POVERTY AND PROSPERITY
THE TWO REALITIES
OF ASIAN DEVELOPMENT

FILE COPY

ADDRESSES BY
ATTILA KARAOSMANOGLU
VICE PRESIDENT FOR ASIA
WORLD BANK
WASHINGTON, D.C.

1989
POVERTY AND PROSPERITY
THE TWO REALITIES
OF ASIAN DEVELOPMENT

Addresses by Attila Karaosmanoglu
Vice President for Asia
with an Introduction by Barber B. Conable
President, The World Bank
Washington, D.C.
## CONTENTS

**Introduction**  1  
by Barber B. Conable, President, The World Bank

**The Two Asias**  5  
Two Asias  5  
Rapid Growth in the First Asia  6  
Debt Burdens  7  
Economic Growth and Poverty  9  
The Other Asia  10  
Population and Poverty  11  
Environmental Degradation  12  
Resources to Alleviate Poverty  13

**Opportunities for Development in East Asia**  15  
Regional Economic Performance  16  
Underlying Strengths  17  
The Experience of Indonesia and Thailand  19  
Reform and Economic Recovery in the Philippines  22  
The Regional Challenge  24

**Strategies to Alleviate Poverty**  26  
Asia's Development Achievements and Prospects  26  
Economic Growth and Poverty Alleviation  27  
The Poorest of the Poor  29  
Political Commitment  29  
Improving Antipoverty Strategies  30
A New Policy-Based Sectoral Approach 31
Poverty Alleviation and Development Institutions 32

Environment, Poverty, and Growth:
The Challenge of Sustainable Development in Asia 34
Critical Environmental Trends 35
Cost-Benefit Calculations 40
Areas for Environmental Action 41
Sustainable Development 46

Enhancing the Role of Asian Women in Development 48
An Economic Approach to Women in Development 48
The Asian Context 50
The Role of the World Bank 55

The International Economic Order and Structural Reform in Asia 58
Oil Shocks, Debt, and Development 59
Opportunities for Trade 60
The Experience of East Asia 62
The “Structural Reformers” of Asia 63
Trade in Services 65
Resource Requirements 66

Statistical Appendix 69
Introduction

Barber B. Conable
President, The World Bank

This is a collection of six speeches delivered by the Bank's Vice President for Asia, Attila Karaosmanoglu. As such it would seem to be a simple anthology of documents, but it is actually a good deal more than that. Mr. Karaosmanoglu articulates a coherent view of Asian development for which each of these speeches presents a special dimension.

The statements are organized around a single theme: the two very different realities of development found in Asia. These "two Asias" evoke the compelling contrasts between the new-found prosperity in East Asia and the severe poverty found elsewhere in the region; between the dynamic, industrialized high flyers and the more moderately performing lower-income countries; and between those nations whose economies are well integrated with world markets and those which have opened their economies more tentatively.

The countries of Asia are often perceived to be "rapidly traveling up a powerful growth path." But more than 500 million poor people live in the other Asia, more than half the total poor in all developing countries. Mr. Karaosmanoglu cautions against losing sight of this other Asia, where environmental degradation is most advanced, where severe poverty is widespread, where high population growth rates consume resources and dissipate economic growth, and where women's participation in the development process is highly constrained. It is in this other Asia that development efforts must be concentrated.
But Asian development patterns also reflect continuities and similarities. In the Manila address, Mr. Karaosmanoglu talks about the Asian growth “escalator,” a metaphor for the process of “industrialization, export expansion, and dynamic comparative advantage” that is improving the development performance of a growing number of Asian nations. This record of development success provides practical knowledge and helpful experience to other countries, many of them in the other Asia. Most Asian countries, including the poor, are moving toward liberalizing their trade policies, encouraging industrial investment and competitiveness, and promoting the growth of the export sector, especially in manufactures. Tables 3 and 4 in the statistical appendix show the very strong Asian trade performance relative to other developing countries.

These themes of development are in some ways uniquely Asian, but they are also part of the economic and social agenda in other regions of the world burdened by similar problems and attracted to similar opportunities. The interest in developing a globally competitive, export-oriented industrial sector is certainly not confined to Asian countries. Destruction of forest resources in Indonesia, the Philippines, and Thailand follows patterns much like those in Africa and Latin America. The problems of reaching the poor in an effective manner with adequate resources are largely the same all over the world. Enhancing the role of women in the development process is vital to economic growth and the alleviation of poverty in all developing countries. And effective government policies to promote growth and reduce poverty are just as critical in Africa, Latin America, and the Middle East as they are in Asia. The World Bank is dedicating an increasing share of its resources to these priorities in response to the growing demand from our borrowing member countries. The scale of the Bank’s lending can be seen in Table 5 of the statistical appendix.

Although sharing many common problems with the developing world, Asia’s contribution to development remains distinctive. In his New Delhi speech, Mr. Karaosmanoglu suggests the need to recast the meaning of “structural adjustment” as it applies to Asia. Neither the debt crisis, with its symptoms of acute macroeconomic
imbalances, nor the sweeping programs of structural adjustment, which have been applied under emergency conditions elsewhere, are common in Asia. This is not because Asian countries are immune to the external forces and the internal weaknesses that have caused such distress internationally. Rather the countries of Asia address structural problems as they emerge, thereby avoiding the wrenching change necessitated by a backlog of postponed adjustment. For this reason, the term “structural reform” instead of “structural adjustment” captures the more durable, voluntary, and consistent approach to economic policy change practiced in both the poor and the more prosperous countries of Asia.

In a region blessed with true paradigms of development yet burdened with massive poverty and environmental neglect, the challenge of development is daunting, yet hopeful. The human and institutional endowments in the region are impressive. The record of growth and poverty reduction is well established in a number of Asian countries, as seen in Tables 1 and 2 of the statistical appendix. Those achievements are being replicated on the higher reaches of the “escalator,” where countries such as Malaysia and Thailand are ascending to new levels of industrial technology and global market participation. Further down the “escalator,” however, progress is slower and the obstacles more intimidating. Can the other Asia raise its growth performance closer to the levels seen in East Asia? Will the incidence of poverty in the low-income countries register sustained and substantial declines? Will the destruction of soils and forests be arrested? Will the growth of population be slowed?

Even under the very difficult conditions prevailing in the other Asia, there is reason for hope that the responses to these questions can be positive for the future.
I want to share with you some of the excitement we derive from our development work in Asia: how the strength of many Asian economies continues to astound even the most skeptical observers, how the Bank has recently contributed to Asia's economic and social progress, and, finally, how several long-term development problems pose very serious challenges for a number of Asian countries.

**Two Asias**

Asia is far more complex than its reputation as the home of one economic miracle after another. There are many examples of rapidly growing, highly competitive, technologically advanced developing countries in Asia, but their dazzling performance tends to obscure equally compelling realities outside the spotlight. Indeed, I am increasingly concerned that Asia's high repute in development circles is beginning to create a sense of complacency, that all of Asia is increasingly perceived as rapidly traveling up a powerful growth path of rapid adaptation and international market integration.

This is simply and obviously not so. There are in fact two Asias. The first Asia, the one that inspires such international attention and excitement, is composed of the newly industrializing, high-growth economies, which have made dramatic progress in reducing the numbers and proportion of their people living in poverty. The other Asia has registered less-impressive but steady gains and has had to contend with massive development problems, including

---

hundreds of millions of the world's absolute poor. The people of this Asia are not confined to poor countries, however; large groups of poor people are living in better-off countries as well, such as the Philippines and Indonesia. The 500 million people who live in the other Asia account for more than the half the world's poor, and their plight is a stark contrast to the stunning achievements of the first Asia.

**Rapid Growth in the First Asia**

The first group of Asian countries has once again during 1987 and into 1988 demonstrated remarkable dynamism, while leading the region's strong performance. The regional gross domestic product (GDP) is forecast to grow 6.8 percent in 1988, after a 7.2 percent gain in 1987. This is well ahead of the overall rate for all developing countries, which was 4.5 percent in 1987 and is forecast to be the same for 1988. The leaders will of course be found in East Asia, where countries such as China grew by 9.4 percent in 1987, the Republic of Korea by more than 11 percent, and Thailand at a surprising 7.1 percent.

But the regional figures also include the countries of South Asia, which managed to perform solidly in spite of significant setbacks from drought and floods. India, for example, managed real GDP growth of more than 3 percent last year, even as agricultural production plummeted by more than 8 percent because of the worst drought in a generation. The resilience of India's economy will be impressive indeed if, as expected, its agricultural sector rebounds strongly and leads a vigorous recovery in GDP growth, which should exceed 7 percent.

Of considerable importance in the region's performance in 1987 was a remarkable surge in manufactured exports. Again, the leaders were in East Asia, as China, Korea, Malaysia, and Thailand all registered real growth rates of manufactured exports of 25 to 30 percent. Indonesia, starting from a smaller base but with the benefit of favorable government policies, registered a 40 percent increase. South Asia shared in this regional trend as well, with India and
Bangladesh expanding their manufactured exports by 13 to 14 percent.

Often lost in discussions of East Asian trade issues is the strong growth of imports by Asian developing countries. For the first time in several years, the import volume of the newly industrializing economies in 1987 grew more than their export volume. For 1988, projections show a similar outcome, not only for the newly industrializing countries, but for Asian developing countries as a group. Although current account balances for the newly industrializing economies remain strongly positive, their growing appetite for imports is a welcome but not unexpected development.

The underlying forces that propel and sustain the advance of Asian countries are complex and ever changing. At the foundation is a widely shared prudence and balance in macroeconomic management. One need only to examine some key macroeconomic indicators to grasp the relative stability, over time, of most East and South Asian economies. From low inflation rates, to modest government budget deficits, to manageable levels of external debt, the figures all show with few exceptions a sustained capacity to avoid the serious imbalances that have disrupted development performance elsewhere in the world. In 1987, for example, not one of nine major Asian countries experienced inflation of more than 11 percent. Overall, the regional reputation for macroeconomic prudence is deserved.

There are other enduring factors in Asia's success: the long-term investments in human capital, the proximity of Japan as an economic paradigm and inspiration, and the willingness to integrate their economies with international markets. In addition, these countries have proved highly adaptive and flexible in their response to changing economic conditions and challenges.

**Debt Burdens**

However, not all of Asia has managed to grow rapidly and escape harmful macroeconomic imbalances. A high level of external debt
is burdening the growth of the Philippines, for example. The only Asian country to reschedule debt since the onset of the global debt crisis, the Philippines at the end of 1987 had a total outstanding external debt of about $28.6 billion, or 83 percent of GNP, while debt service consumed some 31 percent of exports after reschedulings. By continuing its program of economic and social reform, by stimulating further growth in output and exports, and with support from the commercial banks, this country could steadily reduce its debt burden. The World Bank has been working closely with the government to support its growth and reform program. Results so far are encouraging, with inflation under control and GDP growth up by more than 5 percent in 1987; the same performance is forecast for 1988.

A similar pattern of structural reform can be seen in Indonesia, which found itself under a heavy external debt burden for somewhat different reasons. Sharply unfavorable external factors in 1986 both increased the country's external debt through the appreciation of the yen and reduced its export revenues through the fall in key export prices, particularly oil. Indonesia's disciplined and resolute response to these external shocks has earned the government high marks in financial and development circles. The results have been both favorable and encouraging: steady economic growth of more than 3.5 percent since 1986 and forecast into 1988, highly successful efforts to promote non-oil exports, and an ability to service external debt without rescheduling.

The composition of World Bank lending in Asia has changed. Among the international business community there is a long-standing perception that the Bank's operations in Asia are dominated by large-scale investments in such sectors as transportation, energy, water supply, and industry. Certainly that has been the case, but last year the Bank's nonproject lending in Asia accounted for about 10 percent of total regional commitments, and this category of policy-based operations is expected to expand in several countries, especially on a sectoral basis. China, for example, comes to mind, but not as a country burdened with heavy external debt obligations, because it is not. Like others in the region, China is faced with
difficult and costly policy and institutional development problems, which the Bank can help address through adjustment lending. It has already supported the next stages of China's agricultural reform with a sector adjustment operation.

The ability of most Asian countries to adjust rapidly and effectively to changing economic conditions is significant. Not only have they demonstrated economic management skills, but more fundamentally they have sustained growth and reduced poverty. As countries have grown rapidly from low- to middle-income status in Asia, the proportion of people living in poverty has declined appreciably, thus demonstrating the strongly positive relation between economic growth and poverty alleviation.

**Economic Growth and Poverty**

In 1964, for example, Thailand had a per capita income of $110, was considered a poor country by the World Bank, and was eligible for concessional finance from the Bank's affiliate for low-income borrowers, the International Development Association (IDA). During the next fifteen years, however, growth averaged between 7 and 8 percent, and by 1980 per capita income had reached $670, which pushed Thailand out of the low-income category and reduced the percentage of people below the poverty line to about 24 percent, compared with well over 70 percent in Bangladesh and about 50 percent in India at the same time. This process has been, and is being, replicated in other Asian countries enjoying rapid, sustained growth.

The statistics on the incidence of absolute poverty are unreliable and not strictly comparable from country to country, but they do suggest relative magnitudes and trends. The incidence of poverty in Korea, for example, declined from 23 percent in 1970, when the country was still eligible for World Bank concessional finance, to less than 8 percent in 1982, while its GDP grew at an average annual rate of around 9 percent. Under such conditions, the needs of poverty groups for special programs are shrinking, and the resources
available to pay for such programs are expanding—a highly desirable, if relatively infrequent, confluence of events.

The Other Asia

Such spectacular results in development can distract attention from the long-term development problems that rest very heavily on huge numbers of Asia’s people. At the core is the problem of poverty, which in turn is closely linked to rapid population growth and environmental degradation. These three major problems torment the development potential and prospects of what we might call the other Asia, where modest economic growth rates, high population growth, and severe development constraints have left more than 500 million people trapped in poverty and exerting relentless pressure on fragile environments.

In this other Asia, the ill-informed might expect to find stagnant economies and incompetent regimes, wracked by political instability and incoherent economic policies. Such situations can be found in the world today, but they are increasingly rare in this region. The other Asia, in fact, is distinguished by the overall competence of governments; the relatively steady, if not spectacular, growth of their economies; and in many cases the lively participation of the population in the economic and political life of the country.

India, which has more than 300 million of the world’s absolute poor, had average annual growth rates of 3.5 to 5 percent since the 1960s, with low inflation, a manageable external debt burden, an extraordinarily successful application of Green Revolution technology, a demonstrated capacity to avert famines during catastrophic droughts, and a vibrant democracy. Yet 43 percent of India’s people live in poverty, down only 9 percent since 1970. In India, as in most of the other Asia, the dynamic interaction between growth and poverty reduction has not yet taken a firm enough hold, and the enormous economic potential, as both producers and consumers, of nearly half the country’s population remains largely untapped.
Population and Poverty

Rapid population growth joins with poverty to perpetuate human misery. In Bangladesh, a country with about 60 percent of the land area of the Federal Republic of Germany and almost twice the number of people, the population has grown more than 2.5 percent a year since the 1960s. Meanwhile the economy, again like many countries in the other Asia, has registered steady but slow growth, with the result that the per capita increase in income per year has averaged less than 0.5 percent during the past twenty years. Agricultural growth has also leveled off, falling below the population growth rate and rendering the government's goal of food self-sufficiency increasingly distant. Beneath these statistics are the realities of life for the rural poor, where the fixed, or even shrinking, supply of nature's endowment, in this case cultivable land, must support a rapidly increasing population and where a government must provide services and infrastructure at an equally rapid rate just to stay even.

Population growth, it has been argued, is a self-correcting problem. Demographers explain how economic growth over time will ultimately begin to close the "demographic scissors," that is, as per capita incomes increase, families will have fewer children, thus reducing the birth rate, while the death rate will stop falling as the positive effects of health and medical care begin to level off. Over time the two rates will converge, as they have in Europe, and produce a lower population growth rate and ultimately a stationary population size. Such calculations, which are so relevant to European realities, are a grim mockery in Bangladesh, where in twelve years the total population is projected to increase by some 40 million people. To anyone who has spent time in that country, the addition of so many more human beings to a land that was half submerged under floodwater last month is not pleasant to contemplate.

According to theory, population growth, like poverty, can be reduced naturally through a dynamic interaction with economic growth. In countries such as Korea, that theoretical process is
working. With population growth rates expected at about 1.2 percent during the next twelve years, the population will grow by only about 5 million people. But in the other Asia, if this process is left to its own momentum, it can only lead to calamity, because expected economic growth rates are too low to exert the desired influence on fertility and population growth.

**Environmental Degradation**

Another long-term development problem is not unique to the other Asia, but its effects are potentially severe there: environmental degradation. On the one hand, the relation with poverty and rapid population growth is relatively straightforward: as more and more people in poverty press upon limited natural resources in rural areas, they begin to deplete the stock of renewable resources and degrade the natural base on which those resources renew themselves. This can be seen in the long-term deforestation of watersheds in South Asia and in the severe erosion that it has precipitated. On the other hand, people living in poverty are also the victims of environmental harm inflicted by others, such as the pollution of air and water by relatively well-off urban and industrial areas or the sometimes reckless clearing of tropical forests by logging operations. In some locations in the other Asia, the complex and destructive interaction between environment and poverty is well advanced.

What is to be done to address these long-term problems of poverty, population, and environment in the other Asia? We know that rapid economic growth over time can yield dramatic progress in some cases, and these countries are certainly striving with substantial assistance from the World Bank to accelerate their growth. But we must be realistic. In the face of severe development constraints, improvements will be more gradual and less dramatic than in the dynamic economies of East Asia.

Are increased efficiency of existing programs and more effective project investments viable solutions? Some governments do have effective antipoverty, environmental protection, and population
programs, and the Bank has worked, and will continue to work, on ways to help improve them.

Indeed, poverty, population, and the environment are areas of long-standing World Bank advocacy and action. Development lending and analytical work are expanding rapidly in Asia in response to increased demand for assistance. For example, in the area of the environment, the Bank supported a large forest rehabilitation project in China in 1987 as well as a forest conservation project in Indonesia. Major environmental studies are forthcoming in 1988 for the Philippines and Indonesia. But efforts by the Bank and the government to increase efficiency, improve policy, and better target investments and expenditures can go only so far.

**Resources to Alleviate Poverty**

Clearly, there is a need for additional resources, for, without them, the acceleration of progress we all seek will not be achieved. Unfortunately, the flow of resources to the poor countries of South Asia, particularly official development assistance, has suffered a relative—and in some cases an absolute—decline.

This has both bilateral and multilateral dimensions. India has seen its share of Bank concessional lending decline from an annual average of $2 per capita in 1979-81 to less than $1 in fiscal 1988. This decline occurred in response to the desperate needs of Sub-Saharan Africa and the emergence of China as a major claimant on the Bank's resources. But the pattern is shared by bilateral donors, as well. The latest report of the Organisation for Economic Co-operation and Development (OECD) shows that South Asia's share of gross disbursements of official development assistance from the major bilateral donors (Development Assistance Committee countries) has declined from 23.5 percent in 1976 to 14.1 percent in 1986. For all donors, multilateral and bilateral, shares of gross disbursements of development assistance have declined from 9.4 to 5.4 percent for India during those ten years and from 4 to 3.1 percent for Bangladesh.
The other Asia, we must remember, is not a club of fixed membership. In future years some countries may advance to higher development categories, but it is more likely that new members will be added in that time span. Countries in Southeast Asia that are now undersupplied with western development resources seem to be entering fundamental economic and political transitions. In time, they may well be prepared to undertake the necessary adjustments that will qualify them for significant increases in development assistance, but this will just place further strain on the region's dwindling share of development assistance.

At the 1988 meetings of the World Bank and International Monetary Fund in Berlin, Barber Conable, president of the World Bank, eloquently set out the Bank's renewed commitment to addressing long-term development challenges. Here I have attempted to set out some of the dilemmas and contrasting realities of the development process in Asia. It is a region of great achievements, profound potential, and unquestioned further needs. But the wonders of development seen in the first Asia should not distract our attention from the scale and causes of human misery in the other Asia.

Allowing this huge proportion of humanity to remain in the vicious circle of poverty, high fertility, and environmental neglect is not just a moral problem for the world community but a lost opportunity to tap the productive and creative energies of hundreds of millions of human beings. Certainly, there is a will, both here and in the countries themselves, to confront this challenge directly.
Opportunities for Development in East Asia

The economic progress seen in East Asia during the past twenty years may well be remembered by economic historians as the ignition phase of a prolonged era of intense global competition. Certainly the changes already wrought by this burst of economic energy are stunning and exciting.

But competition is perceived differently according to how its effects are felt. In the United States today, global competition conveys a sense of challenge, if not siege, as long-delayed adjustments are painfully put into place. For the developing countries of East Asia, the challenge of competition is perhaps perceived in less defensive and insular terms. Here, the competitive environment has expanded, with visible material benefits for many countries once thought to be mired hopelessly in poverty. Competition in East Asia has been welcomed, not feared, as an expanding arena of investment and production opportunities.

It is within this regional setting of rapid adaptation and economic change that the Philippines must adapt its growth strategy to ensure sustained recovery and long-term equitable growth. Factors such as shifting comparative advantage, rising labor costs in neighboring countries, and new sources of foreign investment create tremendous potential in East Asia for countries that are able to seize the opportunities. Those unable or unwilling to react positively may fall behind.

An address to the Philippine Society of International Law, Manila, Philippines, April 25, 1988.
Regional Economic Performance

The future prospects of the East Asia region are determined in part by the patterns and achievements of the recent past. Since the mid-1960s East Asia's real annual growth rates have averaged more than 7 percent, better than any other region in the world. Between 1980 and 1985 the region's margin over its competitors expanded, as its average annual growth rate was more than twice the average growth rate of developing countries and three times that of the industrial countries. And this occurred during a global recession.

The export performance of the East Asian countries has also been the strongest among developing countries during the past twenty-five years. They have progressively increased their share in world markets and have overcome the effects of the slowdown in world trade in the 1980s better than most countries. The volume of manufactured exports from the region grew 14 percent a year between 1980 and 1984, when world trade in manufactures grew at only about 4 percent a year. Except for the region-wide downturn in 1985, that trend has continued.

The success of East Asian countries in both industrialization and manufactured exports has included an ability to overcome unfavorable global trends. This is one key to the World Bank's near-term outlook. More specifically, although the trading environment may become more protectionist and the twin deficits in the United States may yet cause global demand to contract, we at the Bank still believe that 1988 will mark another year of strong growth in the region. And we see no reason fundamentally to alter that outlook for succeeding years.

The Philippines is certainly part of that positive scenario. With important reforms generating the needed incentives for industrial restructuring and recovery and with continued openness in the trade regime, the Philippines should be able to build on last year's recovery and sustain this progress in the years ahead. The Republic of Korea's powerful performance last year might moderate somewhat in 1988, but Thailand and Malaysia seem to be positioning themselves for much improved performances in the near term, with sig-
nificantly better growth rates than last year. Indonesia, although slowed by drastic changes in its terms of trade, has managed a very difficult adjustment process well and has sustained respectable growth rates, which should continue this year. China is extending its already far-reaching reform process, and that should be accompanied by continued robust economic growth this year.

Underlying Strengths

Our optimism on regional growth prospects is founded therefore on a solid, well-established record of regional advance, achieved at times under adverse global conditions. Although impressive statistics can sometimes obscure fundamental underlying problems, in the case of East Asia we would argue that there are underlying strengths.

Response to External Shocks. Briefly stated, there are three underlying factors that give the region its distinctive character and promise. First, the governments are able to respond quickly to external shocks with the right policy packages. They have accurately assessed the structural weaknesses of the economy and have identified new opportunities to be explored.

A revealing and demanding test of this factor occurred after the second oil shock of the late 1970s, when governments in the region had to contend with much higher oil import costs and the resulting global recession. Korea, for example, weathered that test with a generally conservative macroeconomic policy stance, choosing an immediate but short-lived contraction of demand and a real depreciation of the exchange rate. After a brief slowdown, Korea resumed its growth momentum. Thailand's response was more measured in macroeconomic terms and combined monetary contraction with fiscal expansion. Ultimately this proved to be successful, but it stretched the adjustment period out perhaps longer than needed. Malaysia, after an initial experiment with attempts to stimulate domestic demand, pursued a path of fiscal retrenchment.
The tempting choice of a substantial increase in government spending and real appreciation of the exchange rate adopted by the Philippines in the early 1980s produced well-known consequences for the country's external position and industrial sector. It led to the near collapse of industry and the financial crisis of 1983. But that experience remains exceptional, and even those countries, like the Philippines, burdened with high external debt are containing fiscal deficits and keeping inflation under control.

Export Market Penetration. A second underlying strength of the region is its uncanny ability to penetrate markets. One may worry about future access to those markets, but I believe there is still substantial room, despite all the appearances and impressions, for expanding exports. In 1984 the share of developing countries generally in the imports of key markets was still low: 29 percent in the United States, 26 percent in Japan, and 9 percent in Europe. For East Asian developing countries as a group, including Korea and China, their shares of those import markets were of course lower, at 7.6 percent of the U.S. market, 14.5 percent in Japan, and only 1.7 percent for the European Economic Community.

More significantly, the share of developing countries in the total market for manufactures in the United States, where the levels of import penetration are the highest, was less than 2.9 percent. Protectionism does present a potential hazard, but the proliferation of nontariff barriers in the industrial countries has not halted the steady growth of East Asia's market share in world manufactured exports. These countries have been quick to change the direction and composition of their exports to overcome those obstacles.

Escalator of Development. The third pillar of our optimistic regional outlook is the ability of country after country to enter successfully into a fast-paced process of structural economic change. I would liken this process to countries on an upward-moving escalator of industrialization, export expansion, and dynamic comparative advantage.

It has been tempting in the past to see that escalator either as slowing down or admitting no new riders. Japan's ascension was, at one
time, seen as unique. But its path upward was followed by the newly industrializing countries of Asia, so that their industrial structure is now similar to that of Japan in 1965, and they are among the few countries that hold surpluses in today's unbalanced world trade. As the more recent entrants from the Association of South-East Asian Nations (ASEAN) have made their presence known on the lower steps of the escalator, skeptics have discovered yet further evidence of the replicability of the phenomenon. The march upward from resource-intensive production, to labor-intensive, to capital-intensive, and finally to skill- and technology-intensive industrial production keeps the escalator moving and creates space for new entrants.

At the core of this phenomenon is competition, with its hallmarks of rapid entrepreneurial response to new market opportunities, the increasing use of up-to-date technology, a relatively open trade regime that admits rather than excludes potential competitors, and a supportive policy framework from governments.

An extensive array of government policy interventions has been used in East Asian countries. Various export promotion policies, import liberalization strategies, tax and financial reforms, and industrial restructuring and technological improvement policies have all been applied with varying degrees of commitment, skill, and success in the region. The Bank devotes considerable effort to comparing the experiences of reform in East Asia. Although no two countries have followed identical paths, a few cases stand out as particularly well designed and implemented.

**The Experience of Indonesia and Thailand**

Indonesia and the World Bank have worked together on a program of trade policy reforms during the past three years. That experience would seem to be of particular relevance to the Philippines. In March 1985 the Indonesian government began its program with a comprehensive reform of the tariff schedule. It was followed by the complete reorganization of the customs, ports, and shipping operations and a new system through which producer-exporters could
obtain internationally priced inputs free of import duties and restrictions.

These initial changes, while extensive, did not fundamentally alter the antiexport bias of the trade regime, because nontariff barriers in the form of a proliferation of import licenses still discouraged the development of globally competitive producers. So in 1986 and 1987 the government took further steps. It removed import license requirements on 31 percent of all items, so that the proportion of domestic production protected by import licenses declined from 49 to 34 percent. These measures marked a significant transition from the use of import restrictions to a trade regime based on tariffs.

This example mirrors the trade reforms taking place in the Philippines in a number of ways, including the use of higher tariffs to provide some domestic producers with breathing space in the near term. But the point to emphasize here is the importance of tariffs over nontariff barriers as the preferred instrument in trade policy. Attempts to exclude or quantitatively limit imports invite a host of administrative problems, and they encourage the development of high-cost, noncompetitive industrial producers.

Indonesia also substantially revised export policies in its recent wave of reforms. Various administrative burdens on exporters were removed or simplified, and access to duty-free imported inputs was expanded to more firms. Industrial regulations were also removed and simplified, so that investors, including foreign investors, would no longer face a complex maze of discretionary regulations and requirements.

These changes in trade and industrial policy have a pragmatic rationale. The value of Indonesia's oil exports has fallen off dramatically, which has created an urgent need for non-oil exports to take up the slack. The future expansion of industrial employment opportunities is another vital consideration.

Textiles, plywood, and minerals have responded well to the new incentives, as have agricultural exports. For the future, however, Indonesia's manufactured exports are expected to set the pace. In
1987–88 they grew by 43 percent in real terms. Of considerable interest here is the growth of other manufactured goods, that is, those excluding textiles and plywood. This category shot ahead at 82 percent in real terms. This group of manufacturers is expected to lead export growth in the coming years, and it is on this group that the new investment and export promotion policies are having their most telling effect.

In Thailand, the past two years of very rapid growth of manufactured exports seem to have positioned the country for sustained rapid industrialization and export growth reminiscent of the Asian newly industrializing economies. Recent foreign investments from Japan and, increasingly, Taiwan have played an important role in these developments. Industrial growth has been broadly based, but particularly strong expansion has occurred in textiles, integrated circuits, automobiles, and canned food.

The relocation to Thailand of Japanese and Taiwanese export industries is a trend of particular relevance to the Philippines, which has the potential to attract these sorts of investment shifts as well. The policies pursued by the Thai government have been a major factor in this almost textbook pattern of outward-looking growth, but external factors such as the depreciation of the dollar since 1985, which enabled the government to devalue the baht by about 20 percent, and the fall in the oil import bill have also contributed significantly to Thailand’s success.

From these brief accounts of the experience of competitors in the Asia region, I would highlight two issues of importance to the Philippines. First, there has been a sustained commitment to macroeconomic stability and to reform programs affecting the trade and industrial sectors. These reforms take time to work, and mixed or interrupted signals will prolong the interval between implementation and positive results. Clearly, the situation in the Philippines was distinctive: its stabilization and trade reform programs of the early 1980s encountered various difficulties as the country passed from economic to political crises. The resulting hiatus in the reform program has meant that present efforts must make up for lost ground in
the Philippines' effort to develop a more competitive position in the region.

A second insight I would draw from the Indonesian and Thai examples is the remarkable rapidity of economic change in East Asia. A few years ago, no one was discussing the emergence of Thailand as the next newly industrializing economy. The movement of surplus investment capital by Asian countries to new investment opportunities is another sudden change of great potential significance. If matched by the further opening of the Japanese domestic market to the exports of the newly industrializing and ASEAN countries, the repercussions and the opportunities would be very substantial indeed. The rapid changes in the structure of Indonesian industry are another instance of accelerated change in the region.

**Reform and Economic Recovery in the Philippines**

It must be a source of considerable pride and satisfaction that the Philippines is by all signs on the move again. The strong growth of gross national product (GNP) of 5.7 percent in 1987 was accompanied by a list of other accomplishments, which are well worth mentioning. With the budget deficit under control, inflation stayed low at 3.7 percent country-wide, while industrial growth surged ahead at 8 percent in real terms. Manufactured export earnings rose by more than 27 percent from 1986, which helped compensate for lower earnings on primary product exports. The result was a healthy 18 percent increase in the value of exports.

These strong signs of recovery have been backed up by steady and timely progress on reform. Financial restructuring has progressed well, with the reorganization of the Development Bank of the Philippines and the Philippine National Bank among other positive steps. A major advance in tax reform occurred in January 1988 with the introduction, ten months ahead of schedule, of the value-added tax, which will help the tax system operate more fairly in the industrial sector. The World Bank announced the release of the second tranche of the Economic Recovery Loan to the Philippines early in 1988 as a result of the impressive reform record.
A more recent example of the growing partnership between the Philippines and the World Bank was the successful conclusion of negotiations on a $200 million loan to support the government’s program of restructuring and privatization of government-owned corporations. This loan was approved by the Bank’s Board of Directors in 1988.

The large nonfinancial government-owned corporate sector has required substantial government support through budgetary outlays. The objectives of this Bank-supported corporate reform program are to encourage efficiency and fair competition in the government corporate sector and to help the government withdraw from activities that could be performed more efficiently by private firms. Corporations that remain in the public sector will receive assistance to upgrade their management systems. I cannot overemphasize the importance of this program to the development of a more efficient and productive economy, and the resolve of the government to press ahead with such difficult reforms is an impressive measure of commitment.

Another crucial area of reform that has benefited from the strong partnership between the government and the Bank is the trade liberalization program. Here, too, the firm commitment to the program has been amply displayed with such measures as the lifting of import controls on some 300 items to date. Much like the Indonesian program, the objective in the Philippines is to remove government controls on import trade and to use a tariff system to provide industrial protection. And, again in common with the Indonesian program, the trade liberalization steps aim to increase the competitiveness of domestic producers, so that Philippine exports will be able to expand.

I would like to emphasize two points about the Philippine trade liberalization program. First, removing these import restrictions has not led to a flood of imports. Last year total imports increased by 34 percent, only slightly higher than expected, while imports of liberalized goods increased by 58 percent. But the share of liberalized goods...
goods in total imports has gone from 11 to only 14 percent, not a substantial increase.

Second, we should keep in perspective the underlying purpose of trade liberalization. The central purpose is not export growth for its own sake, but growth in overall manufacturing and manufacturing employment. With poverty and unemployment of such central concern in the Philippines, it is important that the country begin to build a more labor-intensive and productive industrial structure, which will be able to absorb significantly larger numbers from the work force.

Are these trade liberalization measures starting to take effect? The answer is yes, and not all the positive effects are seen in trade volume. The experiences of other countries show that liberalization can raise the quality of domestically produced goods, while in many cases lowering their cost. Studies also show that liberalizing countries experience a strong growth in exports, as import substitution industries make the transition to exports and new firms are established.

There are other concrete signs of this process at work in the Philippines at this still early stage. The tire industry, for example, is now facing competition from imports admitted at lower tariff rates. The three leading tire manufacturers are responding with a three-year investment plan of some 800 million pesos to upgrade the competitiveness of their products. Instead of hurting local production, a more liberalized trade regime has stimulated plans in this case for industrial expansion and modernization.

The Regional Challenge

It is important to discuss the regional competitive context for Philippine development because, for all its recent progress in policy reform and economic performance, the Philippines faces regional competitors who are moving up that escalator I mentioned earlier with surprising speed. Such a pace of regional growth and adaptation is a formidable challenge to this country, both as an inspiration
of what can be done and as a reminder of how far there is to go. There is precious little space for major setbacks and disappointments.

To clarify that point further, the issue is not the pace of the Philippine reform program or its content. There are, indeed, steps still to be taken, but the government has defined this program and is following it well. Whether the Philippines will accelerate its progress in concert with its East Asian neighbors now depends on the determination of the country and its people to follow through with this program over the long haul.

This is perhaps too stern a message for a country whose dramatic political achievements in recent years have required from its people and leaders such enormous drive, energy, and resolve. But, as the government has made clear to the country and to us at the World Bank, the economic agenda of recovery and revitalization is at the very foundation of the country's hopes for peace and development. The World Bank has supported, and will continue to support, this program to the limits of its ability.
Finding ways to reduce poverty is an invitation to confront the most difficult challenge in development. There are no blueprints or panaceas to solve the problem of poverty in the developing world.

**Asia's Development Achievements and Prospects**

Poverty in Asia is a highly differentiated phenomenon, ranging from the severe problems in low-income South Asia, to the stubborn pockets of poverty in the middle-income countries in East Asia, and to the regional concentrations of poverty in China. During the past twenty years, however, the poverty profile of this region has been transformed, certainly more so than any other region in the world. In the process of rapid growth, industrialization, and export expansion in East Asia, the poverty problem and the development challenge have been redefined in several very important ways.

The skepticism that once greeted the efforts of developing countries to industrialize now is grudgingly giving way to a different response—surprise, and perhaps envy. Thirty years ago no one believed it was possible for new entrants to quickly put together complex industrial enterprises requiring sophisticated human capital, diverse sources of supply, rapid adoption of high technology, and creative, aggressive marketing in unfamiliar terrain. Japan's initial success, however, was soon followed by a succession of other countries, each demonstrating that competition with the industrial-
ized West could be successfully managed under a variety of circumstances.

In Asian agriculture, the application of Green Revolution technology has had an enormous effect on the overall growth of the sector, with considerable benefit to the small, poor farmer. The specter of famine, once so threatening, has in recent years receded, as can be seen from the much-less-than-disastrous effects of India's worst drought in a generation and from Bangladesh's recent experience with the severe floods of 1984 and 1987. Food self-sufficiency has been achieved, or nearly so, in many Asian countries, and, where food imports are still necessary, as they are in Bangladesh, much progress has been made.

Prudent government economic policy has played an active, highly effective role in Asian development. Asian governments generally have avoided the large internal and external imbalances that have been at the core of the severe development problems in Africa and Latin America. Many have been adept at creating a stable environment in which high rates of saving and investment have been sustained. The positive contribution of government policy to the growth of Asian economies cannot be understated.

Can the industrial expansion, which has carried the region this far, continue its rapid growth? The constraints of growing protectionism, industrial country imbalances, developing-country debt, and sluggish global growth would suggest that the possibilities are limited. Yet, the high growth rates of the late 1970s and early 1980s were achieved despite the increasing protectionism and slow growth of the industrial economies. Today, Asian producers have still only slightly penetrated global markets for industrial exports. The dynamic growth of the region has not yet encountered a ceiling, and World Bank projections indicate a continuing vigorous performance.

**Economic Growth and Poverty Alleviation**

The effect of buoyant economic growth on the progress of poverty alleviation has been incontestable in the region, particularly in
East Asia, where poor countries have raised per capita incomes substantially while reducing poverty to smaller pockets in rural areas. Progress has been made in South Asia as well under far more difficult conditions, such as rapid population growth and higher population densities.

Any effort to reassess antipoverty strategies must take into account the strong, demonstrated relation between overall economic growth and the incidence of poverty. Indeed, the World Bank's Poverty Task Force recently concluded, as have many studies on poverty before it, that economic growth is a significant factor in the reduction of mass poverty. The converse case is equally well established: the incidence of poverty has increased in economies that are stagnant or in decline.

Although those propositions would seem to be widely accepted, they do not fully address the fate of the poor under conditions of strong growth. As study after study has shown, the benefits of long-term growth do not always accrue to those living below the poverty line. This nonparticipation of large groups of the population helps explain why the number of people living in absolute poverty has increased in low-income countries in spite of respectable economic growth during the past three decades. In many middle-income countries around the world, sizable pockets of poverty persist side by side with relative affluence and vigorous growth.

Again, these are not startling revelations. But they do provide the basic rationale for an important conclusion: growth policies must be supplemented by clearly defined poverty alleviation efforts. Those efforts, I should emphasize, need not be uneconomic; indeed, the scope for growth-oriented poverty alleviation efforts is large and exceeds those where efficiency tradeoffs are necessary.

For the World Bank, this sort of thinking on poverty is crucial, because it, or any development organization, could not justify antipoverty interventions that amounted to unsustainable welfare programs. Helping the poor enter the development process and the productive mainstream is our joint objective. It also meets the most basic aspiration of the poor.
The Poorest of the Poor

For the poorest of the poor, reaching that objective will be especially difficult. The distinctive characteristics of this group separate it from the less poor and deprive the people in it of the assets, income, and basic nutrition that would enable them to respond to incentives and participate in the development process. At the bottom rungs of society, people struggle to obtain adequate nutrition, but generally they fail, which leads to a higher incidence of mortality and morbidity and denies them the mobility they need to take advantage of new opportunities. A recent Bank study of eighty-seven low-income countries found that about 16 percent of their total population falls into this category of extreme poverty. The plight of these people—the landless, the assetless, women, and groups long bypassed by development—assaults our conscience and challenges our resolve and ingenuity.

Assisting the poorest of the poor involves many practical difficulties, especially for large development finance organizations such as the World Bank. One way to make interventions more effective is to undertake them at the micro level through groups and organizations that are intimately familiar with the local dimensions of the problem. Many of these programs are difficult to replicate or expand without heavy additional costs and a loss of effectiveness. Defining operational instruments and procedures that can channel substantial resources and expertise to very small-scale interventions without compromising the quality and independence of the local intermediaries is a perplexing issue. There is no question, however, that the role of nongovernmental organizations (NGOs), particularly domestic ones, must expand in order for the development community to reach the poorest of the poor, and that this must be accomplished through a partnership between NGOs, governments, and external financing agencies.

Political Commitment

In talking about poverty alleviation, one inevitably overuses such words as "difficult," "intractable," and "challenging." The respect
we have for the level of difficulty in poverty alleviation comes first from the technical issues of what to do and how to do it effectively. Beyond those technical issues lies a less concrete but vital second consideration—political commitment. Effective poverty alleviation involves structural shifts of great importance to the balance of political and economic forces in any poor country. Just as a structural adjustment program usually requires politically sensitive change, so too will efforts to shift resources toward the poor arouse vested interests while they empower the powerless. Without serious government commitment to an antipoverty program, no amount of external good will or effort is likely to succeed.

**Improving Antipoverty Strategies**

Shaping the broad outlines of an antipoverty strategy requires first that the achievements of past and present antipoverty approaches be recognized and built on. Past efforts have emphasized investments in sectors in which the poor predominate or which provide services that benefit the poor. Accordingly, such areas as rural development and agriculture, the social sectors, urban development, and small-scale industry have been a frequent choice for investments, technical assistance, and institutional reforms. More recently, the frustrations encountered in reaching the poorest of the poor through sectoral investments have led many countries to emphasize targeted employment, food, and health programs, often with significant NGO participation. Certain changes in macro policies have been useful as antipoverty interventions as well, although their effect is normally felt over a longer period.

As effective as those approaches have been over the years, especially in the more economically buoyant 1960s and 1970s, the need to improve their effectiveness has become increasingly urgent in recent years. In the more constrained economic environment of today, approaches are needed that will extract even more gains for the poor from existing resources.
A New Policy-Based Sectoral Approach

Current approaches can be modified to reach the poor more effectively. One of the more promising innovations concentrates on policy and resource decisions at the sectoral level. Resources for poverty alleviation are not limited, however, to reallocations within government budgets, but should be seen as a tripartite undertaking involving the government, external financing agencies (including the World Bank), and private sources of development assistance.

The emphasis on policy and resource allocation is best articulated at the sectoral level. Agriculture, health, family planning, education, and urban development are the sectors in which this policy-based approach has the potential to work well in the alleviation of poverty.

In agriculture, for example, productive employment opportunities can still be extended significantly through improved technologies and better access to water, fertilizer, improved seeds, and rural infrastructure. Tested major improvements in surface irrigation techniques and the expansion of groundwater irrigation are now available. The attraction of the Green Revolution technologies is that they are scale-neutral and promise improved yields for small farmers. These technologies also tend to be labor-intensive. In Bangladesh, agriculture will remain the major source of employment and income for some time, but it will not be able to absorb all the new entrants to the labor force.

Improving the access to social services is another instance in which a policy-based sectoral approach can directly benefit the poor. Significant strides can be made in orienting social services toward poorer households and in matching the content of these services to the objectives of poverty alleviation. Services in such areas as health, nutrition, family planning, education, and training have important roles to play in poverty alleviation efforts. They serve both as consumption flows, which improve the present welfare of the poor, and as investment in human capital, which leads to future yields in productivity.
A sectoral approach will also be useful in adjustment programs, which often require cutbacks in social programs, retrenchments in public employment, and phaseouts of unsustainable consumer subsidies. These cost-cutting reforms may be unavoidable in macroeconomic terms, but often the urban poor bear a disproportionate share of the burden. The social cost of some adjustment programs, particularly in Latin America and Africa, is a matter of increasing concern in the Bank's operations. Although new programs to compensate the poor for their losses in the adjustment process may be necessary, the initial design of adjustment programs at the sectoral level should seek to lower those potential costs to the poor at the outset.

Another area where resources can be used more creatively and aggressively is in targeted programs, which have had some success in reaching the poorest of the poor. Here, the way forward is less clearly defined, but by working with local NGO partners and by drawing from the successful innovations already in place, such as rural credit in Bangladesh, substantial progress can be achieved. Such programs, targeted to the landless and unemployed and stressing sustainable activities to generate nonfarm income, may offer one approach for Bangladesh to explore.

**Poverty Alleviation and Development Institutions**

It would be fair to ask at this point what all this means for the operations of development institutions such as the Bank and for its relations with borrowers. These issues are still under intense discussion, but it is possible to outline in very general terms where this process should lead.

The central procedural problem the World Bank faces is how to establish an effective framework for Bank managers to undertake more of the high-risk, staff- and resource-intensive, and innovative operations necessary to alleviate poverty. One example of this sort of operation is the Poverty Alleviation Credit now being discussed by the government of Bangladesh and the Bank. That is the kind of work that the Bank needs to do more of, and not only in
Bangladesh. To move a large organization toward more difficult and riskier projects requires a clear indication from the institution that an increased level of antipoverty work is highly valued and that a shift from other activities in favor of poverty alleviation is a priority.

One possible step in that direction would be to define the Bank's poverty alleviation operations with more rigor. This would concentrate the attention of Bank staff, management, and the Board of Executive Directors on poverty issues, while encouraging a renewed dialogue on those issues with country borrowers and the donor community. But such an approach also raises the question of how to define an antipoverty operation since poverty alleviation objectives are implicit in all Bank operations. These are very complex issues, but the absence of perfect definitions cannot be allowed to bar the way toward a more substantial commitment to poverty alleviation. These issues, while difficult, can be resolved in a workable way.

Eradicating poverty, we all have discovered, is not a global campaign to be waged with unvarying tactics and unchanging weapons. Poverty is a unique phenomenon, recreated from country to country, province to province, and village to village, according to very complex, highly variable sets of local conditions. Poverty is not the same as an overvalued currency, which can be corrected by a government edict or solved, for that matter, by the recommendations of a task force or a commission. But poverty can and will succumb, step by step and country by country, to the concentrated, sustained efforts and the stronger collaboration of antipoverty forces. It is with that higher level of cooperation and commitment that progress will be achieved, even in places where it has come grudgingly, and at a substantial cost.
Environmental problems vary widely with the state of development. In a rich industrial country such as the United States or in a prosperous state such as Massachusetts, the thrust of environmental concern is directed mostly at improving the quality of life and removing the elements that threaten it, such as toxic waste or poisonous chemicals. Here, incomes and expertise are available, if not always deployed, to monitor environmental trends closely, design corrective actions if those trends are unfavorable, and pay for preventive and restorative activities.

In developing countries, however, efforts to protect environmental resources must contend with poverty and intense competition for access to such natural endowments as forest, soils, and water. Those resources, under relentless pressure from large and growing populations and commercial exploitation, are being degraded, depleted, and destroyed at an increasing rate. Fifteen years ago developing countries could be heard to declare that environmental protection was a luxury that only rich countries could afford, and they believed that their low level of industrialization posed no threat to the environment. Not so today. The powerful interactions among poverty, environment, growth, and development are all too apparent, especially in Asia. A growing number of governments and private environmental organizations are coming to appreciate the

An address to the Nieman Fellows at Harvard University, Cambridge, Massachusetts, U.S.A., February 9, 1989.
long-term value of natural resources and are concerned about their unsustainable overuse.

In Asia the words "sustainable development" have acquired considerable meaning and portent. In some locations the natural resources on which many millions of people rely for their livelihood are in danger of disappearing. Tropical deforestation is massive and accelerating in Southeast Asia. In Nepal deforestation and soil erosion are taking much of the productive land. Soil erosion, salinization, water logging, and overgrazing have degraded large areas in India, so that some 45 percent of the land is now considered wasteland. In and around the major cities of Asia, the pollution of water and air has reached alarming proportions. In China, serious water pollution has affected most regions.

These and other environmental developments are cause for growing concern in Asia, in the developed countries, and at the World Bank. Determining their causes, their costs to society, and their remedies are matters of great complexity and considerable urgency. What are the critical environmental trends in Asia today, what analytical approaches are being developed to better understand them, and how is the World Bank assisting Asian countries to address environmental problems?

**Critical Environmental Trends**

There are many causes of environmental degradation in Asia, some of which derive from the region's rapid industrial growth. But underlying all the adverse environmental trends is the region's large, dense, and growing population.

Some 2.5 billion people live in the developing countries of Asia, about 64 percent of the total population of all developing countries squeezed onto 26 percent of the land. In Bangladesh, for example, the population density per square kilometer is more than 700, in India 240, and in the Philippines 190, compared with Africa, where there are just over 20 people per square kilometer.
Huge numbers of these people in Asia are poor, some 500 million people. They live mostly in rural areas, many of them on marginal land, and are engaged in low-input, low-productivity agriculture. They are depleting forests, soils, and watersheds in their desperate search for cultivable land, pasture, building materials, and fuel-wood. In a vicious circle of rapid population growth, poverty, and resource shortages all too reminiscent of Malthusian pessimism, the environment is perishing in many localities in Asia. To expand production and obtain necessities for survival, the poor are consuming their natural resource base.

Asia’s population dynamics are, therefore, intimately connected to the four critical environmental trends in Asia.

- Soil erosion and other forms of land degradation are transforming the ecology and productivity of the land in many Asian countries.

- The relentless destruction of Asia’s forests has accelerated so much in recent years that, at current rates of depletion, most of the forests could disappear in the next century.

- The mounting pollution of water and air in and around Asia’s dynamic industrialized urban areas is diminishing the habitability of many of the region’s cities.

- Asia’s growing energy needs have contributed to a global debate on the environmental consequences of the main sources of power—thermal plants, hydroelectric dams, and alternate energy sources.

Soil Erosion and Land Degradation: Soil erosion is the most serious form of land degradation in Asia. No single event captures the severity of this problem and its daunting complexities as does the flooding that overwhelmed Bangladesh in 1988. In normal years the flood waters, which submerge about a third of the rural areas, are a mixed blessing of soil enrichment and agricultural bounty combined with widespread, but expected, damage to infrastructure, homes, and crops. In a bad year severe floods can inundate fully half the country, displace millions of people, and destroy their
meager assets. This is what happened in 1988, but it did so with such severity that it seemed to many observers as if something fundamental had gone wrong.

Indeed it had, but not suddenly. Environmental deterioration in Bangladesh and in the watersheds that feed the huge Ganges-Brahmaputra River system has proceeded for a long time. It is difficult to sort out the exact relative impact of geological processes of erosion on the one hand and soil loss due to the activities of people on the other. But some trends are apparent.

Under intense and growing population pressure from the rural poor, forest cover has been removed, steeply sloped hills have been cultivated, soil erosion has increased. Siltation of the riverbeds from all causes has reduced the volume the waterways can evacuate safely to the sea. The geographical scope of this process is enormous and encompasses watersheds in China, India, and Nepal, as well as in Bangladesh itself. These slow but massive changes are raising the potential cost to Bangladesh of extremes in rainfall and snowpack.

As the Brundtland Commission on Environment and Development has warned us, “a world in which poverty is endemic will always be prone to ecological and other catastrophes.”

The momentum of these long-term changes will not be easily altered nor their ravages easily prevented. Reforestation of watersheds may help in selected areas, but, in general, population densities are too high to permit successful reforestation on a massive scale. Improved agricultural techniques to reduce erosion will also take time to introduce widely. Building dams and large reservoirs is problematic as well. Unused sites are narrow, steep, remote, and costly. The volume of water in the Ganges-Brahmaputra system is huge, enough to fill all of California’s reservoirs in three days. Steps can be taken, however, to reduce the destruction of life and property. Some of these are local and small-scale and others regional and capital-intensive. What is needed is a new willingness to explore these possibilities on a regional basis.

Forest Depletion. Asia’s forests are under increasing pressure from a variety of sources. In India population is the main cause of the
deforestation and degradation of watersheds, which is proceeding at an alarming rate, especially in the Himalayas. Recent remote sensing of India's forest cover places it at 11 percent of India's land area, a perilously low proportion given the value of the forest in sustaining the lives of the poor. The urgency and importance of this problem is recognized by the government and a growing number of Indian environmental groups.

Indonesia's forests cover some 60 percent of the country, but the rate of deforestation is increasing. In the 1970s, an estimated 500,000 acres of forests were disappearing each year. In 1981 that rate had doubled. Today it may be more than 2 million acres a year. Here the pressure of poor people on the forests is also a factor, and roughly half of this deforestation is estimated to be due to smallholder agricultural conversion and shifting cultivation. Another 25 percent of the deforestation is caused by planned development projects, and the other 25 percent is attributable to poor logging practices and forest fires. Indonesia, with its vast natural resource endowment, is just emerging from a frontier outlook and is exploring ways in which forests and other resources can be exploited for domestic consumption and export production while ensuring a sustainable equilibrium with the environment.

Thailand, however, is at a different stage of resource depletion. In November 1988 that rapidly growing and industrializing country was dealt a cruel reminder of the fragility of environmental resources and the price of their overuse. Villages in southern Thailand were washed away in flash floods or buried in mud and logs, which left at least 350 people dead. This disaster focused the nation's attention on the state of the country's forests and how they are being misused. Thailand's forests now cover only about 19 percent of the land, because generations of logging and agricultural conversion have removed half of the country's forests. Three percent of the remaining forest resources are lost each year. The blame for the destructive floods is difficult to assign with precision, but poor logging practices, which have left slopes uncovered and scarred, are certainly part of the story. Villagers who converted steep slopes to tree crops also contributed. The government
recently announced an indefinite suspension on logging in the southern provinces.

The loss of forest resources is perhaps the most heralded environmental problem in Asia. Economically their potential value as productive assets has been reduced, their disappearance has increased soil erosion, and their role as habitats for a rich diversity of plants and animals is directly threatened. Another less-visible trend, but no less significant for human welfare, is the decline in water and air quality in Asia's cities and industrial centers.

**Water and Air Pollution.** By 2000, there will be twenty cities in developing countries with populations in excess of 10 million each. Half of those cities will be in Asia, many in the region's poorest countries, where urbanization is occurring most rapidly. But Asia's urban pollution is not directly attributable to population size alone. The region's rapid industrialization is a significant factor as well. Much of this industrial growth is concentrated in and around Asia's major population centers, where mechanisms for managing urban and industrial waste are not well developed.

The environmental consequences of these trends are serious. Rivers, coastal waters, and urban air are badly polluted; groundwater is overdrawn, causing salinization and subsidence; human health is threatened, particularly among the poor; and industrial costs are increased as water supplies are degraded.

On the densely populated island of Java, water pollution has reached alarming levels. Pollution loadings in some of the island's major rivers exceed conventional standards for human waste content by a thousandfold. In the Surabaya River, which supplies water for one of the large cities on the island, pollution has seriously impeded the functioning of the main water treatment plant, and the source of raw water for the capital, Jakarta, is so polluted that water in the distribution system must be boiled before it can be consumed by people. These problems are intensified by the growing industrial pollution, especially along Java's north coast, where nearly 80 percent of Indonesia's medium- and large-scale industry is concentrated. Particularly dangerous to human health are the concentrations of
toxic heavy metals that have been found in some of Java's rivers and bays.

In Bangkok the picture is much the same: water and air pollution, city sewerage facilities for only 2 percent of the population, the proliferation of slum and squatter settlements (more than 1,000 today), and growing wastewater discharge from the dynamic industrial sector. To this list must be added a more specialized environmental problem—land subsidence. Bangkok's lack of a dependable public water supply has led to heavy underground water extraction and a subsidence rate of nearly six inches each year. Extensive flooding and damage to property have resulted.

The immediacy and pervasiveness of these environmental problems invade the daily lives of many millions of urban inhabitants, from Dhaka and Calcutta to Shanghai and Manila. Safe drinking water, waste disposal, industrial effluent control, and clean-up of rivers and air pollution are intensely felt issues in Asia's developing countries. They will crowd the region's environmental, and indeed developmental, agenda well into the next century.

**Environmental Costs of Energy Development.** A fourth area of environmental concern in Asia is in the field of energy, the needs for which are rising rapidly in concert with industrialization and population growth. Additional energy is necessary to improve standards of living and increase production, but public debates have erupted on the environmental cost of the major energy sources. Large hydroelectric dams, thermal power plants, and nuclear power all have their detractors and supporters. Improving the efficiency of energy use, rather than constructing new sources, is another option often raised in these debates.

**Cost-Benefit Calculations**

Like so many other environmental issues, meeting energy needs requires the calculation of the costs and benefits to society of going ahead with alternative interventions compared with the costs and benefits of leaving things as they are. In the case of proposed large
dams, for example, decisionmakers need to know how the dam compares with alternative sources of energy and water, and they must know what will happen if they decide not to build a dam at all. Leaving a river valley in its natural state may seem environmentally benign, because forests will not be inundated, wildlife will not be disturbed, and people will not need to be resettled. But inaction also involves negative environmental effects that need to be considered as well. Without irrigation water from such a dam, the growing population will settle on marginal land for rainfed agriculture, cut down more forest, and cause more erosion. With no new sources of energy, the needs for fuelwood will continue to rise, and forest resources will continue to be used up to meet those needs. These and other environmental costs must be added to the significant economic costs of not building a dam, and then a decision can be made.

Including environmental costs and benefits in that procedure means attaching values to them. This adds another dimension of difficulty. Estimating the outcomes and assigning values to such factors as soil erosion, forest depletion, water pollution, sedimentation of rivers and streams, destruction of wildlife habitats, and loss of biodiversity presents economists and environmentalists with some very tough issues of definition and analysis. We are just beginning to come to grips with them.

Areas for Environmental Action

The World Bank has become increasingly involved in the kinds of studies and environmentally targeted projects that help governments to frame these issues in appropriate terms and to choose the most socially beneficial interventions. Its work is concentrated in four key areas of environmental action, which correspond to the main environmental trends in the region: new approaches to soil erosion and watershed management, preservation of forests, abatement of water and air pollution, and reduction of the environmental costs of energy projects.

Soil erosion and watershed degradation, like other environmental issues in Asia, are closely tied to population densities and growth.
In regard to population, governments have been trying to reduce the fertility rates of the diverse populations living in Asia for many years. The World Bank has provided substantial funding for these efforts in several countries and will continue to do so. But the most crucial ingredient will be the level of effort and commitment of the governments themselves. The Bank is confident that governments in the region, especially in low-income countries where population growth rates and densities have reached almost crisis proportions, will raise the priority of family planning as a developmental and environmental objective.

Soil Erosion. Soil erosion is the most important land degradation issue in Asia. As mentioned earlier, this process is a long-term aspect of the increasing vulnerability to severe flooding of downriver populations in such countries as Bangladesh. For many years the World Bank has supported the construction of local flood control infrastructure in Bangladesh as well as the rehabilitation efforts after severe floods. This important work must be expanded and improved. But better regional coordination is also needed between Bangladesh and neighboring states on new initiatives to regulate the flow of floodwaters, to prevent erosion, and to provide warnings of potential disasters. On previous occasions, the Bank has offered both to act as an intermediary for such discussions and to organize technical explorations of the issues. These offers, of course, still stand. It is hoped that more progress will be achieved in this vital area.

The World Bank’s work on soil erosion and watershed management in Asia is extensive and will continue to expand. In 1989 the Bank has sixteen active projects that include watershed management components, and six more are proposed during the next three years. It is also studying new, low-cost ways to arrest soil erosion using vegetative natural barriers. One species of grass, known as vetiver in South Asia, seems to hold particular promise because of its durability, its low cost, and its significant effect on moisture conservation and crop yields, as well as its ability to prevent erosion.
Forest Preservation. The second area of action is forest preservation. An example of such a problem can be seen in the Philippines, where a resource of great value is close to extinction. Mainly because of logging, the extent of old-growth Philippine mahogany forests, that is, the most commercially valuable hardwoods, has shrunk from more than 24 million acres in the 1950s to about 7 million acres in 1989. At current harvesting rates, this resource could disappear in about five years. If all commercially exploitable timber is included, in thirty years existing stands will be exhausted from logging alone.

The World Bank has studied this and other natural resource problems in such countries as the Philippines and Indonesia and has identified what it considers an important aspect of the forest depletion problem and its solution. On publicly owned forest land, private concessionaires typically pay low user fees to the government, such as a flat charge based on the volume of timber removed. These modest forest charges allow concessionaires to earn returns far above their costs and a normal rate of profit. This amount is an economic rent, and, with a publicly owned resource, that rent is going to concessionaires, not to society, which owns the resource. In addition, those high rents are powerful incentives for destructive logging practices, which cause forest stands to be mined, not harvested. In other words, because of the low cost of the resource, concessionaires now earn returns that far exceed the discounted returns they would earn in the future through careful logging practices and the regeneration or replanting of the stand.

This analysis suggests several desirable courses of action. Governments should change concession systems to encourage sustainable yield management of forest resources. An important step would be to capture the economic rents of concessionaires for society at large. This would discourage destructive logging practices by raising the value of the resource as well as provide a greater incentive for its preservation. If concessionaires are required to bid competitively for forest user rights, the rent and increased revenues would be shifted to the government. The new resources could then be directed to public purposes, such as reforestation of critical watersheds and
other investments in forestry services. But higher forest user charges are not a solution in themselves. They should be highly specific charges according to tree species, grade, and site, and they should be combined with programs of replanting and enforcement. This would go a long way toward realizing the principles of sustainable yield management and preservation of the resource.

These and other findings form the basis of World Bank lending in Asia to improve forestry and other natural resource management programs. They will be part of a regional forestry emphasis, directed not just at developing commercially exploitable timber, but at preventing shortages of fuelwood, reforesting eroded watersheds, curbing the destructive practices of shifting cultivators, and building up the institutional capacities of governments. These issues are being studied for Indonesia and the Pacific Islands. Future lending operations have been proposed for China, India, Laos, and Sri Lanka. Components for conservation have been included in ongoing projects in Indonesia, Malaysia, and Sri Lanka.

**Water and Air Pollution.** The Bank has long worked in forestry and watershed management, but urban water and air pollution, the third area of environmental action, is relatively new to the Bank's operations in Asia. To begin the long process of addressing these increasingly acute problems, the Bank will devote an expanding amount of its resources to environmental clean-up efforts in the large cities. This will require detailed studies to determine the sources of water and air pollution and then to select which of many possible interventions will yield the greatest social benefit. Given the strong demand from governments for operational support in this area, the program is expected to grow quickly.

It is gratifying to see these new attitudes on urban and industrial pollution. Not long ago, countries in East Asia welcomed industries that were heavy polluters because their investments contributed to growth and employment. Today the awareness of the heavy environmental costs has changed that calculation to a more cautious approach.
Some of the Bank’s recent work on this issue has already affected new projects. A pharmaceutical industry project in China included a significant component to control hazardous materials and to monitor heavy metal contamination as well as air and water pollution. An urban project in Indonesia includes measures to reduce air pollution in Jakarta.

Large Dams: The fourth area of operational emphasis is reducing the environmental consequences of energy development, particularly for large dams. It is a matter of considerable concern for the Bank and its borrowers that the effect of dam construction on people and natural resources has at times been poorly thought through or that the measures to correct such problems have been poorly implemented. A major effort is under way within the Bank to ensure that such adverse environmental consequences are assessed and mitigated early in the evolution of such projects. The Bank’s Environment Department is undertaking a study in cooperation with nongovernmental organizations (NGOs) on the environmental costs and benefits of large dams. Guidelines have already been prepared to assist project staff in assessing and minimizing the environmental costs in dam construction. The Bank is also reviewing past dam projects in Asia to identify ways in which environmental assessment could be improved.

In Asia most large dams are constructed in India. The Narmada River Development is a multistate program, which if fully implemented would comprise some thirty major, and many other smaller, water projects during the next fifty years. The Bank is involved in one of the projects and has been asked to support another. Providing new land and livelihoods for those who will have to relocate is an environmental issue of intense and continuing dialogue between the Bank and India’s central and state governments. Recently, considerable progress has been made both in the statutory provisions for resettlement and in the actual implementation of programs, and the Bank is pleased that NGO involvement in this process is now substantial and growing.
Resettlement will be a continuing focus of the Bank's attention in the design of hydroelectric projects. But other environmental issues associated with dam construction also receive scrutiny, including destruction of forests, increased erosion of streambeds, drying of downstream lakes, increased salinization in estuaries, and higher incidence of diseases, such as malaria and schistosomiasis. These and other environmental factors are considered in Bank assessments of hydroelectric project costs and benefits.

**Sustainable Development**

It is generally agreed that the direction and pace of the major environmental trends in Asia is disturbing, and in some cases alarming. But environmental problems can be global in scope, not just local. Phenomena such as acid rain, damage to the ozone layer, and global warming from carbon dioxide emissions are compelling evidence that environmental interdependence is no abstraction. This gives rise to some fairly strong sentiments about who is to blame and who should pay.

Industrial countries want developing countries to preserve their tropical forests so as to slow the greenhouse effect and preserve wildlife habitats. Developing countries reply that industrial economies consume an inordinate share of the globe's natural resources and produce most of the pollutants. They say if forest preservation is so important to industrial countries, then they should help with reforestation and other programs. These debates help clarify the important point that industrial and developing countries have a shared interest and a joint responsibility on environmental issues, such as saving Asia's tropical rainforests. Inevitably, the industrial countries must be prepared to increase their foreign assistance to address these environmental concerns.

The World Bank is assisting Asian countries with its relatively limited financial resources and its advice on environmental issues. The future effect of its work in the environmental area will depend directly on how committed the governments are to addressing these issues and on how successful the Bank is in finding innovative and
replicable approaches to sustainable development. In this effort the Bank also must rely on many other agencies and nongovernmental organizations that are deeply involved in environmental work.

The idea of sustainable development, which is central to understanding the role of the environment in development, evokes different interpretations. It has been well defined, however, by the director of the Bank's Environment Department. He would have us focus on a long-term perspective so that the large future costs of resource depletion can be more accurately calculated and appreciated. He would also urge that the notion of threshold enter our thinking—that is, a threshold beyond which the depletion of a natural resource actually diminishes the capacity of society to meet its future needs.

Where are those thresholds in Asia? Have they been breached already? Some would argue that they have in some ways and in some places. The loss of forest in India comes to mind. Middle-income countries in East Asia are also rapidly approaching that threshold for forest depletion. Nepal may be nearing the tolerable limits of soil loss in some places. It is difficult to know for sure. But, if we wait for too much precision in the answers to these questions, the result may be precise measurements of resource exhaustion, when it is too late to do anything about it.

Such an outcome would have a profound effect on the development prospects and performance of these countries. And ultimately it is development—sustainable development—that ensures the expansion of welfare for all. That is why environmental preservation matters, and that is why the World Bank is determined to integrate it in its approach to development.
Enhancing the Role of Asian Women in Development

The task of raising the economic opportunities and participation of women is not finished, even in China and certainly not in other developing countries throughout Asia. The work of women is only dimly visible, poorly counted, underacknowledged, and over-confined to low-wage, low-skill activities. There are special issues and opportunities that Asian countries and Asian women must address in the difficult process of integrating women more fully into the development process.

An Economic Approach to Women in Development

The approach of development thinkers and practitioners alike now is to focus on the economic role of women and to seek ways to expand their productivity and opportunities. The recently concluded U.N. Decade for Women helped increase the attention to women's issues among governments, development agencies, and nongovernmental organizations (NGOs) worldwide. Women produce more than half the food grown in the developing world and are heavily involved in trade, services, handicraft production, and light manufacturing. Women now account for one-fourth of the industrial labor force of the developing world. The number of women employed in industry grew faster than any other segment of the world labor force from 1960 to 1980. The available statistics, although frequently unreliable and underrepresentative, show rather dramati-

An address to the Beijing Women Journalists Association, Beijing, China, October 31, 1988.
cally that women contribute on a substantial scale to economic production.

It may be difficult to give a monetary value to the contribution of women within the household, but there is no disputing the economic importance of the wide range of tasks women perform there. If not undertaken by a wife, mother, or daughter, vital tasks, such as collecting fuel and water and nurturing the young, the sick, and the aged, would need to be performed by someone else at a specific cost.

In addition, women often lack the means to work at their full potential. This is not a problem of motivation or inclination, but rather of limited access to productive assets and improvements in human capital. As one Bangladeshi woman explained her plight, "It is not work that I am afraid of, but the lack of it."

This lack of work takes different forms. It can mean unemployment, that is, a lack of paid employment opportunities. Or it can mean confinement to tasks that require few skills, provide low pay, and are done for very long hours. This limited capacity to contribute more effectively is especially constrained by custom and tradition, sometimes codified into law or policies, that limit women's access to information and technology, to education and training, to credit and resources, and to markets. These obstacles to advancement are especially harmful to the many women living in absolute poverty.

When it is recognized that women are a substantial segment of the work force and that their potential productive contribution could be much higher, it follows that investing in improved opportunities for them can bring substantial benefits to development. In many developing countries, for example, women either own, manage, or comanage assets in smallholder production. Extension programs are just beginning to recognize the importance of reaching out to women farmers so as to improve their productivity and food security. Investing in women can also make development programs more responsive to the poor, because women and their dependent children constitute most of the poor in developing countries.
This broad approach to women in development rests on their economic role and contribution, which complements and enhances the more traditional ways of improving women's welfare and equality. This economic approach rightly emphasizes efforts to ensure the access to opportunity and resources that women require to lead more productive lives and raise household earnings. In practice, of course, these efforts must be shaped by the specific cultural, historical, and economic characteristics of individual countries and regions.

**The Asian Context**

Asia contains an extraordinary diversity of development conditions and dilemmas, but the region possesses several distinctive common features, which affect the prospects and potential of women in development. Asian developing countries tend to share such attributes as rapid technological change, shortages of cultivable land, high female participation in manufacturing employment, and relatively low ratios of females to males.

*Technological Change.* Agricultural and industrial change has progressed more rapidly in Asia than in other areas of the developing world. Indeed, the application of Green Revolution technology was undertaken first in Asia, and the dramatic rise of Third World competitive manufacturing is an Asian phenomenon as well. The technological and economic innovations in Asia have brought mixed blessings for women in terms of their opportunities for employment and their income levels.

In China, women in rural areas have seen their role in agriculture change significantly since the late 1970s, when economic reforms introduced the responsibility system and contract farming, and the household unit once again became the unit of production in the countryside. On the one hand, these changes have created opportunities and incentives to raise incomes and seek employment in off-farm activities, such as handicrafts and piecework, or in the rapidly expanding rural industry sector. On the other hand, rising agricultural productivity has created a surplus of farm laborers in China, a large share of whom are women. Providing the training and skills
needed for the transition to off-farm employment is a crucial issue for China's rural women.

In other parts of Asia, too, the introduction of Green Revolution technologies seems to have disrupted female employment patterns. Although many new jobs have been created in agriculture through Green Revolution advances, the increased mechanization in harvesting and processing has displaced large numbers of female workers who were performing low-skill, labor-intensive agricultural tasks. The new jobs created in Green Revolution agriculture generally have been filled by men.

The effect of economic and technological innovations on women has been notable in industry as well as in agriculture. A growing body of evidence points to a pattern, in China and in much of East Asia, of female displacement to lower-paying, lower-skill jobs during periods of technological change in industry.

This is not to say that technological change, in agriculture or industry, is intrinsically harmful to women or that such change should be resisted because it disrupts established labor patterns. The point is that, along with technological change, alternative employment opportunities must be made accessible to women, especially through the necessary education and training so often reserved for men, and that legal and social barriers to the mobility of women must be reduced or removed. The danger to be avoided comes not from new technology, but from other constraints that inhibit women's response to new technology.

Economic and technological innovation means higher productivity and overall economic growth. Sustained economic growth remains the single most important precondition for alleviating poverty and therefore for expanding economic opportunities for women. There is precious little room for economic nostalgia and resistance to technological change in the struggle to raise incomes and reduce poverty.

A central objective of the World Bank's work in Asia has been to help countries raise per capita incomes through accelerated economic growth. Some of these efforts have focused specifically on
women and the challenges they face in coping with rapid economic and technological change. In Southeast Asia, Bank-assisted education projects have emphasized improving universal primary education in Malaysia and the Philippines and expanding access to secondary education in Malaysia. In Bangladesh, Bank-supported primary education projects have included provisions for hiring female teachers so as to attract more girls to primary school and to reduce the very high dropout rates for girls. In China, the education component of the Gansu Provincial Development Project incorporates a plan to increase the enrollment of girls. An additional and vital benefit of female education is improved maternal and child health and lowered fertility rates.

Access to credit is another important avenue through which women can adapt to, and profit from, changing economic and technological conditions. Bangladesh is among the first countries to receive special attention under the World Bank's women in development program, and several studies and projects are aimed at the difficult problem of delivering credit to rural poor women for homestead production and other enterprises. The Bank can draw on the experience of model credit programs, such as the Grameen Bank in Bangladesh, which have so effectively delivered credit to poor rural women and have experienced very high repayment rates, while charging competitive commercial rates of interest. In India, the World Bank has supported investments in projects, such as dairy farming and sericulture, which are based on small-scale female producers. A planned multistate sericulture project in India is being designed to ensure that women benefit from it significantly.

Cultivable Land. Intimately tied to rapid technological change in Asia is a second issue that characterizes most of the region: the shortage of cultivable land. Women living and working on farms in rural Asia confront a different situation from, say, most women farmers in Sub-Saharan Africa. When technological change and population pressures displace farm labor in Asia, the shortage of cultivable agricultural land means that rural families, including women, are often compelled to seek nonfarm employment. Asia's high population densities and high rate of agricultural change have
in fact stimulated widespread migration to cities and have helped propel women into significant nonfarm employment, particularly in the fast-growing urban services and industrial sectors.

*Industrial Employment.* The third attribute that sets Asia apart is high levels of female industrial employment. There is no question that women, mostly single, mostly young, and many of them migrants to cities, have provided the efficient, productive labor on which so much of East Asia's economic miracle has been constructed. Especially in electronics and textiles, the female share of the work force is extremely high.

In the Philippines and Malaysia, for example, 85 to 90 percent of the work force in the electronics industry was estimated to be women in 1979. In manufacturing generally, the female share of employment was 47 percent in the Philippines, 44 percent in Thailand, 40 percent in Malaysia, and 44 percent in Indonesia according to statistics for 1980 compiled by the United Nations. Although this situation is more common in East and Southeast Asia, women are increasingly becoming involved in light industry in South Asia as well. In Sri Lanka they are already a third of the manufacturing work force.

Questions have been raised on the effect of Asia's industrial transformation on women. These questions concern working conditions, conflicts with traditional values and morals, access to more skilled and higher-paid jobs than assembly work, adequate access to training and education in preparation for more productive employment, and the reform of traditional and legal restrictions, even though Asia ranks comparatively well in the developing world in terms of legal rights and protections for women. Certainly those questions were faced during the industrial revolution that began more than a century ago in Europe and North America, and they need to be addressed in Asia as well. But women have sought and found unprecedented opportunities in the manufacturing sector, and many have earned livelihoods more comfortable and rewarding than they endured in rural poverty. The task now is to ensure that the gains they
have achieved are consolidated and built on and that the new problems they face are not ignored.

Some of the issues involved in female industrial employment were addressed in a World Bank sector report on the Korean labor market. It noted that the government was already concerned that the large investments made in female education and training were not matched by the modest level of overall female participation in the labor force, compared with other countries, or in their low share of higher-productivity, higher-pay positions. This failure to utilize the full potential of women represents a considerable economic waste. At the same time, bringing more women fully into employment could alleviate some of the labor skill scarcities that will increasingly characterize Korea's economy. The report made several specific recommendations to provide incentives and remove some of the barriers to the more effective integration of women into the labor market.

Gender Ratios and Health. The fourth point in regard to distinctive women's issues in Asia concerns the pattern of low ratio of females to males in several South and East Asian countries. The reasons for this troubling departure from the biologically normal pattern of higher-than-equal female-to-male ratios are difficult to determine with precision. Technical issues involving migration and census taking will account for some distortions, but it is clear that high female mortality rates may be a factor in some cases. This suggests that the clear progress made in Asia's political and legal development in relation to women has not yet altered many of the cultural and social factors that underlie pervasive discrimination against women in some countries.

Addressing this long-standing anomaly of low female-to-male ratios in Asia will involve profound social and economic issues. But that does not prevent us from seeking ways to improve the status of women, including their health, with available resources and technologies. Maternal and child health and family planning programs have been widely supported by governments, donor agencies, and
Another approach is to target malnourished children with special nutrition programs. India has had remarkably good success with one such project supported by the World Bank, the Tamil Nadu Integrated Nutrition Project. This project targeted malnourished children, both boys and girls, but implementation of the project involved women at every level—as top project directors, instructors, community nutrition workers, members of the women's working groups, and, of course, the mothers themselves. This deliberately high participation rate of women and mothers helped generate most welcome results in this project—cases of advanced malnutrition were reduced 20 to 25 percent, an achievement in itself, and malnutrition was reduced by about 50 percent.

The Role of the World Bank

When confronted with problems of such urgency and scope as in the case of women, the development community is tempted to promise more than it can deliver. I shall do my best to resist that temptation. The World Bank's role in this vast area must be seen as essentially catalytic and focused on countries whose governments wish to take the necessary steps.

The Bank is, however, making progress in improving its capacity to assist in this area. Its president, Barber Conable, has clearly established women in development as a key operational priority within the institution. The newly created Women in Development Division is working on operational guidelines to help design projects directly benefiting women. In 1987, the Bank joined with U.N. organizations to launch an international safe motherhood initiative aimed at reducing maternal mortality rates. Since then the Bank has helped arrange several national and regional safe motherhood conferences in Indonesia, the Philippines, and the Sudan, while expanding its financial support for maternal and child health programs.

In its Asia operations, the Bank is working with other donors to help women overcome the special problems encountered in this
unique and economically diverse region. The Bank will help address the special concerns of Asian women by

- Supporting education and training programs, which help provide women with the skills they need to participate in the dynamic growth of the region.

- Actively pursuing new approaches to credit delivery, so that poor women can gain better access to financial resources for their enterprises within and outside of the household.

- Continuing to improve our understanding of how women's role in development can be strengthened and how the development process, in various ways, changes the economic status and prospects of women; the Bank's analytical work will pay due attention to the noneconomic barriers women face.

- Lending more for health, nutrition, and family planning, with a special focus on the health needs of women, especially those living in areas where the traditionally low status and high mortality rates of women suggest disproportionate health and nutrition problems.

- Moving with all practical speed to a more systematic collection of gender-specific data both in analytical work and in project implementation and evaluation.

- Encouraging and assisting the efforts of governments to incorporate the concerns of women in their national development policies and strategies.

These six objectives for the Bank's work in Asia need to be seen in the proper context. They do, indeed, mark an important shift in the Bank's operational awareness and future activity in Asia, but they are not in any sense a solution to the economic and social issues that constrain the role of women in development. Those problems are deeply ingrained in the history, laws, and cultures of very complex, sophisticated Asian societies. These issues touch the very core of a nation's identity, and their resolution is well beyond the capacity and mandate of any outside organization.
What will be required is, first, the commitment of governments and the willingness of their people to take steps to improve the economic position of women and, second, the coordinated assistance of international donors and NGOs, including local NGOs, to provide the crucial financial support and expertise these countries will need to make a difference. This process will involve many participants to identify, analyze, and ultimately solve these problems. The World Bank stands ready to serve as an energetic partner in these efforts.

For the future, I am optimistic. This region of the world has demonstrated that rapid economic development is not the unique preserve of the West, that poverty can be dramatically reduced, and that successful development is not an abstraction, but a concrete achievement, for a growing number of Asian nations. This demonstration of what is possible inspires me to believe that Asian women will more fully share in the benefits of growth and in the opportunities to participate in the development process, not in the distant future, but within this generation and the one to come.
In some quarters it is considered uncongenial to divide the world into North and South, the haves and the have-nots, or the First and the Third Worlds. Such categories, it is said, arouse emotions and retard analysis. But such categories are not without their relevance to the realities in Asia. Indeed, development has come a long way in the past generation, but not far enough to erase the striking contrasts between the rich and the poor.

In Asia these contrasts take rather distinctive forms. Instead of comparing Bangladesh and Japan, we are more likely to seek kernels of insight in the different approaches taken by the Republic of Korea and Thailand, by Indonesia and the Philippines, or by China and India. The developing countries of Asia contain such a diversity of development experience and approaches, each yielding compelling lessons in its own way, that the development examples of the North seem less interesting and relevant than they once were. This in no way questions the central importance of North-South issues in international development, but we need to focus with equal clarity on the range of development strategies that the nations of Asia have evolved with such originality and effectiveness during the past generation.

I would like to explore the interaction between global economic forces and the countries of Asia and focus on how the directions of trade, aid, and finance changed as both North and South adjusted to the oil shocks of the 1970s and to the new competitive environ-
ment of the 1980s. Many Asian countries responded to these external changes in a distinctive manner, through a process that might be called structural reform. This has had important implications for the future development of the region.

Oil Shocks, Debt, and Development

More than fifteen years have passed since the onset of the energy crisis, when oil prices increased by fourfold between 1973 and 1975. These shocks were deeply felt by the economies of the developing countries. The rising oil bills were an immediate drain on the resources of the oil-importing countries, and the situation was aggravated by a widespread reluctance to increase domestic fuel prices. At first, oil-importing countries paid the imposed costs out of their foreign exchange reserves. But, in rapid order, other financial flows came to the rescue, including aid from the oil-exporting countries, increased remittances from migrant workers, and some increases in multilateral finance from the World Bank and the International Monetary Fund. The main source of finance, however, was the spectacular increase in lending by the commercial banks, as they recycled petrodollars from the surplus oil-exporting countries to the deficit developing countries.

As the banks increased their exposure, they developed a lending innovation, which has since become commonplace in the financial world, but which in the 1970s transformed the distribution of risk. This, of course, was variable-rate syndicated lending, through which interest rates were adjusted every six months on the basis of the London interbank offered rate (LIBOR). Since real interest rates had been near zero during most of the 1970s, the introduction of variable rates did not involve immediate costs, and borrowers had little reason to exercise restraint. The total debt of the developing countries to private banks was about $30 billion in 1970, when most of the commercial bank activity was confined to suppliers' credits and finance for direct foreign investments. By 1980, however, developing-country debt to the banks had soared to about $280 billion.
Two other developments in international finance, again outside the control of developing countries, aggravated their financial burdens. First, the earlier switch to a flexible exchange rate system among the major currencies added an element of global uncertainty. For example, as the dollar appreciated from 1981 to 1983, developing countries holding debt denominated in dollars saw the value of their obligations increase. Later, the dollar's sharp depreciation against the yen in the mid-1980s had an adverse effect on debtors whose export earnings were heavily denominated in dollars but whose external debt was heavily in yen. Indonesia, for example, saw its public debt payments rise from $3.6 billion in 1985 to $5.4 billion in 1987, an increase of $1.8 billion. More than 80 percent of that increase was due to exchange rate changes during that period.

Second, developing countries were faced with dramatic shifts in the behavior of commercial lenders, who tended to move en masse when assessing a developing country's creditworthiness. Either as enthusiastic entrants to the developing-country market in the 1970s or as participants in the sudden exodus of the 1980s, the leading commercial lenders, with their quick and widely replicated decisions, added another element of financial instability for developing-country borrowers.

The global economy is still contending with the financial reverberations of the historic shift in developing-country indebtedness. Resource flows to these countries have dried up in net terms because of the near extinction of commercial lending in the mid-1980s. Official development assistance has not increased, and some of what is available is caught up in new arrangements to meet short-term debt-servicing requirements.

**Opportunities for Trade**

Another aspect of the international economy, however, has continued to offer excellent opportunities to developing countries that could take advantage of it—namely, trade. If, on the finance side, decisions in the North eventually impeded development in some countries, on the trade side, the effects were largely positive.
As primary commodity prices began their steep and lengthy decline in the 1980s and as economic growth in the North continued to be modest, markets for the manufactured exports of developing countries also were expected to suffer. Contrary to those pessimistic assessments, their manufactured exports continued to grow after 1980 and picked up even more strongly in the mid-1980s. An important reason for that can again be found in the North, where the large fiscal deficits in the United States overcame the effect of tight monetary policy and in 1983 helped stimulate a surge in U.S. growth, continued high interest rates, a sharply appreciated dollar, an expanding current account deficit, and a strong rise in imports of manufactures. The buoyant trade in manufactures helped propel the global recovery. Through manufactured exports, enterprising developing countries were able to share in the stronger growth of world trade.

With its appreciated dollar and low trade barriers, the United States accounted for all of the growth of manufactured exports from developing countries between 1980 and 1985. Since 1985 manufactured exports from developing countries to Europe and Japan have also expanded following the appreciation of their currencies and a resurgence in growth. Manufactured exports from developing countries grew from 13.9 percent of world trade in manufactured exports in 1980 to about 18 percent in 1987.

The U.S. boom, therefore, was a mixed blessing for developing countries. Expansionary fiscal policy and rapid economic growth in the United States led directly to the jump in developing-country export volumes and increased their ability to pay their debts. But the sharp appreciation of the dollar exerted strong downward pressure on the prices of primary products, which reduced the ability of developing countries to pay their debts. And most dramatically, the sharp rise in interest rates raised the amounts of interest that all had to pay.
Asian countries encountered obstacles and options during this crucial period in the early 1980s, when global events in finance and trade showed such volatility and posed such serious challenges to developing countries. On the manufacturing side, East Asian countries did more than just share in the 4 percent annual growth in world trade in manufactures after 1980. The volume of manufactured exports from the region grew 14 percent a year between 1980 and 1984, which far surpassed the global figure. This performance is not attributable exclusively to the newly industrializing economies (Hong Kong, Korea, Singapore, and Taiwan). Excluding these economies, the share of East Asian developing countries in world exports of manufactures now exceeds that of Latin America. In all of Asia's developing countries, the share of manufactures in their merchandise exports has risen substantially from about 46 percent in 1975 to 73 percent in 1987.

Although the East Asian developing countries are correctly thought of as an emerging center of manufactured exports, all, except for Korea, are major exporters of primary commodities as well. The sharp declines in commodity prices in the 1980s therefore caused a reversal for this region. The drastic oil price decline in 1985 had a severe effect on all three oil exporters in the region. Indonesia, for example, lost $3.8 billion from its foreign exchange earnings. Malaysia's loss of oil export revenues amounted to 5 percent of its gross national product (GNP). These oil revenue losses imposed acute constraints on the balance of payments, especially for Indonesia, which had also incurred substantial external obligations. Indonesia's remarkable response to this drastic decline in oil revenues is a well-known example of courageous, persistent adaptation to external shocks both on the macroeconomic level and in the key productive sectors. In addition, this has been accomplished without resorting to the reschedulings so common for other large developing-country debtors.

With regard to non-oil commodities, the East Asian developing countries were particularly concerned about the prices of rice,
rubber, coconut, palm oil, and tin, all of which steadily declined. Malaysia was the most adversely hit by these trends because of its commodity mix, but China, Indonesia, the Philippines, and Thailand also were affected. In the face of this worldwide decline in the commodity terms of trade, it is remarkable indeed that the East Asian countries were able to improve their income terms of trade during this period. This reflects their success in expanding their total earnings from these commodities through increased production and exports even as prices fell.

On the financial side, Asia, including South Asia, has for the most part managed to avoid the crippling levels of indebtedness that have so disrupted development prospects in other regions. Korea and Thailand encountered some balance of payments strains in the early 1980s, but, with World Bank support and their own determined and timely adjustment efforts, they were able to avoid an overdependence on external finance and to exploit their export competitiveness to restore health to their current accounts. Although the Philippines carries a significant external debt burden, the situation there is not as acute as in some other heavily indebted countries. The end of the tunnel is more visible.

The “Structural Reformers” of Asia

An avoidance of crisis and a willingness to integrate their economies with international markets have been two hallmarks of East Asia’s progress through the 1970s and into the more volatile 1980s. Because the world economic stage is so crowded with countries beset by financial and economic crises, all developing countries are frequently divided into two groups: those undergoing structural adjustment and those that are not. The Asian experience shows that this distinction is somewhat of a simplification. Many Asian countries have rapidly reformed the structure of their economies, not under the intense pressure of a balance of payments crisis, but driven by a general prudence in macroeconomic management and a perception of, and responsiveness to, rapid changes in the external environment.
Among the World Bank's main Asian borrowers, a significant transformation is, and has been, taking place, especially in restructuring the manufacturing sector. The newly industrializing economies and others have successfully broken down the old canons of self-sufficiency, import substitution, and export pessimism. The feasibility of moving from resource-based to labor-intensive and from labor-intensive to technology-intensive production is now widely appreciated. Perhaps this occurs too much at times, as when countries seek simplified blueprints of the Korea-Taiwan miracle. For example, the belief still lingers that the success of the newly industrializing countries was caused by government favoritism in industrial subsectors. World Bank work in this area has demonstrated the importance of flexible response with proper incentives to help markets function, especially through the reform of trade policy and the deregulation of private investment activities. It is gratifying that this message is now widely accepted.

All this suggests that we should refine the rhetoric used to laud the economic "miracles" of Asia. It is perhaps miraculous that the gross domestic products (GDPs) of China and Korea have grown an average of more than 8 percent during 1980-86, but we need to focus on the consistent process of structural reform and adaptation that underlies that performance. It might, therefore, be useful to speak of the Asian "structural reformers," countries whose sustained and well-timed efforts to increase the efficiency and competitiveness of their economies have kept them clear of the debt trap and free of the compulsory rigors of structural adjustment.

This group of Asian structural reformers is welcoming countries in South Asia into its ranks. India's long-term per capita growth rate has been relatively steady and significantly positive, and it has exceeded the average of all low-income countries by a substantial margin (1.8 percent compared with 0.6 percent). But, most important, the growth of the Indian economy has accelerated in recent years to 5 to 6 percent, well above the trend rate of growth. This is a tribute to India's prudent macroeconomic management of the economy and to its reliance more on domestic than on foreign saving to finance its development.
Because of industrial restructuring and reform of the trade regime, the economies of South Asia have displayed in recent years a new competitiveness in world markets as manufactured exports have expanded briskly. This has occurred not only in India, but in Bangladesh and Sri Lanka as well. In 1988 real growth in manufactured exports reached 30 percent in Bangladesh, 14 percent in India, and more than 17 percent in Sri Lanka. India and Bangladesh are just beginning to tap their potential for trade. India's share of world trade is so small, about 0.5 percent, that even a severalfold increase would hardly be noticed. India is well launched toward making the reforms in its trade regime that will allow this kind of expansion to continue. India will benefit by being more resilient to external shocks and by having the power to buy more imports.

There has also been significant progress in India's industrial sector. The highly bureaucratized system of licensing of private investment has been gradually dismantled, and many of the impediments to competition in domestic markets have been removed. The strong bias against exports caused by the heavy protection of domestic industry has been reduced to a considerable extent. Problems inhibiting efficiency still remain, particularly the web of regulations preventing the closure of unprofitable, capital-depleted enterprises. But the direction of structural reform has been set, and the pressure of domestic and international competitive forces will help accelerate change.

**Trade in Services**

Another aspect of structural change deserves more international attention and perhaps bolder action—the expansion of trade in services. This does not refer to the specific issues placed on the agenda of the General Agreement on Tariffs and Trade (GATT), nor does it involve discussion of the technical issues from the perspective of carefully balanced national interests. But developing countries can have a comparative advantage in the export of services. India has already made substantial progress in undertaking overseas contracts, getting into hotel management in other countries, and exporting...
tailor-made software. And economies such as Korea, Taiwan, and Turkey have undertaken numerous major construction activities in countries that allowed the firms to bring in their own personnel. But these examples have been largely confined to the markets of the oil-rich, labor-scarce economies of the Middle East.

There is no fundamental reason why countries such as India cannot export more kinds of services and compete in the markets of the industrial countries as well. After all, services are by definition labor-intensive, and even skilled workers are relatively inexpensive in developing countries. With the immense progress achieved in international communications, one would expect a vast scope for trade in services. In the case of face-to-face services, which require the presence of the providers, however, immigration laws, trade union practices, and other systems of professional guilds will restrict the flow. The time has come for the international community to discuss the revision of barriers to trade in all kinds of services. These discussions could address not only banking and insurance, which have been on the agenda, but also areas such as construction, consultancy, shipping, air transport, and even professional services. Trade in services should not be portrayed as an industrial country monopoly, but as an arena of growing opportunities for developing countries, opportunities that can be seized by expanding the services subject to free trade.

**Resource Requirements**

Some unpredictable, some would say capricious, forces have erupted on the world economic stage during the past fifteen years. Some countries were devastated by external shocks, and others survived them well. The process of structural reform has been an enduring theme in the way Asian countries have adapted to and exploited such changes in their external environment.

As this process is taking hold in South Asia, the international donor community must increasingly direct its attention there. The reasons are clear enough. The agenda for such change is imposing in India and elsewhere in South and Southeast Asia. Meanwhile,
the relentless pressures of rapid population growth and severe mass poverty place an extremely high premium on achieving higher rates of growth. In addition, the cost of implementing such reforms while attending to urgent poverty needs will be substantial.

In countries where the will and the capacity to proceed are so evident and where the human cost of low growth and structural stagnation is so high, it is simply unthinkable that the international community would shrink from this challenge. As long as the leaders of these countries resolutely lead their countries through structural reforms, the aid community must find the resources to lend its full support. That remains one of the most enduring principles guiding relations between North and South. And it is more true today and more valid in Asia than it has ever been before.
**Statistical Appendix**

Table 1. Population and Per Capita GNP, 1987

<table>
<thead>
<tr>
<th>Country or region</th>
<th>Population (millions of persons)</th>
<th>GNP per capita (nominal $)</th>
<th>Population growth (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>106.1</td>
<td>163.9</td>
<td>2.6</td>
</tr>
<tr>
<td>China</td>
<td>1,068.5</td>
<td>293.6</td>
<td>1.4</td>
</tr>
<tr>
<td>India</td>
<td>797.5</td>
<td>311.1</td>
<td>2.1</td>
</tr>
<tr>
<td>Indonesia</td>
<td>171.4</td>
<td>443.5</td>
<td>2.0</td>
</tr>
<tr>
<td>Koreea, Republic of</td>
<td>42.1</td>
<td>2,688.9</td>
<td>1.0</td>
</tr>
<tr>
<td>Malaysia</td>
<td>16.5</td>
<td>1,819.7</td>
<td>2.6</td>
</tr>
<tr>
<td>Nepal</td>
<td>17.6</td>
<td>161.2</td>
<td>2.7</td>
</tr>
<tr>
<td>Philippines</td>
<td>58.4</td>
<td>589.3</td>
<td>2.3</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>16.4</td>
<td>406.1</td>
<td>1.5</td>
</tr>
<tr>
<td>Thailand</td>
<td>53.6</td>
<td>849.6</td>
<td>1.7</td>
</tr>
<tr>
<td>Asia</td>
<td>2,491.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developing countries,</td>
<td>1,370.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>excluding Asia</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 2. Growth of Real GDP, 1973–88 (percent)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>5.7</td>
<td>3.6</td>
<td>4.7</td>
<td>3.9</td>
<td>1.8</td>
</tr>
<tr>
<td>China</td>
<td>5.4</td>
<td>10.4</td>
<td>7.9</td>
<td>9.4</td>
<td>11.2</td>
</tr>
<tr>
<td>India</td>
<td>4.1</td>
<td>5.8</td>
<td>4.6</td>
<td>4.4</td>
<td>9.0</td>
</tr>
<tr>
<td>Indonesia</td>
<td>7.2</td>
<td>3.5</td>
<td>4.0</td>
<td>3.4</td>
<td>4.7</td>
</tr>
<tr>
<td>Korea, Republic of</td>
<td>8.9</td>
<td>7.9</td>
<td>11.7</td>
<td>11.1</td>
<td>11.2</td>
</tr>
<tr>
<td>Malaysia</td>
<td>7.5</td>
<td>5.6</td>
<td>1.3</td>
<td>5.2</td>
<td>7.5</td>
</tr>
<tr>
<td>Nepal</td>
<td>2.4</td>
<td>5.3</td>
<td>3.9</td>
<td>2.4</td>
<td>7.1</td>
</tr>
<tr>
<td>Philippines</td>
<td>6.3</td>
<td>-0.7</td>
<td>1.4</td>
<td>4.9</td>
<td>6.7</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>5.2</td>
<td>5.0</td>
<td>4.4</td>
<td>1.1</td>
<td>2.7</td>
</tr>
<tr>
<td>Thailand</td>
<td>7.5</td>
<td>5.8</td>
<td>4.4</td>
<td>8.1</td>
<td>11.0</td>
</tr>
<tr>
<td>Asia</td>
<td>5.9</td>
<td>7.3</td>
<td>6.7</td>
<td>7.7</td>
<td>...</td>
</tr>
<tr>
<td>Low-income Asia</td>
<td>5.2</td>
<td>7.9</td>
<td>6.4</td>
<td>7.1</td>
<td>...</td>
</tr>
<tr>
<td>Middle-income Asia</td>
<td>8.0</td>
<td>5.5</td>
<td>7.5</td>
<td>9.3</td>
<td>...</td>
</tr>
<tr>
<td>Developing countries, excluding Asia</td>
<td>5.1</td>
<td>1.1</td>
<td>3.5</td>
<td>2.0</td>
<td>...</td>
</tr>
</tbody>
</table>

Table 3. Growth of Export Volume (Goods and Nonfactor Services), 1973–87 (percent)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>8.7</td>
<td>6.8</td>
<td>18.4</td>
<td>16.4</td>
</tr>
<tr>
<td>Low-income Asia</td>
<td>5.4</td>
<td>4.2</td>
<td>11.2</td>
<td>14.5</td>
</tr>
<tr>
<td>Middle-income Asia</td>
<td>11.8</td>
<td>8.7</td>
<td>23.3</td>
<td>17.6</td>
</tr>
<tr>
<td>Developing countries, excluding Asia</td>
<td>4.9</td>
<td>3.4</td>
<td>1.1</td>
<td>4.0</td>
</tr>
<tr>
<td>Low-income, excluding Asia</td>
<td>4.3</td>
<td>-6.3</td>
<td>6.0</td>
<td>-2.5</td>
</tr>
<tr>
<td>Middle-income, excluding Asia</td>
<td>4.9</td>
<td>4.7</td>
<td>0.4</td>
<td>4.7</td>
</tr>
</tbody>
</table>
Table 4. Growth of Import Volume (Goods and Nonfactor Services), 1973–87
(percent)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>11.2</td>
<td>6.2</td>
<td>4.1</td>
<td>10.5</td>
</tr>
<tr>
<td>Low-income Asia</td>
<td>11.0</td>
<td>8.8</td>
<td>-4.5</td>
<td>-2.2</td>
</tr>
<tr>
<td>Middle-income Asia</td>
<td>11.4</td>
<td>3.9</td>
<td>13.4</td>
<td>21.9</td>
</tr>
<tr>
<td>Developing countries, excluding Asia</td>
<td>5.7</td>
<td>-3.3</td>
<td>1.7</td>
<td>-0.8</td>
</tr>
<tr>
<td>Low-income, excluding Asia</td>
<td>7.6</td>
<td>-6.9</td>
<td>-9.5</td>
<td>-6.0</td>
</tr>
<tr>
<td>Middle-income, excluding Asia</td>
<td>5.6</td>
<td>-3.0</td>
<td>2.9</td>
<td>-0.2</td>
</tr>
</tbody>
</table>

Table 5. World Bank Cumulative Lending and Current Project Portfolio, as of April 30, 1989

<table>
<thead>
<tr>
<th></th>
<th>Asia</th>
<th>Total, excluding Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative lending to past and current borrowers (millions of dollars)</td>
<td>82,241.5</td>
<td>130,397.7</td>
</tr>
<tr>
<td>Current project portfolio (value of active projects in millions of dollars)</td>
<td>25,382.8</td>
<td>33,869.9</td>
</tr>
<tr>
<td>Current project portfolio (total number of active projects)</td>
<td>476</td>
<td>1,178</td>
</tr>
</tbody>
</table>

Note: Data in this appendix are more recent than, and supersede, figures cited in the text, which have not been updated. Population data in Table 1 are based on the World Bank's list of countries in the World Development Report. Regional and global economic data are based on a World Bank 90 country sample. Data for 1988 are estimates. The symbol — = not applicable; the symbol -- = not available.
THE WORLD BANK

Headquarters
1818 H Street, N.W.
Washington, D.C. 20433, U.S.A.
Telephone: (202) 477-1234
Facsimile: (202) 477-6391
Telex: WUI 64145 WORLDWBNK
RCA 249423 WORLDWBNK

Cable address:
INTRAFAID WASHINGTONDC

European Office
66, avenue d’Iéna
75116 Paris, France
Telephone: (1) 40.69.30.60
Facsimile: (1) 47.20.19.66
Telex: 842-620628

Tokyo Office
Kokusai Building
1-1, Marunouchi 3-chome
Chiyoda-ku, Tokyo 100, Japan
Telephone: (3) 214-5001
Facsimile: (3) 214-3657
Telex: 761-26538