalu	—	—	—	—	—	—	—	—
Vanuatu	—	—	—	—	—	—	—	—

— Not available.

TABLE A8 Gross Domestic Investment (% of GDP)

	1996	1997	1998	1999	2000	2001	2002	2003
East Asia								
China, People's Rep. of	39.6	38.2	37.7	37.4	36.1	36.3	36.1	36.4
Hong Kong, China	32.1	34.5	29.0	25.0	27.6	25.8	28.0	27.7
Korea, Rep. of	37.9	34.2	21.2	26.7	28.2	26.7	29.0	30.7
Mongolia	—	—	—	27.0	29.0	28.0	29.0	31.0
Taipei, China	23.2	24.2	24.9	23.4	22.9	18.2	18.7	23.0
Southeast Asia								
Cambodia	15.2	14.4	12.0	17.0	14.1	16.2	17.0	17.4
Indonesia	30.7	31.8	16.8	12.2	17.9	17.0	17.0	17.0
Lao People's Dem. Rep.	29.0	26.2	24.9	22.7	20.5	21.0	22.0	22.0
Malaysia	41.5	43.0	26.7	22.3	26.8	24.8	25.9	26.4
Myanmar	12.3	12.5	12.4	13.4	11.2	—	—	—
Philippines	23.1	23.8	19.3	17.8	16.9	16.6	18.0	18.5
Singapore	37.1	38.6	33.3	31.9	31.6	24.3	23.6	24.1
Thailand	41.6	33.3	20.5	19.9	22.7	22.0	22.2	22.5
Viet Nam	28.1	28.3	22.5	22.2	23.9	25.9	26.8	28.0
South Asia								
Afghanistan	—	—	—	—	—	—	—	—
Bangladesh	20.0	20.7	21.6	22.2	23.0	23.1	23.2	24.0
Bhutan	44.7	34.1	38.2	43.1	43.8	44.0	43.5	43.7
India	24.5	24.6	22.7	24.3	24.0	24.0	24.5	24.9
Maldives	—	—	—	—	—	—	—	—
Nepal	27.3	25.3	24.8	20.5	23.3	24.4	22.0	22.0
Pakistan	18.8	17.7	17.7	15.6	15.6	14.7	15.2	16.2
Sri Lanka	24.2	24.4	25.1	27.3	28.0	25.1	27.5	29.0
Central Asia								
Azerbaijan	29.0	34.2	33.4	23.0	18.8	—	—	—
Kazakhstan	16.1	15.6	14.3	17.8	17.9	23.0	16.9	16.8
Kyrgyz Republic	25.2	21.7	15.4	18.0	16.0	—	16.1	15.8
Tajikistan	22.3	0.0	15.4	17.3	—	—	—	—
Turkmenistan	—	—	—	—	—	—	—	—
Uzbekistan	15.1	18.9	10.2	11.8	15.9	20.2	—	—
Pacific Developing Member Countries								
Cook Islands	—	—	—	—	—	—	—	—
East Timor	—	—	—	—	—	—	—	—
Fiji Islands	—	—	—	—	—	—	—	—
Kiribati	—	—	—	—	—	—	—	—
Marshall Islands	—	—	—	—	—	—	—	—
Micronesia, Federated States of	—	—	—	—	—	—	—	—
Nauru	—	—	—	—	—	—	—	—
Papua New Guinea	22.7	21.3	17.9	16.4	—	—	—	—
Samoa	—	—	—	—	—	—	—	—
Solomon Islands	—	—	—	—	—	—	—	—
Tonga	—	—	—	—	—	—	—	—
Tuvalu	69.0	58.2	24.9	—	—	—	—	—
Vanuatu	—	—	—	—	—	—	—	—

— Not available.

TABLE A9 Inflation (% per year)

	1996	1997	1998	1999	2000	2001	2002	2003
East Asia	6.3	3.3	2.4	-0.7	0.7	1.4	1.5	2.3
China, People's Rep. of	8.3	2.8	-0.8	-1.4	0.4	0.7	1.0	1.5
Hong Kong, China	6.4	5.8	2.8	-4.0	-3.8	-1.6	-0.8	0.6
Korea, Rep. of	4.9	4.5	7.5	0.8	2.3	4.1	3.5	4.0
Mongolia	23.6	36.6	9.4	10.0	8.1	11.2	6.0	5.0
Taipei, China	3.1	0.9	1.7	0.2	1.3	0.0	0.7	2.1
Southeast Asia	-9.1	14.3	19.2	1.0	2.5	5.2	5.7	4.4
Cambodia	9.0	9.1	12.6	0.0	0.5	0.0	2.0	3.0
Indonesia	-39.6	35.6	46.5	-1.9	3.7	11.5	13.1	7.7
Lao People's Dem. Rep.	13.0	19.3	87.4	134.0	27.0	7.8	6.5	6.0
Malaysia	3.5	2.7	5.3	2.8	1.6	1.4	2.3	2.8
Myanmar	20.0	33.9	49.1	11.4	—	—	—	—
Philippines	9.1	5.9	9.7	6.7	4.4	6.1	5.0	6.0
Singapore	1.3	2.0	-0.3	0.1	1.3	1.0	0.4	1.4
Thailand	5.9	5.5	8.1	0.3	1.6	1.7	2.0	2.2
Viet Nam	4.4	3.6	9.2	0.1	-0.6	0.8	3.0	4.0
South Asia	5.8	5.2	6.3	4.2	6.2	4.6	4.1	4.8
Afghanistan	—	—	—	—	—	—	—	—
Bangladesh	6.6	2.5	7.0	8.9	3.4	1.6	2.4	2.6
Bhutan	9.3	7.4	9.0	9.2	3.6	3.6	4.5	5.2
India	4.6	4.4	5.9	3.3	7.2	4.7	4.0	5.0
Maldives	6.2	7.6	-1.4	3.0	-1.2	0.7	—	—
Nepal	8.1	8.1	8.4	11.3	3.5	2.4	5.0	5.0
Pakistan	10.4	11.3	7.8	5.7	3.6	4.4	5.0	5.0
Sri Lanka	14.6	7.1	6.9	5.9	1.2	11.0	8.5	6.0
Central Asia	139.1	20.6	13.3	15.5	16.9	13.7	10.0	5.6
Azerbaijan	19.8	3.6	-0.8	-8.5	1.8	1.5	1.8	2.0
Kazakhstan	39.3	-0.8	7.1	8.3	13.2	8.4	6.6	5.6
Kyrgyz Republic	32.0	23.4	10.5	35.9	18.7	6.9	7.5	5.5
Tajikistan	40.6	163.6	2.7	30.1	32.9	38.5	8.9	7.6
Turkmenistan	992.4	83.7	16.7	23.5	7.4	6.0	8.5	7.5
Uzbekistan	64.3	27.6	26.1	26.0	28.0	26.6	18.0	—
Pacific Developing Member Countries	8.7	4.0	10.1	9.2	9.5	7.2	6.0	3.1
Cook Islands	-0.6	-0.4	0.7	1.4	3.2	8.0	2.5	—
East Timor	—	—	—	—	—	—	—	—
Fiji Islands	3.1	3.4	5.7	2.0	1.1	4.3	3.0	—
Kiribati	-1.5	2.1	3.7	1.8	0.9	7.1	2.7	2.7
Marshall Islands	9.6	4.8	2.2	1.7	-1.9	2.0	2.3	—
Micronesia, Federated States of	3.0	2.2	1.5	2.6	3.2	2.6	2.6	2.6
Nauru	4.0	6.1	4.0	6.7	7.5	4.0	—	—
Papua New Guinea	11.6	4.0	13.6	14.9	15.6	9.8	8.3	5.0
Samoa	5.4	6.8	2.2	0.3	0.9	4.0	3.0	—
Solomon Islands	11.8	8.1	12.4	8.0	8.8	8.0	8.0	6.0
Tonga	2.8	1.8	2.9	3.9	4.9	6.3	10.0	5.0
Tuvalu	0.0	1.4	0.8	1.0	5.3	1.8	1.5	2.1
Vanuatu	0.9	2.7	3.3	2.1	2.5	3.6	4.5	4.0
Average	4.4	6.4	7.2	0.8	2.3	3.0	3.1	3.3

— Not available.

TABLE A10 Change in Money Supply (% per year)

	1996	1997	1998	1999	2000	2001	2002	2003
East Asia								
China, People's Rep. of	25.3	19.6	14.8	14.7	12.3	14.4	13.0	14.0
Hong Kong, China	10.9	8.3	11.8	8.1	8.8	-2.9	4.0	5.3
Korea, Rep. of	15.8	14.1	27.0	27.4	25.4	13.2	20.0	25.0
Mongolia	25.8	32.5	-1.7	31.7	17.5	27.9	17.0	15.0
Taipei, China	9.1	8.0	8.6	8.3	6.5	4.4	5.8	6.4
Southeast Asia								
Cambodia	40.4	46.6	15.7	17.3	26.9	18.0	16.0	14.0
Indonesia	29.6	23.2	62.3	11.9	15.6	17.5	18.0	18.0
Lao People's Dem. Rep.	26.7	65.8	113.3	78.3	45.8	20.0	18.0	16.0
Malaysia	19.8	22.7	1.5	13.7	5.2	5.3	6.9	8.5
Myanmar	38.9	30.2	27.6	32.3	—	—	—	—
Philippines	15.8	20.9	7.4	19.3	4.6	6.8	10.0	11.0
Singapore	9.8	10.3	30.2	8.5	-2.0	5.9	5.9	6.5
Thailand	12.6	16.4	9.5	2.1	3.7	4.2	6.5	5.0
Viet Nam	22.5	26.1	25.6	39.3	39.0	23.2	25.0	26.0
South Asia								
Afghanistan	—	—	—	—	—	—	—	—
Bangladesh	10.7	9.9	11.4	12.8	18.6	16.6	16.0	17.0
Bhutan	30.4	30.9	41.7	21.4	21.4	5.5	17.0	15.0
India	15.2	18.0	19.4	14.6	16.7	11.2	14.0	15.0
Maldives	26.0	23.1	22.8	3.6	4.1	9.0	—	—
Nepal	14.4	11.9	21.9	20.8	21.8	14.9	12.0	12.0
Pakistan	13.8	12.2	14.5	6.2	9.4	9.0	9.1	—
Sri Lanka	10.8	13.8	9.7	13.3	13.0	11.4	12.0	11.5
Central Asia								
Azerbaijan	25.8	29.2	-21.7	15.2	18.3	9.7	—	—
Kazakhstan	16.6	28.2	-14.2	84.4	44.9	40.2	27.0	22.4
Kyrgyz Republic	21.3	25.4	17.2	33.9	12.4	11.3	13.5	—
Tajikistan	93.2	110.7	53.9	19.7	49.3	—	—	—
Turkmenistan	247.8	107.2	67.7	23.6	68.3	—	—	—
Uzbekistan	113.7	36.0	28.0	31.5	17.1	16.4	—	—
Pacific Developing Member Countries								
Cook Islands	6.9	15.7	23.6	-0.8	16.2	9.1	—	—
East Timor	—	—	—	—	—	—	—	—
Fiji Islands	0.9	-8.7	-0.3	14.2	-2.1	-1.5	7.0	—
Kiribati	11.7	-3.1	11.1	0.3	5.0	—	—	—
Marshall Islands	—	—	—	—	—	—	—	—
Micronesia, Federated States of	—	—	—	—	—	—	—	—
Nauru	—	—	—	—	—	—	—	—
Papua New Guinea	32.0	6.9	1.8	8.9	5.4	10.0	9.3	—
Samoa	5.1	13.2	5.0	12.5	11.5	13.8	—	—
Solomon Islands	15.7	6.3	4.8	4.5	0.4	-12.5	—	—
Tonga	2.8	14.1	2.4	15.0	8.4	26.5	15.0	—
Tuvalu	—	—	—	—	—	—	—	—
Vanuatu	10.1	-0.3	12.6	-9.2	5.5	5.5	—	—

— Not available.

TABLE A11 Growth Rate of Merchandise Exports (% per year)

	1996	1997	1998	1999	2000	2001	2002	2003
East Asia	7.3	9.3	-5.0	5.8	22.0	-5.8	5.0	8.7
China, People's Rep. of	17.9	20.9	0.5	6.1	27.9	6.8	6.0	10.0
Hong Kong, China	4.0	4.0	-7.5	-0.1	16.1	-5.9	1.6	6.2
Korea, Rep. of	4.3	6.7	-4.7	9.9	21.2	-14.0	7.0	10.0
Mongolia	-13.0	34.5	-18.8	-1.7	18.2	-17.4	9.4	7.7
Taipei, China	3.8	5.4	-9.5	9.9	21.8	-17.3	5.5	8.0
Southeast Asia	5.9	4.7	-7.4	8.9	19.6	-9.8	6.1	9.7
Cambodia	10.0	81.0	13.1	17.9	53.2	7.7	7.6	7.8
Indonesia	5.8	12.2	-10.5	1.7	27.6	-9.8	10.5	8.0
Lao People's Dem. Rep.	2.6	-1.4	6.4	7.7	8.3	8.1	8.5	8.5
Malaysia	6.9	1.0	-7.3	16.8	17.0	-8.8	7.0	11.9
Myanmar	-0.5	8.7	4.3	42.7	7.6	—	—	—
Philippines	17.7	22.8	16.9	19.1	9.0	-16.2	3.0	6.0
Singapore	6.4	-0.2	-12.1	4.5	20.4	-11.9	5.0	10.0
Thailand	-1.9	4.3	-6.8	7.4	19.6	-7.0	4.0	9.0
Viet Nam	41.2	24.6	2.0	23.2	25.2	6.5	8.5	12.0
South Asia	6.5	4.8	-0.1	4.4	17.3	0.5	7.2	12.9
Afghanistan	—	—	—	—	—	—	—	—
Bangladesh	11.8	14.0	16.8	2.9	8.2	12.4	-8.0	10.0
Bhutan	39.6	1.7	12.0	-5.9	9.2	-1.8	—	—
India	5.6	4.5	-3.9	9.5	19.6	-1.0	11.0	14.0
Maldives	-6.0	15.8	3.4	-4.3	18.8	-1.7	—	—
Nepal	1.9	10.2	11.9	18.2	42.4	3.7	5.0	10.0
Pakistan	7.1	-2.6	4.2	-10.7	8.8	9.0	-0.3	7.6
Sri Lanka	7.6	13.3	3.4	-3.9	19.8	-12.8	7.0	15.0
Central Asia	9.9	14.4	-16.4	6.4	49.1	-0.6	10.1	5.5
Azerbaijan	5.1	25.6	-16.1	51.5	83.6	7.9	—	—
Kazakhstan	15.7	9.7	-14.9	2.0	60.6	-3.5	11.6	5.2
Kyrgyz Republic	29.9	18.8	-15.2	-13.5	10.4	-6.0	2.8	3.4
Tajikistan	-1.2	-3.1	-21.4	13.7	18.9	1.8	8.8	8.7
Turkmenistan	-18.8	-54.2	-20.6	93.3	111.7	5.0	6.0	6.0
Uzbekistan	1.7	4.5	-17.5	-8.9	1.4	—	—	—
Pacific Developing Member Countries	2.9	-12.2	-14.2	8.6	5.9	-9.1	8.5	6.5
Cook Islands	-31.0	-10.1	13.8	10.7	155.5	-16.6	—	—
East Timor	—	—	—	—	—	—	—	—
Fiji Islands	21.1	-21.1	-13.4	19.2	-0.7	-17.2	7.7	12.8
Kiribati	-27.9	16.2	-6.0	49.8	-33.6	-33.2	2.7	20.8
Marshall Islands	-12.2	-29.0	-47.2	-4.0	9.7	5.1	—	—
Micronesia, Federated States of	22.1	-7.0	-46.8	-16.4	106.3	—	—	—
Nauru	—	—	—	—	—	—	—	—
Papua New Guinea	-2.4	-14.8	-16.1	9.1	7.3	-6.3	10.9	1.9
Samoa	15.9	42.3	30.0	-3.6	-25.4	20.2	—	—
Solomon Islands	-3.4	-4.0	-9.1	1.1	-51.7	-31.1	13.7	40.4
Tonga	-26.4	3.9	-9.8	1.7	-9.9	3.7	6.2	—
Tuvalu	9.8	-2.0	-84.8	—	—	—	—	—
Vanuatu	7.5	16.9	-3.9	-26.3	2.7	-16.2	6.6	10.0
Average	6.8	7.5	-5.7	6.8	21.2	-6.8	5.5	9.2

— Not available.

TABLE A12 Direction of Exports (% of total)

To \ From	DMCs		Japan		United States		European Union		Australia/ New Zealand		Others	
	1985	2000	1985	2000	1985	2000	1985	2000	1985	2000	1985	2000
East Asia												
China, People's Rep. of	38.2	32.1	22.3	14.6	8.5	26.9	7.8	14.8	0.8	1.7	22.5	9.9
Hong Kong, China	35.6	48.4	4.2	5.3	30.8	21.4	11.8	14.4	2.3	1.3	15.3	9.2
Korea, Rep. of	12.9	34.4	15.0	11.4	35.6	22.5	10.4	13.3	1.3	1.7	24.7	40.9
Mongolia	3.1	49.5	1.1	1.7	5.5	27.1	20.5	9.5	—	—	69.8	—
Taipei, China	13.4	52.0	11.3	11.2	48.1	23.5	5.5	10.8	2.7	1.2	19.0	—
Southeast Asia												
Cambodia	67.9	34.9	7.0	2.6	—	46.4	13.2	14.6	0.0	0.1	11.9	—
Indonesia	17.2	37.2	46.2	22.3	21.7	15.5	6.0	14.1	1.2	2.7	7.6	8.1
Lao People's Dem. Rep.	71.9	23.9	6.6	3.2	2.7	2.5	0.5	30.4	5.5	0.1	12.7	39.9
Malaysia	38.1	42.5	24.6	12.6	12.8	21.8	13.6	13.8	1.9	2.7	9.1	6.6
Myanmar	47.1	36.4	8.4	6.0	0.8	24.3	8.4	16.5	0.0	0.5	35.4	16.3
Philippines	19.5	30.8	19.0	14.7	35.9	30.2	13.8	16.6	2.1	0.8	9.7	6.9
Singapore	36.8	52.2	9.4	7.4	21.2	17.2	10.1	13.4	4.4	2.6	18.0	28.8
Thailand	27.1	33.2	13.4	15.7	19.7	22.6	17.8	16.7	1.9	2.8	20.1	9.2
Viet Nam	15.9	27.0	4.7	18.5	—	6.2	6.2	26.6	0.3	10.1	72.9	11.6
South Asia												
Afghanistan	—	—	—	—	—	—	—	—	—	—	—	—
Bangladesh	14.5	5.3	7.2	1.3	18.1	33.5	13.0	38.9	1.8	0.4	45.5	20.6
Bhutan	—	—	—	—	—	—	—	—	—	—	—	—
India	8.9	22.2	11.1	5.4	18.9	22.8	16.7	24.0	1.4	1.1	43.0	24.5
Maldives	50.8	11.9	10.1	1.4	24.3	33.2	4.0	33.0	—	0.0	10.9	20.6
Nepal	41.4	30.1	0.7	3.1	35.3	32.8	20.3	23.3	0.1	0.4	2.3	10.3
Pakistan	16.0	20.1	11.3	2.6	10.0	24.8	20.9	27.0	1.1	1.6	40.6	23.9
Sri Lanka	11.2	7.9	5.1	3.8	22.3	36.7	17.9	30.6	1.7	5.0	41.9	16.0
Central Asia												
Azerbaijan	—	3.2	—	0.1	—	1.3	—	60.4	—	—	—	—
Kazakhstan	—	16.0	—	1.2	—	4.9	—	33.8	—	—	—	75.7
Kyrgyz Republic	—	37.5	—	0.1	—	0.5	—	30.1	—	—	—	69.4
Tajikistan	—	28.9	—	0.1	—	1.2	—	27.5	—	—	—	70.6
Turkmenistan	—	5.6	—	0.0	—	1.4	—	10.0	—	—	—	—
Uzbekistan	—	40.2	—	2.7	—	1.2	—	17.3	—	—	—	65.1
Pacific Developing Member Countries												
Cook Islands	—	—	—	—	—	—	—	—	—	—	—	—
East Timor	—	—	—	—	—	—	—	—	—	—	—	—
Fiji Islands	22.5	18.9	3.0	5.1	4.9	20.8	31.0	17.7	18.2	28.6	20.4	8.9
Kiribati	7.1	11.6	4.3	58.2	—	6.2	—	2.1	0.4	1.2	88.2	20.7
Marshall Islands	—	—	—	—	—	—	—	—	—	—	—	—
Micronesia, Federated States of	—	—	—	—	—	—	—	—	—	—	—	—
Nauru	—	50.4	—	1.9	—	3.6	—	1.2	—	38.4	—	—
Papua New Guinea	9.9	16.8	22.1	11.4	4.0	1.2	46.5	9.8	12.0	30.2	5.6	30.6
Samoa	0.3	2.0	0.9	0.3	59.4	13.0	5.8	5.4	29.7	72.7	3.9	6.7
Solomon Islands	11.1	53.8	52.1	22.3	2.4	0.6	26.3	14.9	3.2	2.7	5.0	5.8
Tonga	5.9	1.9	0.2	50.4	3.2	31.7	0.5	2.3	83.1	6.1	7.1	7.6
Tuvalu	63.7	12.0	—	0.0	—	0.0	—	40.4	8.1	1.4	28.2	46.3
Vanuatu	1.4	13.7	6.7	31.3	0.0	17.1	25.4	29.2	1.6	1.7	65.0	7.1
Total	25.3	39.5	16.4	11.5	26.3	22.7	10.7	14.7	2.1	2.0	19.2	9.7

— Not available.

TABLE A13 Growth Rate of Merchandise Imports (% per year)

	1996	1997	1998	1999	2000	2001	2002	2003
East Asia	8.1	3.8	-13.9	9.6	28.4	-6.5	7.7	11.6
China, People's Rep. of	19.5	3.7	0.3	15.8	35.4	8.2	10.0	14.0
Hong Kong, China	3.0	5.1	-11.6	-2.7	18.5	-5.5	1.9	7.8
Korea, Rep. of	12.3	-2.2	-36.2	29.1	36.2	-13.3	12.0	14.0
Mongolia	4.5	5.3	8.2	-2.6	21.2	-9.7	4.9	6.2
Taipei, China	-0.1	10.1	-7.4	6.2	25.9	-23.8	8.0	10.0
Southeast Asia	5.3	-0.1	-24.2	8.0	24.2	-8.9	7.0	11.2
Cambodia	20.4	5.8	1.6	27.0	37.1	3.4	6.0	6.5
Indonesia	8.1	4.5	-30.9	-4.2	31.9	-12.2	10.0	10.0
Lao People's Dem. Rep.	17.1	-6.0	-14.7	0.3	6.6	10.5	11.0	11.0
Malaysia	1.4	1.5	-26.6	12.8	26.2	-7.6	10.0	16.1
Myanmar	3.1	14.4	16.5	-2.9	-12.6	—	—	—
Philippines	20.8	14.0	-18.8	4.2	3.8	-6.2	2.5	4.0
Singapore	5.4	0.7	-23.2	9.0	22.2	-14.0	6.0	11.1
Thailand	0.8	-13.8	-26.2	16.9	31.3	-2.8	5.0	9.2
Viet Nam	25.5	-0.2	-1.1	1.1	34.5	6.0	10.0	13.0
South Asia	12.5	3.3	-5.7	10.5	7.3	-0.4	9.3	12.6
Afghanistan	—	—	—	—	—	—	—	—
Bangladesh	19.1	3.1	5.1	6.6	4.8	11.4	-5.0	6.0
Bhutan	36.2	58.1	8.9	74.7	14.0	16.3	—	—
India	12.1	4.6	-7.1	16.5	7.0	-0.9	13.0	14.5
Maldives	12.6	15.6	1.5	13.6	-3.4	2.0	—	—
Nepal	5.8	21.7	-12.4	-10.3	20.2	-0.9	5.0	5.0
Pakistan	16.7	-6.4	-8.4	-6.7	-0.1	5.9	0.2	6.2
Sri Lanka	2.4	7.8	0.4	1.5	22.4	-18.4	15.0	14.0
Central Asia	26.2	6.7	-5.7	-11.5	12.1	17.9	10.9	14.3
Azerbaijan	35.7	2.8	24.8	-16.6	7.5	-5.4	—	—
Kazakhstan	24.4	8.3	-7.0	-15.3	21.3	23.5	11.7	15.3
Kyrgyz Republic	47.5	-17.5	17.0	-27.6	-8.2	-14.4	4.8	5.9
Tajikistan	-6.2	2.9	-9.6	-5.2	21.1	8.0	4.5	6.8
Turkmenistan	-15.5	-27.6	13.1	30.0	16.6	32.0	12.0	15.0
Uzbekistan	31.0	-11.2	-22.0	-11.9	-5.7	—	—	—
Pacific Developing Member Countries	16.3	-0.4	-22.3	5.8	-5.0	-3.4	14.3	-1.1
Cook Islands	-10.8	10.8	-20.9	9.8	22.5	14.0	—	—
East Timor	—	—	—	—	—	—	—	—
Fiji Islands	10.6	-2.2	-25.2	25.1	-5.4	-12.8	2.7	6.1
Kiribati	8.4	1.6	-15.8	24.0	-13.6	-9.0	7.3	2.0
Marshall Islands	-0.9	-10.0	2.9	4.2	-1.3	2.9	—	—
Micronesia, Federated States of	-1.5	6.7	1.7	5.6	12.6	—	—	—
Nauru	—	—	—	—	—	—	—	—
Papua New Guinea	23.3	-1.6	-27.0	-0.1	-7.0	-2.2	26.0	-6.1
Samoa	8.1	-0.9	-2.2	19.2	-9.5	31.1	—	—
Solomon Islands	-2.0	21.6	-30.5	-17.7	-12.3	-7.1	4.4	6.4
Tonga	-10.8	-9.5	29.7	-28.9	12.8	-4.3	8.0	—
Tuvalu	9.8	28.8	18.6	—	—	—	—	—
Vanuatu	2.5	-3.6	-5.5	-0.1	2.3	2.6	0.8	0.9
Average	7.7	2.4	-16.7	8.8	25.0	-6.6	7.6	11.6

— Not available.

TABLE A14 Balance of Trade (US\$ million)

	1996	1997	1998	1999	2000	2001	2002	2003
East Asia	3,674	35,835	87,492	73,510	53,825	55,794	40,365	22,623
China, People's Rep. of	19,535	46,222	46,614	36,207	34,474	33,813	26,551	18,987
Hong Kong, China	-18,351	-21,121	-10,945	-5,997	-11,386	-11,510	-12,297	-16,343
Korea, Rep. of	-14,965	-3,179	41,627	28,371	16,872	13,392	7,430	1,992
Mongolia	-88	31	-120	-113	-151	-177	-166	-169
Taipei, China	17,543	13,882	10,316	15,042	14,017	20,277	18,847	18,156
Southeast Asia	-12,593	3,496	61,830	69,502	70,014	59,982	60,643	49,844
Cambodia	-428	-231	-173	-275	-263	-225	-220	-210
Indonesia	5,948	10,074	18,429	20,642	25,041	23,560	26,210	27,528
Lao People's Dem. Rep.	-368	-331	-216	-191	-198	-228	-264	-304
Malaysia	4,003	3,656	17,657	22,772	21,017	18,241	17,378	4,459
Myanmar	-958	-1,150	-1,463	-938	-516	—	—	—
Philippines	-11,342	-11,127	-28	4,959	6,918	2,747	2,792	3,734
Singapore	2,225	1,118	14,907	11,227	11,572	12,872	12,420	12,384
Thailand	-9,489	1,652	12,235	9,288	5,550	2,542	2,037	2,093
Viet Nam	-3,142	-1,315	-981	1,080	377	473	289	160
South Asia	-24,115	-24,104	-19,792	-25,074	-21,328	-20,679	-23,722	-26,537
Afghanistan	—	—	—	—	—	—	—	—
Bangladesh	-3,063	-2,735	-2,352	-2,694	-2,641	-2,887	-2,937	-2,875
Bhutan	-13	-32	-25	-58	-71	-103	—	—
India	-14,815	-15,507	-13,246	-17,841	-14,370	-14,286	-17,032	-19,748
Maldives	-186	-214	-216	-262	-233	-242	—	—
Nepal	-990	-1,245	-995	-765	-803	-762	-748	-764
Pakistan	-3,704	-3,145	-1,867	-2,085	-1,412	-1,243	-1,290	-1,245
Sri Lanka	-1,344	-1,225	-1,091	-1,369	-1,798	-1,157	-1,716	-1,905
Central Asia	-2,003	-1,229	-2,592	-284	4,084	1,742	1,037	-72
Azerbaijan	-694	-567	-1,038	-404	319	580	—	—
Kazakhstan	-335	-276	-801	341	2,766	819	909	0
Kyrgyz Republic	-252	-15	-221	-84	9	50	43	33
Tajikistan	-16	-63	-145	-27	-47	-100	-70	-58
Turkmenistan	—	-234	-498	-300	661	265	155	-47
Uzbekistan	-706	-73	111	191	376	128	—	—
Pacific Developing Member Countries	379	-137	107	193	388	400	502	712
Cook Islands	-40	-45	-35	-38	-42	-40	-42	-42
East Timor	—	—	—	—	—	—	—	—
Fiji Islands	-237	-374	-210	-294	-250	-244	-228	-205
Kiribati	-33	-33	-27	-32	-29	-28	-30	-30
Marshall Islands	-42	-41	-50	-52	-51	-52	—	—
Micronesia, Federated States of	-86	-95	-109	-118	-122	—	—	—
Nauru	—	—	—	—	—	—	—	—
Papua New Guinea	1,011	662	717	881	1,099	989	948	1,064
Samoa	-90	-84	-78	-97	-91	-80	—	—
Solomon Islands	11	-28	14	38	-23	-38	-35	-19
Tonga	-54	-47	-66	-43	-52	-49	-53	—
Tuvalu	-8	-6	-7	—	—	—	—	—
Vanuatu	-54	-46	-43	-51	-52	-59	-58	-56
Total	-34,658	13,862	127,045	117,848	106,983	97,238	78,825	46,571

— Not available.

TABLE A15 Balance of Payments on Current Account (US\$ million)

	1996	1997	1998	1999	2000	2001	2002	2003
East Asia	-4,940	35,861	75,145	48,404	41,496	47,049	32,608	18,600
China, People's Rep. of	7,243	36,963	31,472	15,667	20,519	19,574	12,550	5,000
Hong Kong, China	—	—	—	—	—	—	—	—
Korea, Rep. of	-23,005	-8,167	40,365	24,477	12,241	8,617	8,818	3,581
Mongolia	-101	14	-129	-124	-167	-170	-159	-155
Taipei, China	10,923	7,051	3,437	8,384	8,903	19,028	11,399	10,173
Southeast Asia	-21,513	-2,885	47,573	55,280	50,071	40,680	31,949	27,184
Cambodia	-547	-268	-209	-259	-257	-211	-200	-186
Indonesia	-7,801	-5,001	4,097	5,783	7,991	5,145	2,866	1,513
Lao People's Dem. Rep.	-307	-283	-130	-92	-100	-125	-144	-148
Malaysia	-4,455	-5,942	9,539	12,606	8,401	6,859	4,934	2,690
Myanmar	-414	-660	-670	-605	-243	—	—	—
Philippines	-3,953	-4,351	1,546	7,363	8,459	4,504	2,000	1,500
Singapore	12,822	17,927	19,706	16,527	15,921	17,885	17,654	18,279
Thailand	-14,692	-3,128	14,262	12,197	9,151	6,149	4,742	3,611
Viet Nam	-2,580	-1,839	-1,239	1,154	505	475	97	-74
South Asia	-11,734	-10,825	-6,929	-8,431	-5,799	-4,972	-9,796	-12,712
Afghanistan	—	—	—	—	—	—	—	—
Bangladesh	-1,291	-534	-253	-394	-584	-817	-1,258	-1,754
Bhutan	-37	-56	-47	-98	-130	-125	—	—
India	-4,619	-5,500	-4,038	-4,698	-2,579	-2,698	-5,430	-7,890
Maldives	-7	-34	-23	-82	-53	-62	—	—
Nepal	-527	-460	-422	-168	-245	-242	—	—
Pakistan	-4,575	-3,846	-1,921	-2,429	-1,143	-508	-2,084	-1,877
Sri Lanka	-677	-394	-226	-563	-1,065	-519	-1,024	-1,191
Central Asia	-3,156	-3,075	-4,118	-1,901	60	-1,251	-1,363	-1,641
Azerbaijan	-931	-916	-1,365	-591	-167	-134	-195	-363
Kazakhstan	-751	-799	-1,236	-236	753	-938	-992	-1,097
Kyrgyz Republic	-425	-138	-364	-180	-77	-11	-78	-88
Tajikistan	-70	-56	-108	-36	-61	-110	-98	-93
Turkmenistan	—	-580	-952	-694	-572	—	—	—
Uzbekistan	-979	-585	-94	-164	184	-58	—	—
Pacific Developing Member Countries	421	-194	60	111	272	124	39	222
Cook Islands	0	-4	-3	2	-2	-2	5	—
East Timor	—	—	—	—	—	—	—	—
Fiji Islands	61	35	-6	-75	-61	-73	-42	1
Kiribati	-14	4	18	8	5	2	-3	1
Marshall Islands	20	20	-1	-5	7	14	—	—
Micronesia, Federated States of	56	18	13	10	7	—	—	—
Nauru	—	—	—	—	—	—	—	—
Papua New Guinea	289	-263	23	144	353	221	94	211
Samoa	11	19	15	17	8	8	—	—
Solomon Islands	11	-15	11	24	-44	-31	-16	8
Tonga	-11	-2	-18	-1	-10	-12	—	—
Tuvalu	—	—	—	—	—	—	—	—
Vanuatu	-3	-7	8	-12	11	-5	1	2
Total	-40,922	18,883	111,729	93,462	86,101	81,631	53,437	31,652

— Not available.

TABLE A16 Balance of Payments on Current Account (% of GDP)

	1996	1997	1998	1999	2000	2001	2002	2003
East Asia	-0.3	1.9	6.0	3.2	2.3	2.7	1.8	1.0
China, People's Rep. of	0.9	4.1	3.3	1.6	1.9	1.7	1.0	0.4
Hong Kong, China	—	—	—	—	—	—	—	—
Korea, Rep. of	-4.4	-1.7	12.7	5.8	2.7	2.0	1.9	0.7
Mongolia	-8.5	1.3	-13.2	-13.7	-17.2	-16.7	-14.7	-13.4
Taipei, China	3.9	2.4	1.3	2.9	2.9	6.7	3.9	3.4
Southeast Asia	-3.0	-0.6	9.7	9.9	8.5	6.9	5.0	4.0
Cambodia	-17.3	-8.6	-7.4	-8.4	-8.3	-6.6	-5.9	-5.1
Indonesia	-3.4	-2.3	4.3	4.1	5.2	3.1	1.5	0.7
Lao People's Dem. Rep.	-16.5	-16.2	-10.1	-6.3	-5.8	-7.2	-8.0	-8.0
Malaysia	-4.4	-5.9	13.2	15.9	9.4	7.8	5.3	2.6
Myanmar	-0.3	-0.4	-0.3	-0.2	-0.1	—	—	—
Philippines	-4.6	-5.1	2.3	9.2	10.7	6.0	2.0	1.5
Singapore	14.1	19.0	24.0	20.0	17.2	20.9	19.8	19.0
Thailand	-8.1	-2.1	12.7	10.0	7.5	5.5	4.1	3.0
Viet Nam	-10.5	-6.5	-4.6	4.1	1.6	1.5	0.3	-0.2
South Asia	-2.4	-2.1	-1.4	-1.6	-1.0	-0.8	-1.7	-1.9
Afghanistan	—	—	—	—	—	—	—	—
Bangladesh	-4.0	-2.1	-1.1	-1.4	-1.0	-2.1	-2.5	-2.1
Bhutan	-13.2	-17.6	-12.8	-25.9	-30.6	-27.5	—	—
India	-1.2	-1.3	-1.0	-1.1	-0.6	-0.5	-1.0	-1.5
Maldives	-1.6	-6.8	-4.5	-14.6	-9.5	-10.9	—	—
Nepal	-12.0	-9.4	-8.7	-3.3	-4.5	-4.4	-5.0	-5.0
Pakistan	-7.7	-6.4	-3.2	-4.1	-1.9	-0.9	-3.6	-3.1
Sri Lanka	-4.9	-2.6	-1.4	-3.6	-6.5	-3.4	-6.5	-7.5
Central Asia	-7.7	-7.1	-9.3	-4.4	0.3	-2.9	-4.5	-4.9
Azerbaijan	-29.3	-23.1	-30.7	-13.1	-3.4	-2.3	-3.0	-5.0
Kazakhstan	-3.6	-3.6	-5.6	-1.4	4.1	-4.6	-4.5	-4.7
Kyrgyz Republic	-23.2	-7.8	-22.2	-14.4	-5.6	-0.7	-6.3	-6.5
Tajikistan	-6.7	-5.0	-8.3	-3.2	-5.9	-7.7	-6.2	-5.5
Turkmenistan	—	-21.7	-32.7	-18.0	-13.0	—	—	—
Uzbekistan	-7.2	-4.0	-0.6	-1.3	0.8	-0.5	—	—
Pacific Developing Member Countries	4.9	-2.4	0.9	1.8	4.3	2.2	0.2	3.0
Cook Islands	-0.1	-3.7	-3.3	-2.6	-3.2	6.3	—	—
East Timor	—	—	—	—	—	—	—	—
Fiji Islands	3.4	1.9	-0.4	-4.1	-3.6	-4.4	-2.4	0.0
Kiribati	-27.2	7.4	39.0	17.4	11.2	4.4	-6.5	1.1
Marshall Islands	20.6	21.7	-1.5	-5.5	7.4	14.3	—	—
Micronesia, Federated States of	25.6	8.7	6.1	4.4	2.8	—	—	—
Nauru	—	—	—	—	—	—	—	—
Papua New Guinea	5.5	-5.3	0.6	4.2	10.1	7.5	2.7	5.7
Samoa	5.0	7.7	6.6	7.1	3.4	3.2	—	—
Solomon Islands	2.7	-3.4	3.1	6.9	-15.8	-14.3	-7.3	3.3
Tonga	-6.3	-0.9	-11.2	-0.6	-6.3	-8.2	-8.1	—
Tuvalu	2.7	—	—	—	—	—	—	—
Vanuatu	-1.2	-2.8	3.6	-5.5	4.8	-2.1	0.3	1.0
Average	-1.4	0.5	5.4	3.9	3.2	3.0	1.9	1.1

— Not available.

TABLE A17 Foreign Direct Investment (US\$ million)

	1995	1996	1997	1998	1999	2000
East Asia	44,978	54,812	60,600	64,200	78,400	120,300
China, People's Rep. of	35,849	40,180	44,200	43,800	40,300	40,800
Hong Kong, China	6,213	10,460	11,400	14,800	24,600	64,400
Korea, Rep. of	1,357	2,326	2,800	5,400	10,600	10,200
Mongolia	10	16	25	19	30	25
Taipei, China	1,559	1,864	2,200	200	2,900	4,900
Southeast Asia	23,692	29,586	32,482	18,281	14,767	13,765
Cambodia	151	294	204	121	135	153
Indonesia	4,346	6,194	4,700	-400	-2,700	-4,600
Lao People's Dem. Rep.	88	128	91	46	79	72
Malaysia	5,816	7,296	6,500	2,700	3,500	5,500
Myanmar	277	310	387	314	253	240
Philippines	1,459	1,020	1,200	1,800	700	1,500
Singapore	7,206	8,984	13,000	6,300	7,200	6,400
Thailand	2,000	2,405	3,600	5,100	3,600	2,400
Viet Nam	2,349	2,455	2,800	2,300	2,000	2,100
South Asia	2,945	3,519	4,923	3,527	3,103	3,020
Afghanistan	—	—	—	—	—	—
Bangladesh	2	14	141	190	179	170
Bhutan	—	—	—	—	—	—
India	2,144	2,426	3,600	2,600	2,200	2,300
Maldives	7	9	11	12	12	12
Nepal	8	19	23	12	4	13
Pakistan	19	18	713	507	531	308
Sri Lanka	65	133	435	206	177	217
Central Asia	1,625	1,690	2,916	2,584	2,362	2,251
Azerbaijan	33.0	62.7	1,115	1,023	510	883
Kazakhstan	964	1,137	1,321	1,152	1,587	1,249
Kyrgyz Republic	96	47	83	109	35	19
Tajikistan	15	16	4	30	29	—
Turkmenistan	100	108	108	130	80	—
Uzbekistan	120	55	285	140	121	100
Pacific Developing Member Countries	562	158	133	251	297	278
Cook Islands	—	—	—	—	—	—
East Timor	—	—	—	—	—	—
Fiji	70	2	16	107	-33	30
Kiribati	—	—	1	—	—	—
Marshall Islands	—	—	—	—	—	—
Micronesia, Federated States of	—	—	—	—	—	—
Nauru	—	—	—	—	—	—
Papua New Guinea	455	111	29	110	296	200
Samoa	3	4	20	3	2	8
Solomon Islands	2	6	34	9	10	18
Tonga	2	2	3	2	2	2
Tuvalu	—	—	—	—	—	—
Vanuatu	—	—	30	20	20	20
Total	73,803	89,766	101,054	88,843	98,929	139,614

— Not available.

TABLE A18 External Debt Outstanding (US\$ million)

	1996	1997	1998	1999	2000	2001
East Asia						
China, People's Rep. of	116,300	131,000	146,000	151,800	145,700	—
Hong Kong, China	—	—	—	—	—	—
Korea, Rep. of	—	—	—	—	—	—
Mongolia	542	605	753	850	854	912
Taipei, China	—	—	—	—	—	—
Southeast Asia						
Cambodia	0	1,985	2,039	2,083	2,100	1,158
Indonesia	128,940	136,173	150,884	150,096	146,600	135,000
Lao People's Dem. Rep.	2,178	2,322	2,561	2,617	2,558	2,662
Malaysia	39,673	47,228	44,769	45,939	41,777	42,500
Myanmar	5,184	5,063	5,609	5,999	5,600	—
Philippines	40,145	45,682	47,817	52,210	52,060	52,360
Singapore	—	—	—	—	—	—
Thailand	107,777	109,731	105,084	95,648	80,248	68,748
Viet Nam	—	—	20,500	20,400	11,900	13,000
South Asia						
Afghanistan	—	—	—	—	—	—
Bangladesh	16,007	15,125	16,375	17,534	15,800	16,200
Bhutan	117	119	132	148	172	235
India	93,470	93,531	96,886	98,263	100,356	106,559
Maldives	164	156	172	213	328	340
Nepal	2,215	2,633	2,382	2,658	2,764	2,661
Pakistan	29,825	30,069	32,319	34,269	32,750	34,000
Sri Lanka	8,486	8,197	8,748	9,049	9,496	9,685
Central Asia						
Azerbaijan	438	507	708	1,036	—	—
Kazakhstan	5,807	7,750	9,932	12,051	12,526	—
Kyrgyz Republic	1,151	1,356	1,480	1,647	1,704	1,701
Tajikistan	867	1,106	1,179	1,214	1,205	1,608
Turkmenistan	751	1,771	2,269	2,015	—	—
Uzbekistan	4,163	4,665	3,467	4,237	4,449	4,600
Pacific Developing Member Countries						
Cook Islands	34	31	63	61	57	54
East Timor	—	—	—	—	—	—
Fiji Islands	252	244	225	261	258	231
Kiribati	10	9	8	9	8	8
Marshall Islands	133	108	97	70	59	46
Micronesia, Federated States of	102	98	94	84	67	58
Nauru	—	—	—	—	—	—
Papua New Guinea	1,354	1,258	1,298	1,348	1,394	1,472
Samoa	169	155	157	155	151	144
Solomon Islands	104	106	118	128	126	146
Tonga	62	61	60	67	62	58
Tuvalu	—	—	—	—	—	—
Vanuatu	42	42	53	64	77	68

— Not available.

TABLE A19 Debt Service Ratio (% of exports of goods and services)

	1996	1997	1998	1999	2000	2001
East Asia						
China, People's Rep. of	6.0	7.3	10.9	11.5	10.0	10.0
Hong Kong, China	—	—	—	—	—	—
Korea, Rep. of	—	—	—	—	—	—
Mongolia	11.8	6.3	7.3	9.3	6.0	7.0
Taipei, China	—	—	—	—	—	—
Southeast Asia						
Cambodia	—	1.2	2.1	1.7	4.2	4.0
Indonesia	37.9	31.2	33.0	31.3	44.8	—
Lao People's Dem. Rep.	4.5	8.7	11.1	11.4	10.1	10.5
Malaysia	11.0	9.2	8.7	5.6	5.4	6.0
Myanmar	11.2	7.4	5.4	4.8	—	—
Philippines	12.7	11.6	11.7	13.4	12.7	16.4
Singapore	—	—	—	—	—	—
Thailand	13.9	16.7	21.4	19.4	15.4	17.4
Viet Nam	9.8	11.1	13.9	12.8	11.2	10.2
South Asia						
Afghanistan	—	—	—	—	—	—
Bangladesh	7.9	7.0	5.9	7.0	7.2	7.5
Bhutan	25.7	10.4	9.0	13.6	5.7	5.6
India	21.2	19.0	18.0	16.2	17.1	—
Maldives	3.2	6.9	3.5	3.9	4.2	4.4
Nepal	6.0	4.5	6.1	6.1	5.9	3.9
Pakistan	33.9	39.3	35.5	41.2	38.4	32.1
Sri Lanka	15.3	13.3	13.3	15.2	14.7	—
Central Asia						
Azerbaijan	9.7	7.3	4.6	4.8	4.4	—
Kazakhstan	17.6	24.5	22.4	27.3	49.9	—
Kyrgyz Republic	15.5	12.0	21.8	26.0	25.7	29.4
Tajikistan	38.3	10.7	6.8	5.1	10.0	18.0
Turkmenistan	11.4	34.0	50.5	39.1	13.9	—
Uzbekistan	8.3	9.0	9.0	11.0	—	—
Pacific Developing Member Countries						
Cook Islands	16.9	11.0	3.7	4.8	3.5	3.5
East Timor	—	—	—	—	—	—
Fiji Islands	4.1	2.9	4.1	3.2	2.9	2.2
Kiribati	9.1	7.1	9.5	7.6	9.3	7.9
Marshall Islands	58.8	66.0	78.2	151.3	50.1	—
Micronesia, Federated States of	50.0	49.0	61.0	58.0	49.0	22.0
Nauru	—	—	—	—	—	—
Papua New Guinea	5.3	8.6	7.3	7.5	6.7	6.8
Samoa	13.3	13.1	12.9	12.4	12.6	18.5
Solomon Islands	11.3	1.6	3.7	4.5	8.2	—
Tonga	12.8	10.7	8.2	4.0	12.1	19.5
Tuvalu	—	—	—	—	—	—
Vanuatu	1.5	1.7	1.1	1.0	1.1	1.4

— Not available.

TABLE A20 Exchange Rates to the US Dollar (annual average)

	Currency	Symbol	1996	1997	1998	1999	2000	2001
East Asia								
China, People's Rep. of	Yuan	Y	8.3	8.3	8.3	8.3	8.3	8.3
Hong Kong, China	Hong Kong dollar	HK\$	7.7	7.7	7.7	7.8	7.8	7.8
Korea, Rep. of	Won	W	804.8	951.1	1,398.9	1,138.4	1,130.6	1,290.8
Mongolia	Togrog	MNT	548.4	790.0	840.8	1,021.9	1,076.7	1,096.8
Taipei, China	New Taiwan dollar	NT\$	27.5	28.7	33.5	32.3	31.2	33.8
Southeast Asia								
Cambodia	Riel	KR	2,635.0	2,952.0	3,756.0	3,803.0	3,854.0	3,900.0
Indonesia	Rupiah	Rp	2,342.3	2,909.4	10,013.6	7,855.2	8,421.8	9,748.0
Lao People's Dem. Rep.	Kip	KN	926.1	1,259.5	3,296.2	7,108.2	7,845.8	8,871.0
Malaysia	Ringgit	RM	2.5	2.8	3.9	3.8	3.8	3.8
Myanmar	Kyat	MK	5.9	6.2	6.3	6.3	6.5	—
Philippines	Peso	P	26.2	29.5	40.9	39.1	44.2	51.0
Singapore	Singapore dollar	S\$	1.4	1.5	1.7	1.7	1.7	1.8
Thailand	Baht	B	25.3	31.4	41.4	37.8	40.2	44.5
Viet Nam	Dong	D	11,033.0	11,076.0	13,297.0	13,944.0	14,168.0	15,050.0
South Asia								
Afghanistan	Afghani	AF	—	—	—	—	—	—
Bangladesh	Taka	TK	40.9	42.7	45.4	48.1	50.3	53.9
Bhutan	Ngultrum	Nu	34.3	35.8	38.4	42.6	43.6	46.4
India	Indian rupee	Re/Rs	35.5	37.2	42.1	43.3	45.7	47.8
Maldives	Rufiyaa	Rf	11.8	11.8	11.8	11.8	11.8	12.3
Nepal	Nepalese rupee	NRe/NRs	55.2	57.0	61.9	67.9	69.1	73.8
Pakistan	Pakistan rupee	PRe/PRs	35.9	40.9	44.9	49.1	52.8	62.0
Sri Lanka	Sri Lanka rupee	SLRe/SLRs	55.3	59.0	64.5	70.6	77.0	89.4
Central Asia								
Azerbaijan	Azerbaijan manat	AZM	4,301.3	3,985.4	3,869.0	4,120.2	4,473.8	4,259.8
Kazakhstan	Tenge	T	67.3	75.4	78.3	119.5	142.3	147.2
Kyrgyz Republic	Som	Som	12.8	17.3	20.8	39.0	47.7	48.4
Tajikistan	Somoni	TJS	296.0	559.0	786.0	1,197.0	1,740.0	—
Turkmenistan	Turkmen manat	TMM	3,869.0	4,156.0	4,808.0	5,200.0	5,200.0	—
Uzbekistan	Sum	SUM	40.2	67.7	94.7	124.9	236.9	421.0
Pacific Developing Member Countries								
Cook Islands	New Zealand dollar	NZ\$	1.5	1.5	1.9	1.9	2.2	2.4
East Timor	US dollar	US\$	—	—	—	—	—	—
Fiji Islands	Fiji dollar	F\$	1.4	1.4	2.0	2.0	2.1	2.3
Kiribati	Australian dollar	A\$	1.3	1.4	1.6	1.6	1.7	1.9
Marshall Islands	US dollar	US\$	1.0	1.0	1.0	1.0	1.0	1.0
Micronesia, Federated States of	US dollar	US\$	1.0	1.0	1.0	1.0	1.0	1.0
Nauru	Australian dollar	A\$	1.3	1.4	1.6	1.6	1.7	1.9
Papua New Guinea	Kina	K	1.3	1.4	2.1	2.6	2.8	3.4
Samoa	Tala	ST	2.4	2.6	3.0	3.0	3.3	3.5
Solomon Islands	Solomon Islands dollar	SI\$	3.6	3.7	4.8	5.1	5.1	5.3
Tonga	Pa'anga	T\$	1.2	1.2	1.4	1.6	1.6	2.0
Tuvalu	Australian dollar	A\$	1.3	1.4	1.6	1.6	1.7	1.9
Vanuatu	Vatu	Vt	111.6	115.9	127.5	129.1	137.8	145.6

— Not available.

TABLE A21 Central Government Expenditures (% of GDP)

	1996	1997	1998	1999	2000	2001
East Asia						
China, People's Rep. of	12.8	13.6	15.1	17.2	17.8	20.0
Hong Kong, China	14.6	14.7	19.0	18.2	18.4	19.0
Korea, Rep. of	20.2	22.1	26.0	25.1	24.5	25.1
Mongolia	32.7	34.5	41.9	39.4	40.5	38.7
Taipei, China	13.9	14.1	13.2	13.1	23.8	24.3
Southeast Asia						
Cambodia	16.2	13.9	14.8	15.7	17.7	17.1
Indonesia	14.2	16.6	16.8	20.9	17.0	22.6
Lao People's Dem. Rep.	22.1	19.8	13.0	19.3	21.9	22.6
Malaysia	22.3	21.0	21.8	22.7	23.9	27.4
Myanmar	9.3	8.0	6.9	5.8	4.2	—
Philippines	17.9	18.6	18.3	18.8	18.6	18.4
Singapore	15.0	18.4	18.0	17.8	17.5	18.1
Thailand	17.7	19.7	23.8	27.4	19.6	17.9
Viet Nam	23.7	24.8	22.5	21.2	23.8	25.6
South Asia						
Afghanistan	—	—	—	—	—	—
Bangladesh	13.5	13.5	13.3	14.2	14.7	15.8
Bhutan	44.3	43.5	34.3	44.9	46.6	44.9
India	14.7	15.2	16.0	15.4	17.9	16.2
Maldives	31.4	32.3	33.8	38.1	40.8	41.3
Nepal	17.1	16.5	17.0	15.4	15.5	18.1
Pakistan	24.2	22.0	23.7	22.0	23.0	21.0
Sri Lanka	27.9	23.9	25.9	25.2	26.7	27.2
Central Asia						
Azerbaijan	26.1	20.8	23.7	23.7	20.8	20.1
Kazakhstan	18.6	28.1	21.9	23.2	23.1	24.7
Kyrgyz Republic	25.2	25.3	28.8	30.4	26.1	21.0
Tajikistan	17.9	15.5	13.9	14.9	12.5	—
Turkmenistan	16.3	25.0	24.6	19.4	—	—
Uzbekistan	34.3	29.7	32.4	31.5	29.5	—
Pacific Developing Member Countries						
Cook Islands	44.8	31.1	39.0	31.4	31.5	34.6
East Timor	—	—	—	—	—	—
Fiji Islands	37.2	41.4	43.9	38.4	27.5	28.0
Kiribati	108.9	118.2	122.1	122.2	114.8	159.8
Marshall Islands	61.9	65.5	59.2	56.8	65.8	66.1
Micronesia, Federated States of	74.8	65.6	79.2	76.1	66.5	—
Nauru	215.2	101.2	67.5	103.2	104.6	89.9
Papua New Guinea	27.0	31.4	31.9	31.9	33.2	32.8
Samoa	49.0	39.8	34.1	39.5	35.2	34.0
Solomon Islands	38.6	33.2	37.1	41.2	44.3	42.5
Tonga	30.8	36.7	32.9	26.9	27.6	30.6
Tuvalu	—	121.9	95.9	126.2	129.5	103.6
Vanuatu	27.3	25.5	31.4	26.2	30.1	25.4

— Not available.

TABLE A22 Central Government Revenues (% of GDP)

	1996	1997	1998	1999	2000	2001
East Asia						
China, People's Rep. of	11.4	12.1	13.0	14.3	15.3	17.4
Hong Kong, China	17.5	21.2	17.2	19.0	17.8	13.8
Korea, Rep. of	20.4	20.6	21.8	22.4	25.6	26.4
Mongolia	24.8	25.5	27.6	27.2	33.6	33.6
Taipei, China	12.6	12.4	13.4	11.8	19.0	20.0
Southeast Asia						
Cambodia	9.0	9.6	8.9	11.4	11.9	11.5
Indonesia	16.5	17.9	16.4	18.1	20.7	20.3
Lao People's Dem. Rep.	13.2	11.0	9.8	10.6	14.0	14.5
Malaysia	23.0	23.3	20.0	19.5	18.2	20.7
Myanmar	6.9	7.8	7.3	4.9	4.5	—
Philippines	18.2	18.7	16.5	15.3	14.7	14.6
Singapore	21.9	21.8	20.5	20.4	21.0	20.1
Thailand	18.5	17.9	16.2	16.2	16.5	15.8
Viet Nam	22.9	20.9	20.5	18.8	19.6	21.2
South Asia						
Afghanistan	—	—	—	—	—	—
Bangladesh	9.0	9.2	9.3	9.0	8.5	9.6
Bhutan	46.7	40.8	34.7	42.4	41.3	36.9
India	13.7	15.3	16.1	15.4	15.6	16.2
Maldives	28.9	31.0	31.8	33.8	36.0	36.0
Nepal	12.7	12.7	12.3	11.5	12.2	13.9
Pakistan	17.8	15.6	16.0	15.9	16.5	15.7
Sri Lanka	20.1	19.4	17.9	18.3	17.2	17.1
Central Asia						
Azerbaijan	23.3	19.1	19.5	18.2	18.6	18.0
Kazakhstan	16.2	24.3	22.0	19.8	22.6	24.2
Kyrgyz Republic	16.4	16.2	17.5	17.3	15.3	15.8
Tajikistan	12.1	12.1	11.2	12.5	12.1	—
Turkmenistan	16.6	24.9	22.0	19.4	—	—
Uzbekistan	39.9	32.0	34.8	32.6	28.5	—
Pacific Developing Member Countries						
Cook Islands	37.7	31.7	31.4	30.5	32.9	38.8
East Timor	—	—	—	—	—	—
Fiji Islands	29.1	30.7	40.6	32.0	24.1	23.1
Kiribati	72.0	117.0	134.6	105.2	113.9	122.3
Marshall Islands	80.5	74.6	74.7	67.3	74.7	83.7
Micronesia, Federated States of	75.1	66.0	72.5	68.4	66.7	—
Nauru	96.1	48.2	26.1	115.5	98.5	79.3
Papua New Guinea	26.7	31.5	29.5	29.3	30.8	31.0
Samoa	50.5	40.0	36.1	39.8	34.4	31.6
Solomon Islands	34.7	29.0	35.5	37.5	37.8	34.5
Tonga	31.7	31.8	30.4	26.6	27.3	27.9
Tuvalu	—	156.1	154.4	148.7	227.5	123.1
Vanuatu	25.6	24.9	24.1	24.9	22.5	21.6

— Not available.

TABLE A23 Overall Budget Surplus/Deficit of Central Government (% of GDP)

	1996	1997	1998	1999	2000	2001
East Asia						
China, People's Rep. of	-1.4	-1.5	-2.1	-2.9	-2.8	-2.6
Hong Kong, China	2.9	6.6	-1.8	0.8	-0.6	-5.2
Korea, Rep. of	0.3	-1.5	-4.2	-2.7	1.1	1.3
Mongolia	-7.9	-9.1	-14.3	-12.2	-6.8	-5.1
Taipei, China	-1.3	-1.6	0.1	-1.3	-4.8	-4.3
Southeast Asia						
Cambodia	-7.2	-4.2	-5.9	-4.2	-5.8	-5.6
Indonesia	1.0	0.5	-1.7	-2.8	-1.6	-2.3
Lao People's Dem. Rep.	-8.9	-8.8	-3.2	-8.8	-7.9	-8.0
Malaysia	0.7	2.4	-1.8	-3.2	-5.8	-6.7
Myanmar	-2.4	-0.2	0.3	-0.9	0.3	—
Philippines	0.3	0.1	-1.8	-3.6	-3.8	-3.8
Singapore	6.9	3.4	2.5	2.6	3.5	1.9
Thailand	0.7	-1.8	-7.6	-11.2	-3.2	-2.1
Viet Nam	-1.3	-4.8	-2.6	-2.8	-3.0	-4.9
South Asia						
Afghanistan	—	—	—	—	—	—
Bangladesh	-4.6	-4.3	-4.1	-4.8	-6.2	-6.1
Bhutan	2.5	-2.6	1.0	-1.9	-4.1	-5.1
India	-4.1	-4.8	-5.1	-5.4	-5.7	-5.7
Maldives	-2.5	-1.4	-2.0	-4.3	-4.9	-5.3
Nepal	-4.4	-3.9	-4.6	-3.9	-3.3	-4.2
Pakistan	-6.4	-6.4	-7.6	-6.1	-6.5	-5.3
Sri Lanka	-7.8	-4.5	-8.0	-6.9	-9.5	-10.0
Central Asia						
Azerbaijan	-2.8	-1.7	-4.2	-4.5	-2.2	-2.1
Kazakhstan	-2.4	-3.8	0.1	-3.5	-0.1	-0.6
Kyrgyz Republic	-9.3	-9.1	-10.8	-12.7	-10.0	-4.0
Tajikistan	-5.8	-3.3	-2.7	-2.3	-0.4	-0.2
Turkmenistan	0.3	-0.2	-2.7	0.9	0.3	—
Uzbekistan	-7.4	-2.2	-3.4	-2.2	-1.0	-1.0
Pacific Developing Member Countries						
Cook Islands	-7.2	0.6	-7.6	-0.9	1.4	4.2
East Timor	—	—	—	—	—	—
Fiji Islands	-8.0	-10.6	-3.2	-6.4	-3.4	-4.9
Kiribati	-36.9	-1.2	12.5	-16.9	-0.8	-37.5
Marshall Islands	18.5	9.1	15.5	10.5	8.9	17.5
Micronesia, Federated States of	0.3	0.4	-6.8	-7.7	0.2	—
Nauru	-119.1	-53.1	-41.4	12.3	-6.1	-10.6
Papua New Guinea	-0.3	0.1	-2.4	-2.5	-2.4	-1.8
Samoa	1.5	0.3	2.0	0.3	-0.7	-2.3
Solomon Islands	-3.9	-4.2	-1.6	-3.7	-6.5	-8.0
Tonga	0.9	-4.9	-2.5	-0.2	-0.4	-2.6
Tuvalu	—	34.2	58.6	22.5	97.9	19.6
Vanuatu	-1.7	-0.6	-7.3	-1.3	-7.6	-3.9

— Not available.