

## Chapter 5: Internationalization & Industrialization

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## 5.1 THEORY OF INVESTMENT

Much has been written about the low wage rates in the pre-industrialized Asian economies. True, in several of those economies in Asia, supply of labor, unskilled as well as skilled, was relatively abundant. Most of these economies enjoy large population bases. The migration of labor from the agricultural sector within a given economy, when the economy's industrial population base was not large enough, helped augment the process of industrialization. However, a more intensive analysis of investment theory teaches us that the cost of labor, wages, and borrowing funds for investment, be it from financial institutions or from individual sources, the rate of interest, are known cost factors to the investors. The principal motivating factor is the expected profit, which remains unknown to the investors, and becomes the subject of speculation. The expected profit factor thus remains to be defined.

Following Dale Jorgenson's seminal work on the theory of investment (1967), we can define the expected profit by postulating two rational behavior parameters for the investors. The state of optimism in the economy is a key factor in promoting investors to make new investments which add to their aggregate stock of physical capital. Investors also learn from their experiences. In the immediate past period, they planned for an investment

target, and they relate this to the actual investment they made at the end of the given time period. The divergence provides the base of learning for the investment planning for the next time period. By relating the expected level of physical capital stock to the level of aggregate output in a simple algebraic relationship in a given economy, Jorgenson defined the expected profit by three observable factors: the rate of growth of the economy, the level of output at the previous time period and the stock of physical capital of the previous time period. Thus, the level of investment is shown to be a linear function of rate of growth of GDP, the level of GDP of the previous time period, and the aggregate stock of physical capital of the previous time period ( $K_{t-1}$ ). The existing stock of capital is understandably shown to be negatively correlated with the level of investment.

Asia's pre-industrialized economies began with marginal stock of physical capital, and hence the negative factor was of little concern. Their levels of GDP of the previous time period were also limited and its positive correlation was understandably limited. Their real push factor was the change in the level of GDP, the rate of growth. As the industrialization of these Asian economies progressed, their rates of growth generally increased, and became a factor of consequence, bringing the familiar accelerator theory into operation. In specific cases, the case for dynamic accelerator came to

replace the simple accelerator theory. The cost factors were, of course, to be integrated. We can follow Jorgenson and work with the changes of the cost-adjusted levels of GDP and then determine the net profit. It is no wonder that with its 9-plus percent of annual rate of growth, China has become the destination of so much foreign direct investment.

Over the time period from 1970-2007, a massive inflow of capital to the Asian economies from the savings-rich mature industrialized economies is on record. The Asian century has been a common term. The relative low-wage rates in Asia's agricultural economies, yet to be industrialized, supported in some cases with availability of relative abundance of unexplored natural resources, of course, account for relatively higher rates of profitability. Profit maximization is the core norm of the capitalist free market economies. The economic theory of investment thus offers careful rationalization of the trans-Pacific flow of funds.

## 5.2 AN OPEN ECONOMY: IMPORT-EXPORT-LED GROWTH MODEL

In the post-WWII decades, import substitution became the core of the economic policy of many Asian economies. Indeed, they had little choice in the matter. Japan was Asia's only mature industrialized economy until

recently, and Japan's post-war reconstruction work has been an epochal success due to the fact that the Japanese economy was open to international market pressures, with consequent periodic cyclical fluctuations. Other pre-industrialized economies in Asia had little resources to import capital goods, plants and equipment, from the richer industrialized economies. Hence, they made the case to limit imports for which they were not able to make due payments. They had to work with whatever indigenous tools they had and as a result, they remained largely dependent on their respective agricultural sectors. Eventually, they became convinced that an open economic policy with provisions for importing plants and equipments from foreign industrialized economies was a possibility. Some borrowed funds from abroad and made necessary payments for the imports of necessary physical capital goods by exporting some of their newly manufactured products to the world market. Others invited joint ventures. Still others opted for FDI with one hundred percent foreign ownership.

With the imported capital goods, they manufactured products which added value to their agricultural products. Exporting some of these manufactures to earn export revenues in international currencies became a pattern and their manufactured products had to be quality and cost competitive to win consumer acceptance in overseas markets. Funds from

such export revenues enabled them to pay for their imports. The import-export led growth model became a robust economic game plan (Chapter 1).

Korea, Chinese Taipei and Singapore led the new economic model of internationalization and industrialization in the late 1960s and early 1970s, and were soon joined by other Southeast Asian economies. In the 1970s, China elected to experiment with an open economic policy and adopted the Socialist Market Economy, inviting inflows of FDI. The movement added further momentum in the 1980s and 1990s. India adopted an economic reform program in 1981, abandoning its erstwhile policy of limited inflows of foreign investment and initiating an open economic policy, which has remained the benchmark ever since. Others are progressively making efforts to join their Asian neighbors, but some continue to be dependent on agriculture.

The industrialization of a pre-industrialized economy contributes to its higher rate of growth of GDP, with notable structural changes (Chapter 4). The process encourages more inflows of foreign investment, and the foundation for sustained economic growth of an economy is in place. The theory of investment anchored to the accelerator principle is the core principle.

The total available savings of most of these Asian economies at home came to be augmented by inflows of foreign savings, the investments from savings-rich foreign countries. The total savings available to an Asian economy for investment was the sum of its savings at home plus savings coming from foreign countries:

$$(S_i) = (S_d + S_f) \text{ where}$$

$S_i$  = total savings available to the  $i$ th economy

$S_d$  = domestic savings of  $i$ th economy

$S_f$  = inflow of foreign savings to the  $i$ th economy

### 5.3 FOREIGN DIRECT INVESTMENT

A presentation of data on FDI to the AE-22 economies, inflows as well as outflows, for the time period 1970 -2005 follows in Table 5.1 through Table 5.10, and Table 5.13 through Table 5.17. As the Australia and New Zealand economies are members of the Pacific Economic Fraternity, data on FDI inflows only are presented in Table 5.11 (see also Section 5.7, Chapter 7 and Chapter 8).

We begin with the four, Japan, Korea, China and India of the 4+10 model. Japan, a mature industrialized country, generated much of its savings from indigenous sources and also remained open to foreign investments from other mature industrialized countries, especially the USA.

Joint ventures between Japanese and foreign entrepreneurs became a familiar pattern. A special compilation on Japan's standing in terms of Japan's net annual FDI and loans in a select group of economies, China, Hong Kong, Chinese Taipei, Korea, Singapore, Thailand, Indonesia, Malaysia, the Philippines, Vietnam, and India, in 2006 is presented in Table 5.18.

Korea had a policy of borrowing and discouraged FDI until the Asian financial crisis of 1997-1998, which hit Korea particularly hard. Foreign investors have since had a competitive impact on the overall business efficiency and productivity in Korea. China initiated the process in 1985 at a moderate level of just 1 percent of its GDP, which accelerated in 1992, moving up to 3 percent of China's GDP. The economic policy became even more open as FDI inflows reached a high of 6 percent in 1994 and 1995, and varying between 3 and 4 percent of GDP for 1998-2005. Historically, India had its open economic policy by inviting foreign investments as joint ventures, but kept foreign investors as junior partners under the law. From 1995 on FDI inflows were only at 1 percent level of India's GDP.

For convenience, we have grouped the ASEAN-10 in two separate groups: the original five members of ASEAN, Singapore, Malaysia, Thailand, Philippines, Indonesia, and the five who joined ASEAN later,

Myanmar, Laos, Cambodia, Vietnam, and Brunei. For historical reasons, Singapore presents a record of FDI inflows no less than 4 percent of its GDP in any year, moving up to the high of 20 percent in 1999, and maintaining the high at the double-digit ratio of GDP for most of the years 1980 on. Malaysia and Thailand have a modestly successful record. Indonesia records limited success, with negative FDI inflows for 1999-2001 and zero for many years in the 1980s. The Philippines also has limited success in this regard largely because of domestic troubles. Data on the second group of the ASEAN-10 are limited. Economies of Vietnam and Cambodia successfully invited FDI inflows in 1990s. Given its indigenous savings resources, Chinese Taipei did not invite FDI inflows. Mongolia, with its resource endowment, has earned its place on the map and FDI inflows have recently reached the high of 10 percent of its GDP. Pakistan, Maldives, Sri Lanka, Bangladesh, Bhutan and Nepal in South Asia present a marginal record, though Maldives and Sri Lanka being exceptions.

For outflows of FDI from the AE-22, the report is limited to Japan, Korea and Singapore. Chinese Taipei reports FDI data for the 1990s. It is to be noted that much of its FDI is in the People's Republic of China, but it is not recognized as foreign investment by the PRC.

**Table 5.1: Foreign Direct Investment (BoP, current US\$ millions), Net Inflows, 1970-2006: China, Japan, Korea, and India**

	1970	1980	1990	2000	2001	2002	2003	2004	2005	2006
China	..	57	3,487	38,399	44,241	49,308	47,077	54,936	79,127	78,095
Japan	..	280	1,777	8,227	6,191	9,087	6,238	7,805	3,214	-6,784
Korea	..	6	789	9,283	3,528	2,392	3,526	9,246	6,309	3,645
India	45	79	237	3,584	5,472	5,626	4,323	5,771	6,677	17,453

Source: World Development Indicators (2006)

**Table 5.2: Foreign Direct Investment (% of GDP), Net Inflows, 1970-2005: China, Japan, Korea, and India**

	1970	1980	1990	2000	2001	2002	2003	2004	2005
China	..	0	1	3	3	3	3	3	4
Japan	..	0	0	0	0	0	0	0	0
Korea	..	0	0	2	1	0	1	1	1
India	0	0	0	1	1	1	1	1	1

Source: World Development Indicators (2006)

**Table 5.3: Foreign Direct Investment (BoP, current US\$ millions), Net Inflows, 1970-2006: Myanmar, Laos, Cambodia, Vietnam, and Brunei**

	1970	1980	1990	2000	2001	2002	2003	2004	2005	2006
Myanmar	..	0	163	258	210	152	251	214	237	279
Laos	0	..	6	34	24	25	19	17	28	187
Cambodia	0	1	..	149	149	145	84	131	379	483
Vietnam	0	2	180	1,298	1,300	1,400	1,450	1,610	1,954	2,315
Brunei	..	..	..	..	..	..	..	..	..	..

Source: World Development Indicators (2006)

**Table 5.4: Foreign Direct Investment (% of GDP), Net Inflows, 1970-2005: Myanmar, Laos, Cambodia, Vietnam, and Brunei**

	1970	1980	1990	2000	2001	2002	2003	2004	2005
Myanmar	..	..	..	..	..	..	..	..	..
Laos	..	..	1	2	1	1	1	1	1
Cambodia	0	..	..	4	4	3	2	2	6
Vietnam	..	..	3	4	4	4	4	4	4
Brunei	..	..	..	..	..	..	..	..	..

Source: World Development Indicators (2006)

**Table 5.5: Foreign Direct Investment (BoP, current US\$ millions), Net Inflows, 1970-2006: Singapore, Malaysia, Thailand, Philippines, and Indonesia**

	1970	1980	1990	2000	2001	2002	2003	2004	2005	2006
Singapore	..	1,236	5,575	16,479	15,579	7,068	11,671	19,815	15,005	24,191
Malaysia	94	934	2,332	3,788	554	3,203	2,473	4,624	3,966	6,064
Thailand	43	190	2,444	3,366	5,061	3,335	5,235	5,862	8,048	9,010
Philippines	-1	-106	530	2,240	195	1,542	491	688	1,854	2,345
Indonesia	145	300	1,093	-4,550	-2,977	145	-597	1,896	8,336	5,580

Source: World Development Indicators (2006)

**Table 5.6: Foreign Direct Investment (% of GDP), Net Inflows, 1970-2005: Singapore, Malaysia, Thailand, Philippines, and Indonesia**

	1970	1980	1990	2000	2001	2002	2003	2004	2005
Singapore	..	11	15	18	18	8	11	14	17
Malaysia	2	4	5	4	1	3	2	4	3
Thailand	1	1	3	3	3	1	1	1	3
Philippines	0	0	1	3	0	2	1	1	1
Indonesia	2	0	1	-3	-2	0	0	1	2

Source: World Development Indicators (2006)

**Table 5.7: Foreign Direct Investment (BoP, current US\$ millions), Net Inflows, 1970-2006: Chinese Taipei and Mongolia**

	1970	1980	1990	2000	2001	2002	2003	2004	2005	2006
Chinese Taipei										
Mongolia	..	..	..	54	43	78	132	93	185	344

Source: World Development Indicators (2006), Statistical Yearbook of the Republic of China (2005).

**Table 5.8: Foreign Direct Investment (% of GDP), Net Inflows, 1970-2005: Chinese Taipei and Mongolia**

	1970	1980	1990	2000	2001	2002	2003	2004	2005
Chinese Taipei			1	2	1	0	0	1	0
Mongolia	..	..	..	6	4	7	10	6	10

Source: World Development Indicators (2006), Statistical Yearbook of the Republic of China (2005)

**Table 5.9: Foreign Direct Investment (BoP, current US\$ millions), Net Inflows, 1970-2006: Pakistan, Maldives, Sri Lanka, Bangladesh, Bhutan and Nepal**

	1970	1980	1990	2000	2001	2002	2003	2004	2005	2006
Pakistan	23	64	245	308	383	823	534	1,118	2,201	4,273
Maldives	..	0	6	13	12	12	14	15	9	14
Sri Lanka	0	43	43	173	172	197	229	233	272	480
Bangladesh	..	..	3	280	79	52	268	449	802	697
Bhutan	..	..	2	0	0	0	1	1	1	6
Nepal	..	0	6	0	21	-6	15	0	2	-7

Source: World Development Indicators (2006)

**Table 5.10: Foreign Direct Investment (% of GDP), Net Inflows, 1970-2005: Pakistan, Maldives, Sri Lanka, Bangladesh, Bhutan, and Nepal**

	1970	1980	1990	2000	2001	2002	2003	2004	2005
Pakistan	0	0	1	0	1	1	1	1	2
Maldives	..	0	3	2	2	2	2	2	1
Sri Lanka	0	1	1	1	1	1	1	1	1
Bangladesh	..	..	0	1	0	0	1	1	1
Bhutan	..	..	1	0	0	0	0	0	0
Nepal	..	0	0	0	0	0	0	0	0

Source: World Development Indicators (2006)

**Table 5.11: Foreign Direct Investment (BoP, current US\$ millions), Net Inflows, 1970-2006: Australia and New Zealand**

	1970	1980	1990	2000	2001	2002	2003	2004	2005	2006
Australia	898	1,870	8,111	13,618	8,261	16,992	8,024	36,827	-35,601	26,599
New Zealand	..	178	1,735	3,910	-66	1,758	2,453	2,780	1,690	7,941

Source: World Development Indicators (2006)

**Table 5.12: Foreign Direct Investment, Net Inflows, 1995-2006: AE-22, Australia and New Zealand**

	<b>% of GDP</b>	<b>% of GCF</b>
China	3.5	8.6
Japan	0.1	0.5
Korea	0.9	2.8
India	1.0	3.4
Myanmar		
Laos	3.2	7.0
Cambodia	5.0	27.8
Vietnam	4.9	15.1
Brunei		
Singapore	14.6	54.7
Malaysia	3.7	13.3
Thailand	3.5	11.8
Philippines	1.7	9.2
Indonesia	0.8	3.3
Chinese Taipei	N.A.	N.A.
Mongolia	5.8	17.8
Pakistan	1.4	7.6
Maldives	1.9	8.0
Sri Lanka	1.3	5.1
Bangladesh	0.5	2.4
Bhutan	0.3	0.6
Nepal	0.1	0.5
Australia	1.8	8.6
New Zealand	3.6	17.7

Source: World Development Indicators (2006)

Note: Japan (% of GCF for the period 1995-2005), Laos (% of GCF for the period 2000-2006), and Nepal (% of GCF and % of GDP for the period 1996-2006)

**Table 5.13: Foreign Direct Investment (% of GDP), Net Outflows, 1970-2005: China, Japan, Korea, and India**

	<b>1970</b>	<b>1980</b>	<b>1990</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
China	..	..	0	0	1	0	0	0	1
Japan	..	0	2	1	1	1	1	1	1
Korea	..	0	0	1	1	0	1	1	1
India	..	0	0	0	0	0	0	..	..

Source: World Development Indicators (2006)

**Table 5.14: Foreign Direct Investment (% of GDP), Net Outflows, 1970-2005: Myanmar, Laos, Cambodia, Vietnam, and Brunei**

	1970	1980	1990	2000	2001	2002	2003	2004	2005
Myanmar	..	..	..	..	..	..	..	..	..
Laos	..	..	0	0	0	..	..	..	..
Cambodia	..	..	..	0	0	0	0	0	0
Vietnam	..	..	..	0	0	0	..	..	0
Brunei	..	..	..	..	..	..	..	..	..

Source: World Development Indicators (2006)

**Table 5.15: Foreign Direct Investment (% of GDP), Net Outflows, 1970-2005: Singapore, Malaysia, Thailand, Philippines, and Indonesia**

	1970	1980	1990	2000	2001	2002	2003	2004	2005
Singapore	..	1	6	5	27	5	4	10	5
Malaysia	..	0	0	2	0	2	1	..	2
Thailand	..	0	0	0	0	0	0	0	0
Philippines	..	0	0	0	0	0	0	0	0
Indonesia	..	..	0	0	0	0	..	..	1

Source: World Development Indicators (2006)

**Table 5.16: Foreign Direct Investment (% of GDP), Net Outflows, 1970-2005: Chinese Taipei and Mongolia**

	1970	1980	1990	2000	2001	2002	2003	2004	2005
Chinese Taipei			3	2	2	2	2	2	2
Mongolia	..	..	0	0	0	0	0	0	..

Source: World Development Indicators (2006), Statistical Yearbook of the Republic of China (2005)

**Table 5.17: Foreign Direct Investment (% of GDP), Net Outflows, 1970-2005: Pakistan, Maldives, Sri Lanka, Bangladesh, Bhutan, and Nepal**

	1970	1980	1990	2000	2001	2002	2003	2004	2005
Pakistan	..	0	0	0	0	0	0	0	0
Maldives	..	0	0	0	0	0	0	0	0
Sri Lanka	..	0	0	0	0	0	0	0	0
Bangladesh	..	0	0	0	0	0	0	0	0
Bhutan	..	..	..	..	..	..	..	..	..
Nepal	..	0	0	0	0	..	..	..	..

Source: World Development Indicators (2006)

**Table 5.18: Foreign Direct Investment and Loans of Japan, 2006**

	Net Annual FDI		Net Annual Loans	
	millions of US\$	% of Total	millions of US\$	% of Total
P.R.China	(61.3)	12.3%	3.9	-0.6%
Hong Kong	(15.0)	3.0%	(14.5)	2.3%
Taipei	(4.9)	1.0%	0.0	0.0%
R.Korea	(15.1)	3.0%	10.0	-1.6%
Singapore	(3.8)	0.8%	185.1	-30.0%
Thailand	(19.7)	3.9%	3.8	-0.6%
Indonesia	(7.4)	1.5%	11.8	-1.9%
Malaysia	(29.5)	5.9%	3.0	-0.5%
Philippines	(3.6)	0.7%	2.4	-0.4%
Viet Nam	(4.6)	0.9%	(4.4)	0.7%
India	(5.1)	1.0%	(1.7)	0.3%
<b>Total</b>	<b>(499.6)</b>		<b>(616.6)</b>	

Source: Ministry of Finance of Japan.

Note: Special Compilation for this study on 2006 Annual Basis. Foreign Direct Investment are investments where 10% or more ownership based on voting power of an enterprise are resident in one economy. Therefore, joint ventures will be included all or partly in this data set.

Figure

5.1,

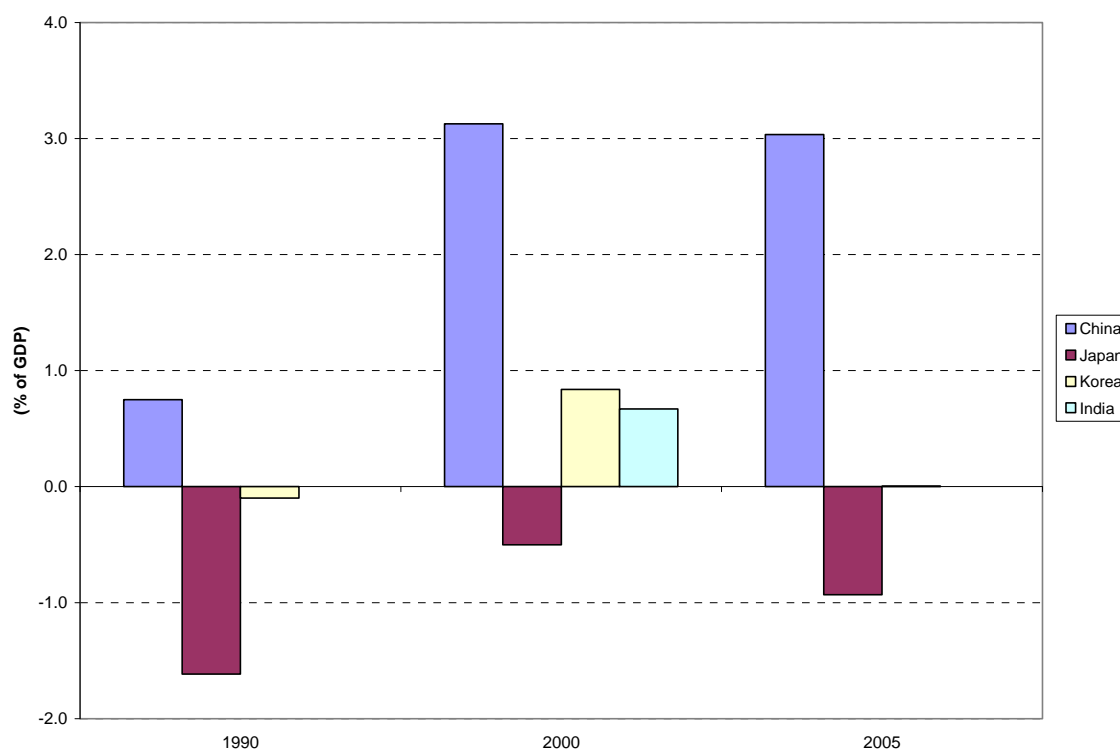


Figure 5.2, Figure 5.3 and Figure 5.4 refer to FDI as percentage (%) of GDP of the AE-22 for 1990-2005. Figure 5.1 covers Japan, Korea, China and India, with China leading in attracting FDI.

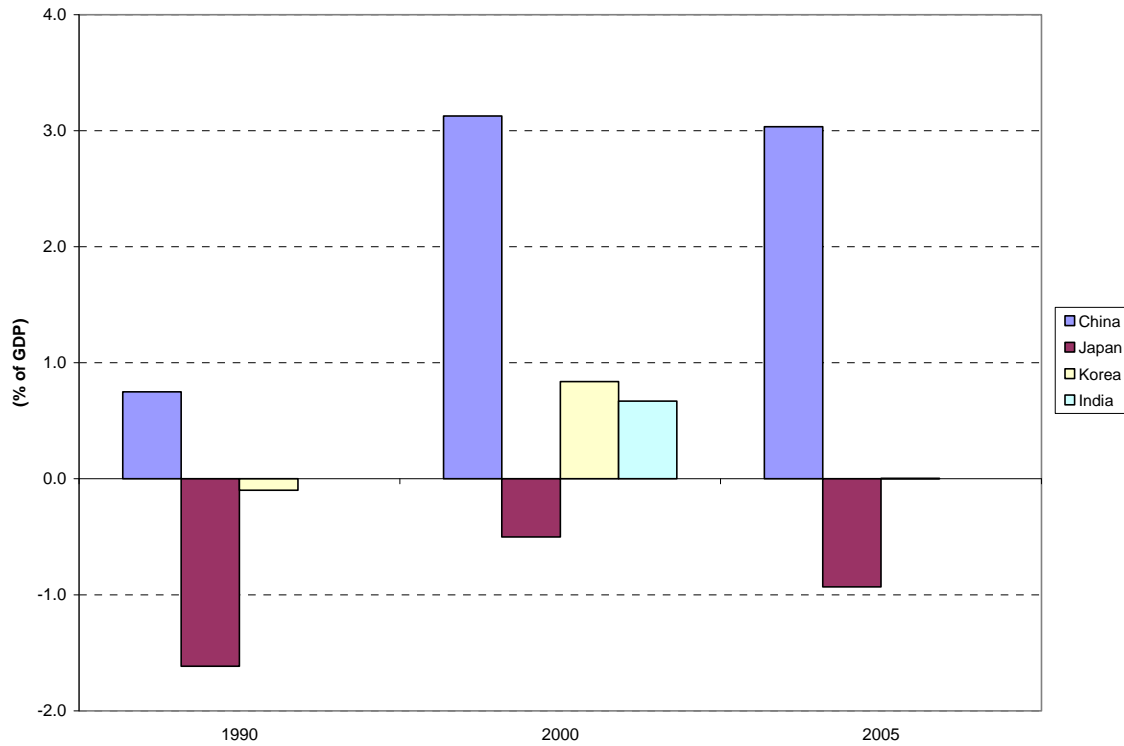


Figure 5.2 deals with the ASEAN-10, Myanmar, Laos, Cambodia, Vietnam, Brunei, Singapore, Malaysia, Thailand, the Philippines and Indonesia. Figure 5.3 tells the story of Chinese Taipei and Mongolia, where the

resource-rich Mongolia has been the destination of much FDI.

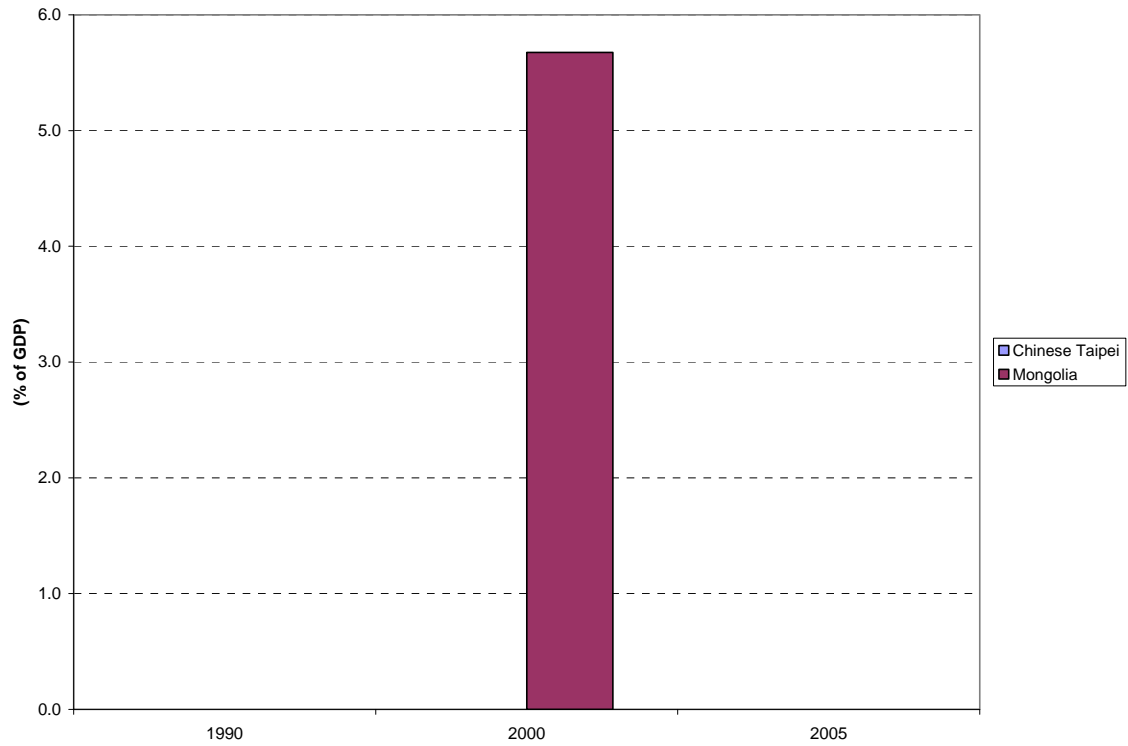
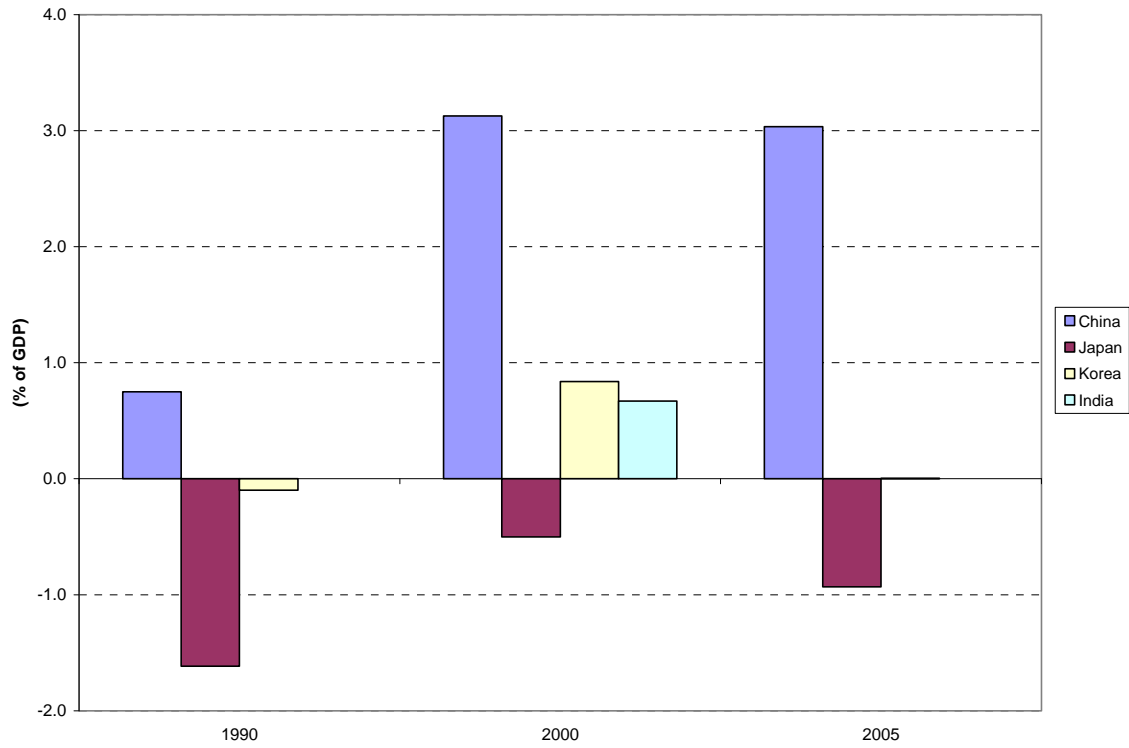
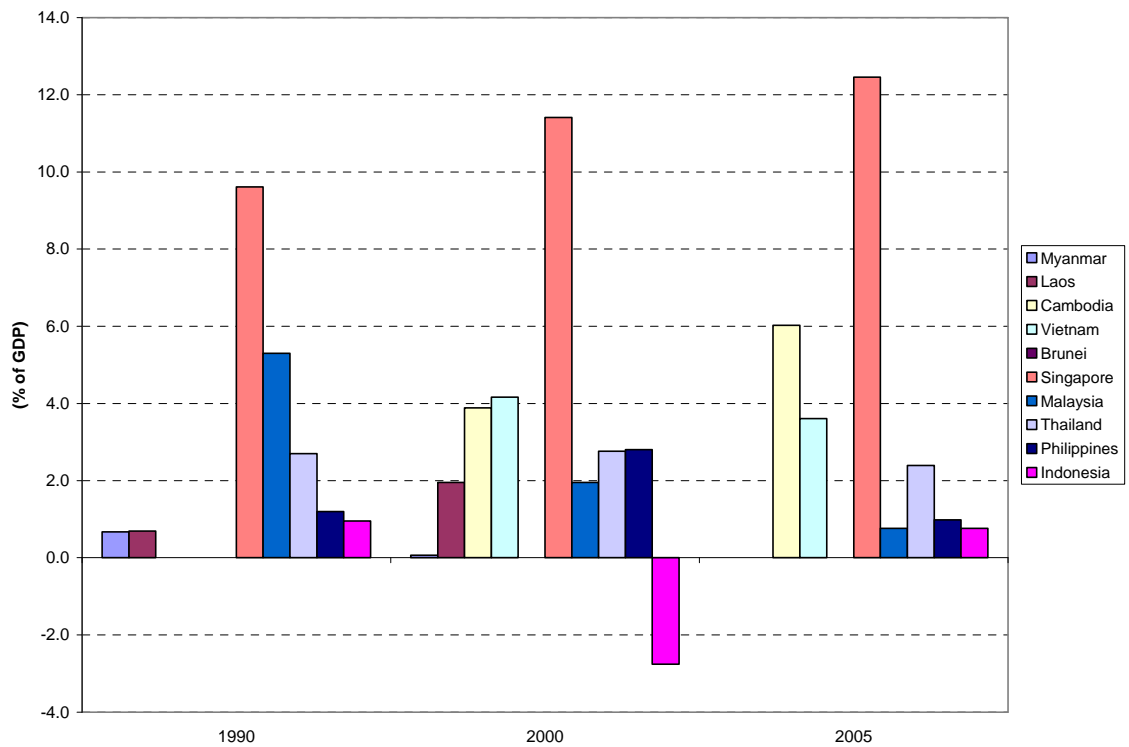


Figure 5.4 reveals lagging FDI in the select group of countries in South Asia.

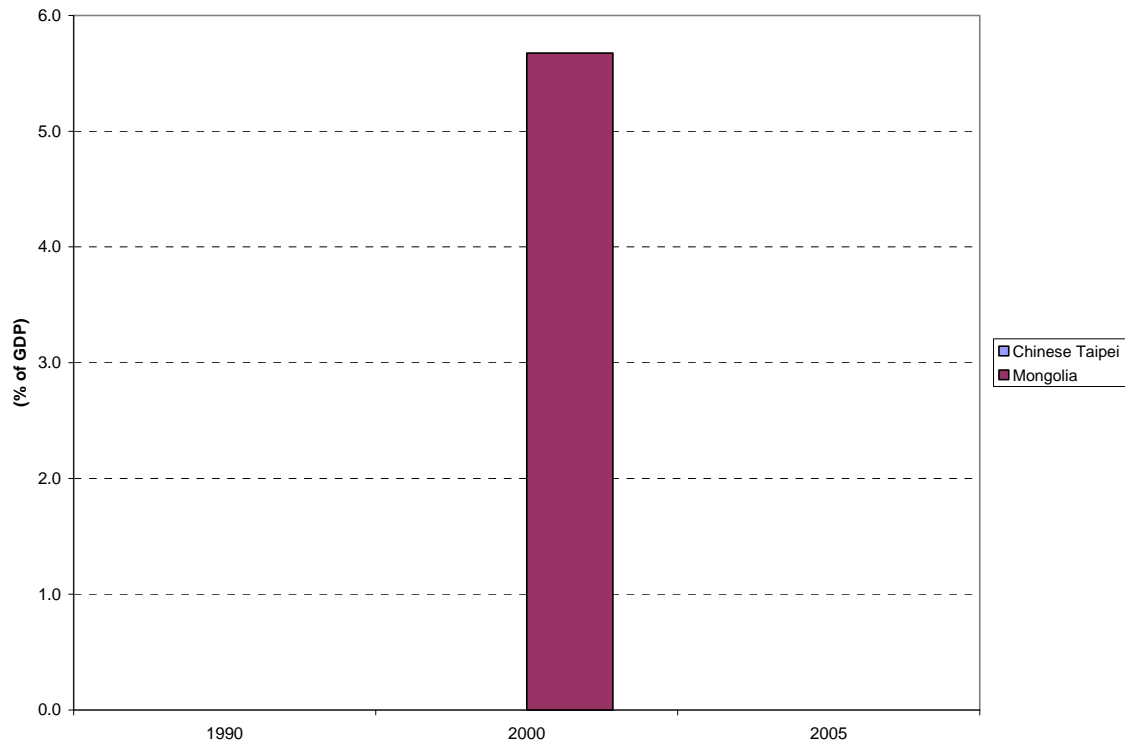
**Figure 5.1: Foreign Direct Investment, 1990-2005: Japan, Korea, China and India**



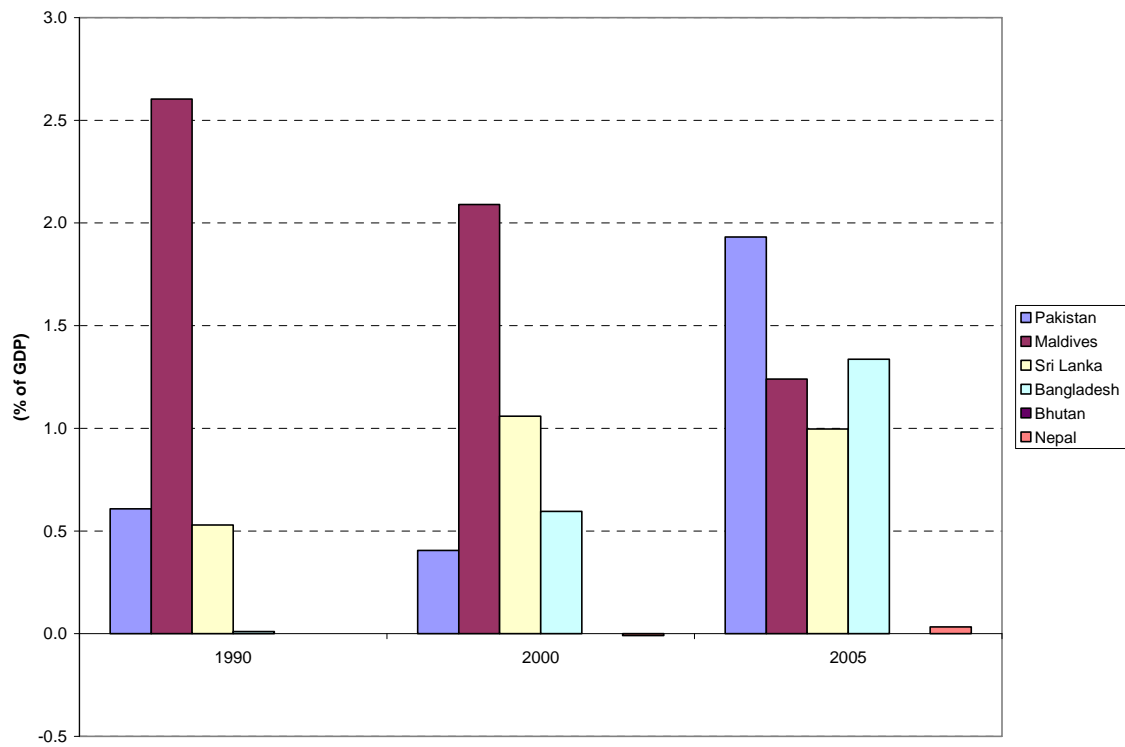
**Figure 5.2: Foreign Direct Investment, 1990-2005: Myanmar, Laos, Cambodia, Vietnam, Brunei, Singapore, Malaysia, Thailand, Philippines and Indonesia**



**Figure 5.3: Foreign Direct Investment, 1990-2005: Taiwan and Mongolia**



**Figure 5.4: Foreign Direct Investment, 1990-2005: Pakistan, Maldives, Sri Lanka, Bangladesh, Bhutan and Nepal**



International reserves add to an economy’s international credit rating, prompting more inflows of funds from other countries. It enables a given economy to obtain access to the key raw materials it needs to import, possibly by foreign direct investment in the source country. For the AE-22 economies, Figure 5.5, Figure 5.6,

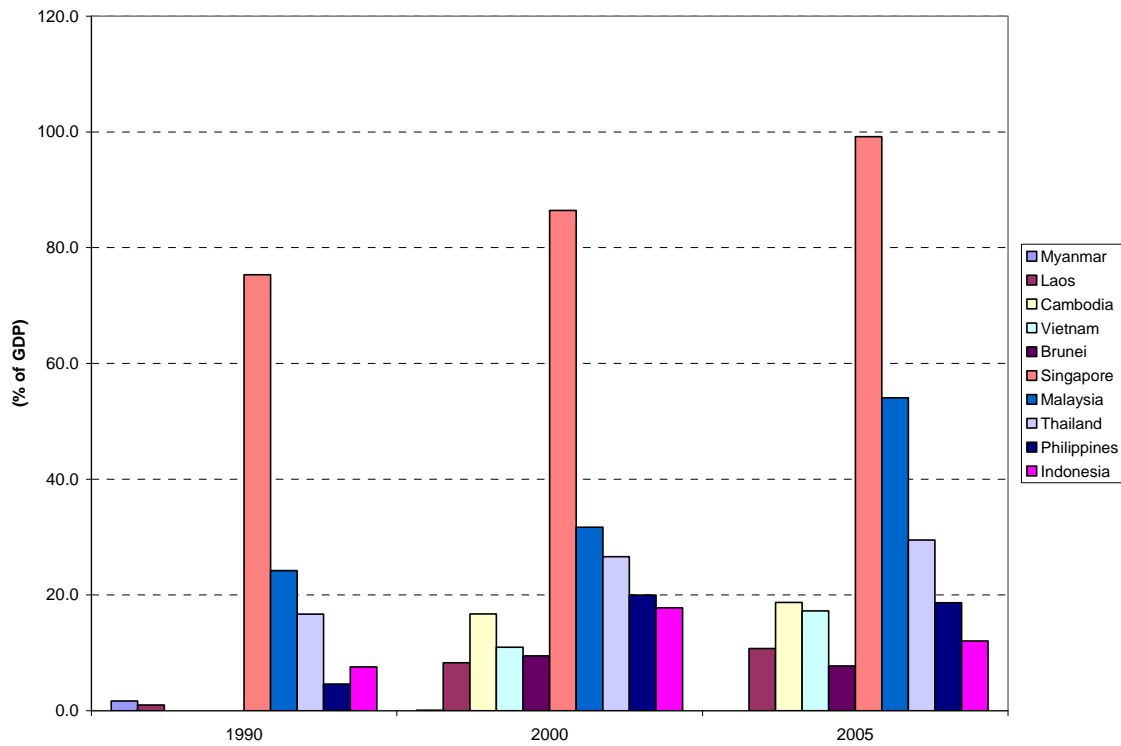
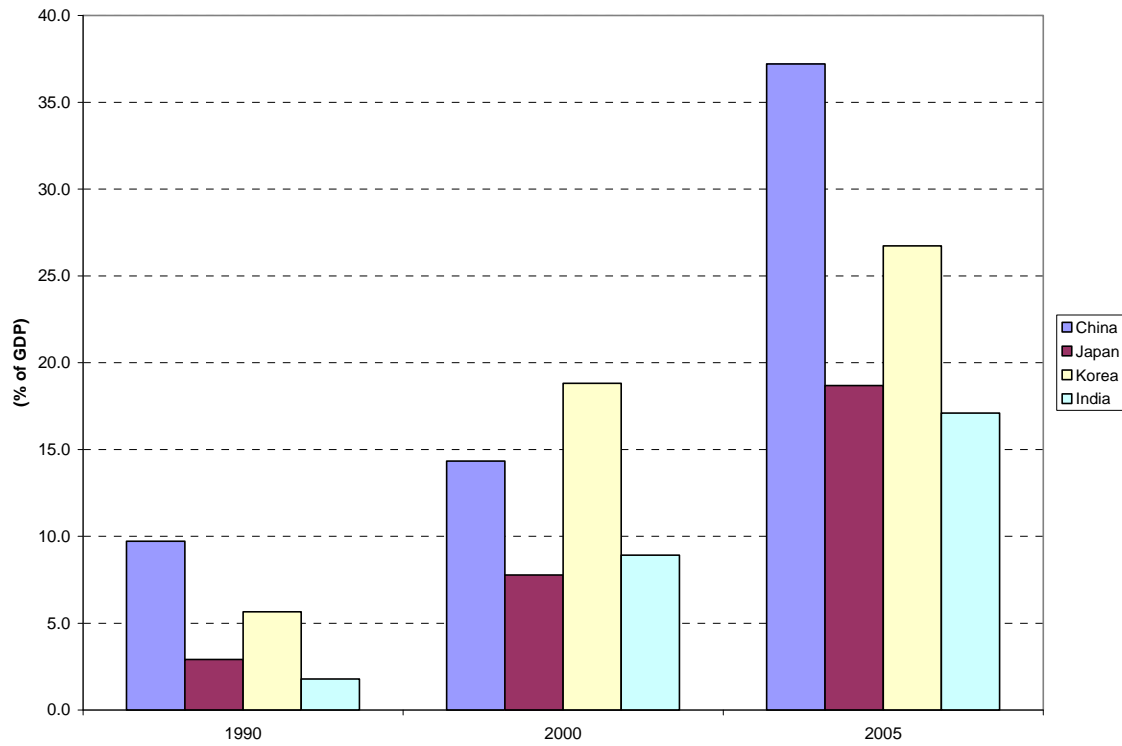
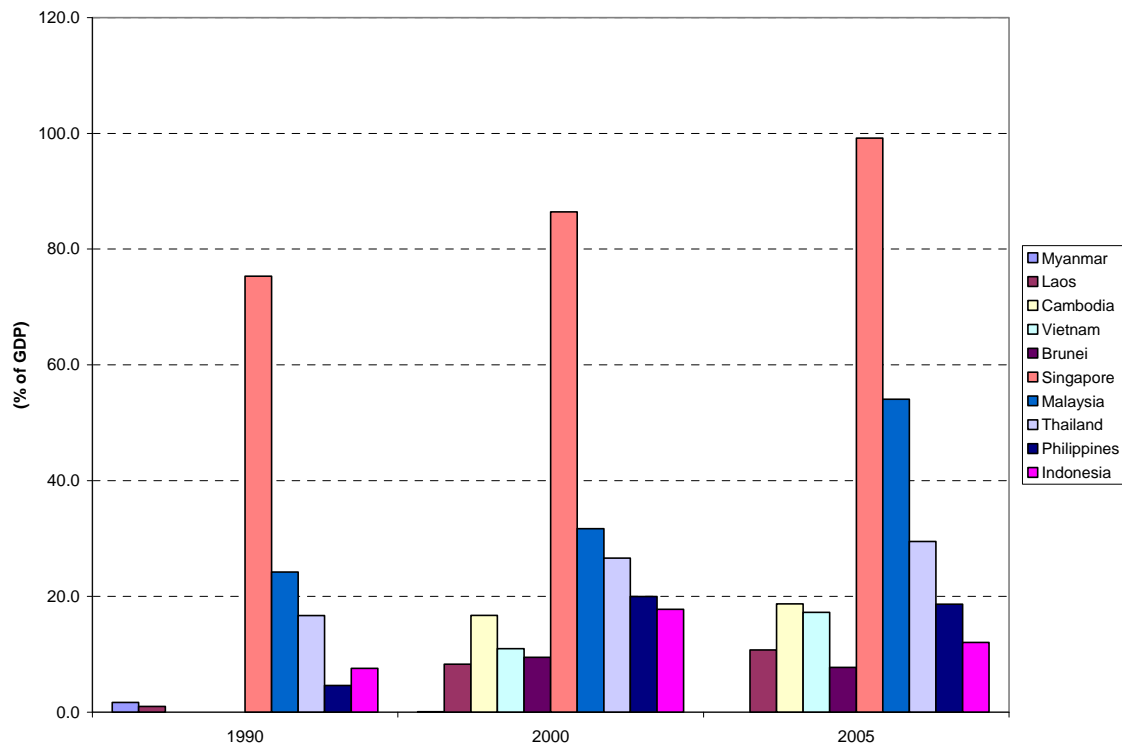


Figure 5.7 and Figure 5.8 offer the state of International Reserves.

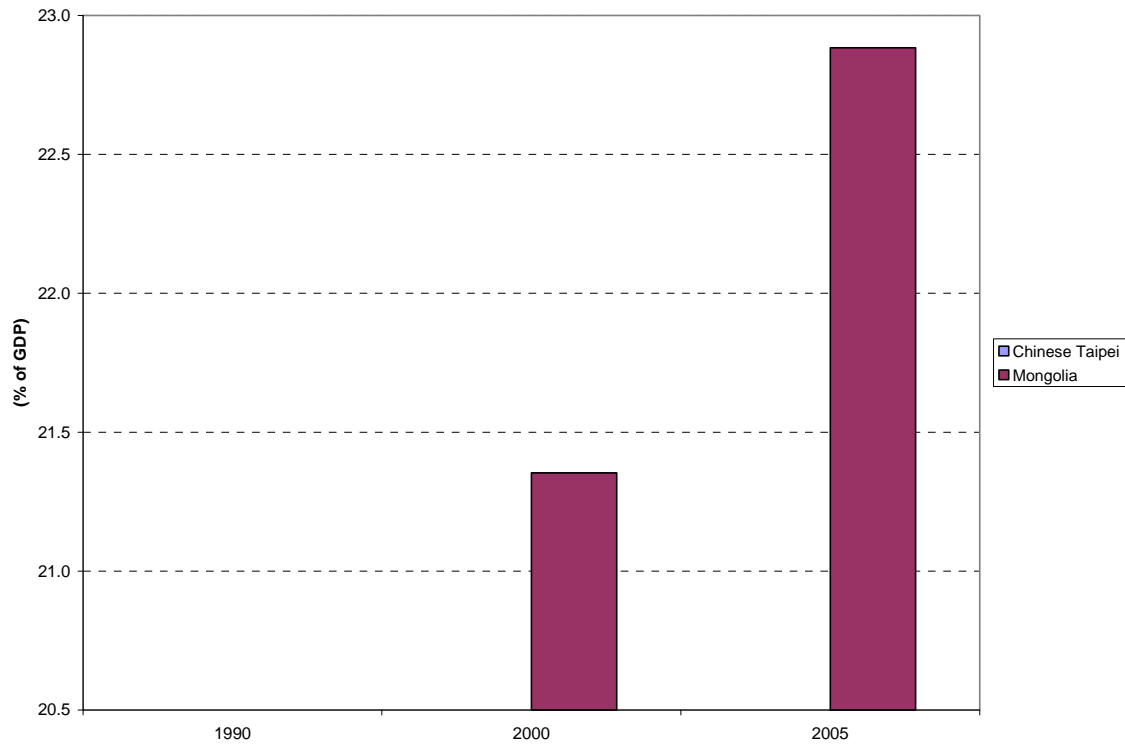
**Figure 5.5: International Reserves, 1990-2005: Japan, Korea, China and India**



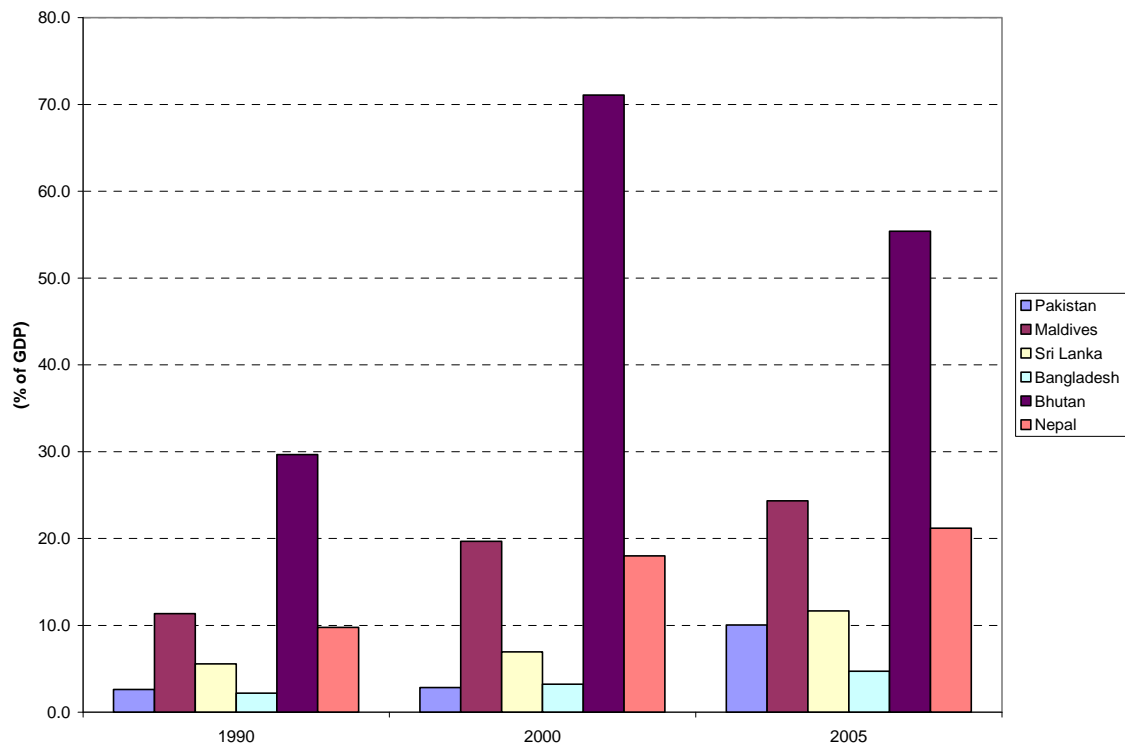
**Figure 5.6: International Reserves, 1990-2005: Myanmar, Laos, Cambodia, Vietnam, Brunei, Singapore, Malaysia, Thailand, Philippines and Indonesia**



**Figure 5.7: International Reserves, 1990-2005: Taiwan and Mongolia**



**Figure 5.8: International Reserves, 1990-2005: Pakistan, Maldives, Sri Lanka, Bangladesh, Bhutan and Nepal**



## 5.4 LOANS FROM THE WORLD BANK

Loans from the World Bank are mainly for the construction of the infrastructure of a given economy, and can broaden that economy's investment base. As a donor country, Japan has not been an applicant for loans from the Bank. Korea has made an independent arrangement. India has been a major borrower country. As of 1982, China became a candidate for World Bank loans, and its share has progressively increased; China's loan in 2005 was as high as US\$ 20,880 million. In South-East Asia, Brunei is a rich country and has no need to apply to the World Bank for a loan. From the 1980s on, Laos, Cambodia, and Vietnam have received loans from the Bank. Myanmar has a difficult record of its own and as of 1978 records no loan from the Bank. In Southeast Asia, Malaysia, Thailand, the Philippines and Indonesia have been recipients of loans from the Bank while Singapore has not been an applicant. Chinese Taipei also did not need to ask for a loan, while Mongolia has become a borrower since 1991. In South Asia, Pakistan, Bangladesh and Sri Lanka, have had their shares of loans from the Bank. Maldives and Bhutan, the two small economies also received loans in smaller magnitudes.

**Table 5.19: World Bank Loans (in millions of US\$), 1970-2005: China, Japan, Korea, and India**

	1970	1980	1990	2000	2001	2002	2003	2004	2005
China	..	..	5,881	19,889	20,203	20,677	20,971	21,705	20,880
Japan	..	..	..	..	..	..	..	..	..
Korea	..	..	..	..	..	..	..	..	..
India	1,562	5,969	20,996	25,968	26,468	26,093	27,018	28,527	28,919

Source: World Development Indicators (2006)

**Table 5.20: World Bank Loans (in millions of US\$), 1970-2005: Myanmar, Laos, Cambodia, Vietnam, and Brunei**

	1970	1980	1990	2000	2001	2002	2003	2004	2005
Myanmar	..	..	..	..	..	..	..	..	..
Laos	..	6	131	403	415	473	561	616	..
Cambodia	..	..	..	207	238	306	400	467	..
Vietnam	..	2	59	1,113	1,344	1,715	2,472	3,039	..
Brunei	..	..	..	..	..	..	..	..	..

Source: World Development Indicators (2006)

**Table 5.21: World Bank Loans (in millions of US\$), 1970-2005: Singapore, Malaysia, Thailand, Philippines, and Indonesia**

	1970	1980	1990	2000	2001	2002	2003	2004	2005
Singapore	..	..	..	..	..	..	..	..	..
Malaysia	141	504	1,102	812	788	719	708	639	..
Thailand	..	703	2,530	3,030	3,084	2,429	2,178	559	459
Philippines	..	960	4,044	3,834	3,454	3,533	3,660	3,531	3,082
Indonesia	..	1,605	10,385	12,428	12,157	11,523	10,659	9,939	9,132

Source: World Development Indicators (2006)

**Table 5.22: World Bank Loans (in millions of US\$), 1970-2005: Chinese Taipei and Mongolia**

	1970	1980	1990	2000	2001	2002	2003	2004	2005
Chinese Taipei	..	..	..	..	..	..	..	..	..
Mongolia	..	..	..	137	155	181	227	287	..

Source: World Development Indicators (2006), Statistical Yearbook of the Republic of China (2005)

**Table 5.23: World Bank Loans (in millions of US\$), 1970-2005: Pakistan, Maldives, Sri Lanka, Bangladesh, Bhutan, and Nepal**

	1970	1980	1990	2000	2001	2002	2003	2004	2005
Pakistan	610	1,151	3,922	6,922	7,041	8,143	8,564	9,278	9,104
Maldives	..	2	10	46	44	50	58	66	..
Sri Lanka	27	129	946	1,624	1,578	1,738	2,054	2,168	2,095
Bangladesh	..	981	4,159	6,455	6,456	7,076	8,069	8,895	8,688
Bhutan	..	..	16	26	31	39	49	60	..
Nepal	0	76	667	1,132	1,122	1,210	1,388	1,491	..

Source: World Development Indicators (2006)

## 5.5 NET CURRENT TRANSFERS

Net current transfers come from earnings and add to the foreign exchange earnings of the specific economy. The compilations by the World Bank have been of much interest. Of course, they are part of the normal economic activities across the borders of sovereign nation state economies. International labor migration is an aspect to be studied. The debate on “brain drain” does not warrant any further discussion as we believe that the labor market has indeed been internationalized. A disaggregation of these transfers in terms of consumption and savings is very much in order as it has been suggested that a great deal of it does not go for investment.

**Table 5.24: Net Current Transfers from Abroad (in millions of US\$), 1970-2005: China, Japan, Korea, and India**

	1970	1980	1990	2000	2001	2002	2003	2004	2005
China	..	..	274	6,311	8,491	12,984	17,634	22,898	25,386
Japan	-31	-1,250	-3,255	-7,991	-6,932	-3,713	-6,320	-5,800	..
Korea	178	536	1,136	570	-384	-1,580	-2,890	-2,430	-2,493
India	116	2,692	2,068	12,854	15,398	16,387	21,608	20,253	24,095

Source: World Development Indicators (2006)

**Table 5.25: Net Current Transfers from Abroad (in millions of US\$), 1970-2005: Myanmar, Laos, Cambodia, Vietnam, and Brunei**

	1970	1980	1990	2000	2001	2002	2003	2004	2005
Myanmar	..	..	..	..	..	..	..	..	..
Laos	..	..	11	136	85	71	86	85	85
Cambodia	..	..	45	425	396	447	475	442	466
Vietnam	..	..	49	1,341	1,257	1,800	2,239	2,484	3,073
Brunei	..	..	..	..	..	..	..	..	..

Source: World Development Indicators (2006)

**Table 5.26: Net Current Transfers from Abroad (in millions of US\$), 1970-2005: Singapore, Malaysia, Thailand, Philippines, and Indonesia**

	1970	1980	1990	2000	2001	2002	2003	2004	2005
Singapore	5	..	..	-1,313	-1,377	..	..	..	..
Malaysia	-59	-21	54	..	..	..	..	..	..
Thailand	3	75	212	571	556	606	938	2,138	3,003
Philippines	119	..	714	5,643	6,860	7,680	8,386	9,160	11,403
Indonesia	..	..	..	..	..	..	..	..	..

Source: World Development Indicators (2006)

**Table 5.27: Net Current Transfers from Abroad (in millions of US\$), 1970-2005: Chinese Taipei and Mongolia**

	1970	1980	1990	2000	2001	2002	2003	2004	2005
Chinese Taipei	..	..	-596	-2,604	-2,734	-2,492	-2,719	-3,825	-4,264
Mongolia	..	..	7	94	132	138	162	269	225

Source: World Development Indicators (2006), Statistical Yearbook of the Republic of China (2005)

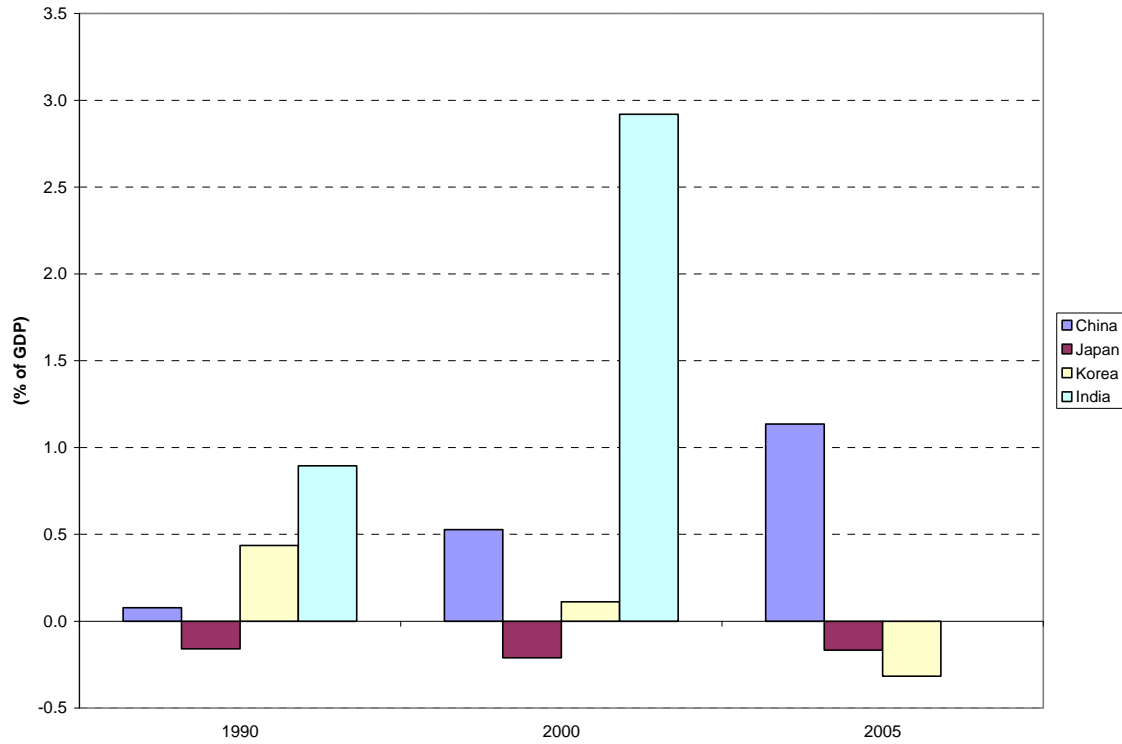
**Table 5.28: Net Current Transfers from Abroad (in millions of US\$), 1970-2005: Pakistan, Maldives, Sri Lanka, Bangladesh, Bhutan, and Nepal**

	1970	1980	1990	2000	2001	2002	2003	2004	2005
Pakistan	81	1,895	2,210	2,923	3,299	4,500	6,775	6,684	8,819
Maldives	..	..	4	-27	-30	-40	-42	-54	58
Sri Lanka	..	..	424	982	1,005	1,128	1,240	1,380	3,321
Bangladesh	10	802	799	726	433	329	372	361	434
Bhutan	..	..	21	44	45	29	35	68	..
Nepal	..	36	99	629	888	887	971	1,150	1,353

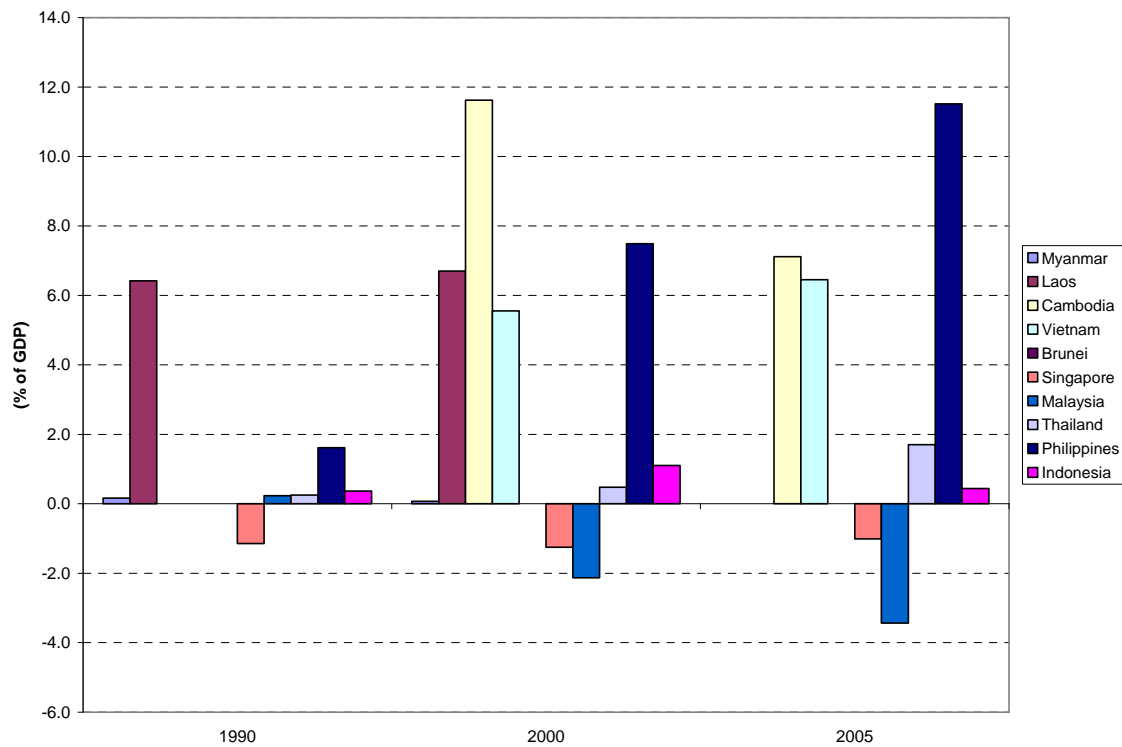
Source: World Development Indicators (2006)

Figure 5.9, Figure 5.10, Figure 5.11 and Figure 5.12 show Net Current Transfers as percentages of GDP.

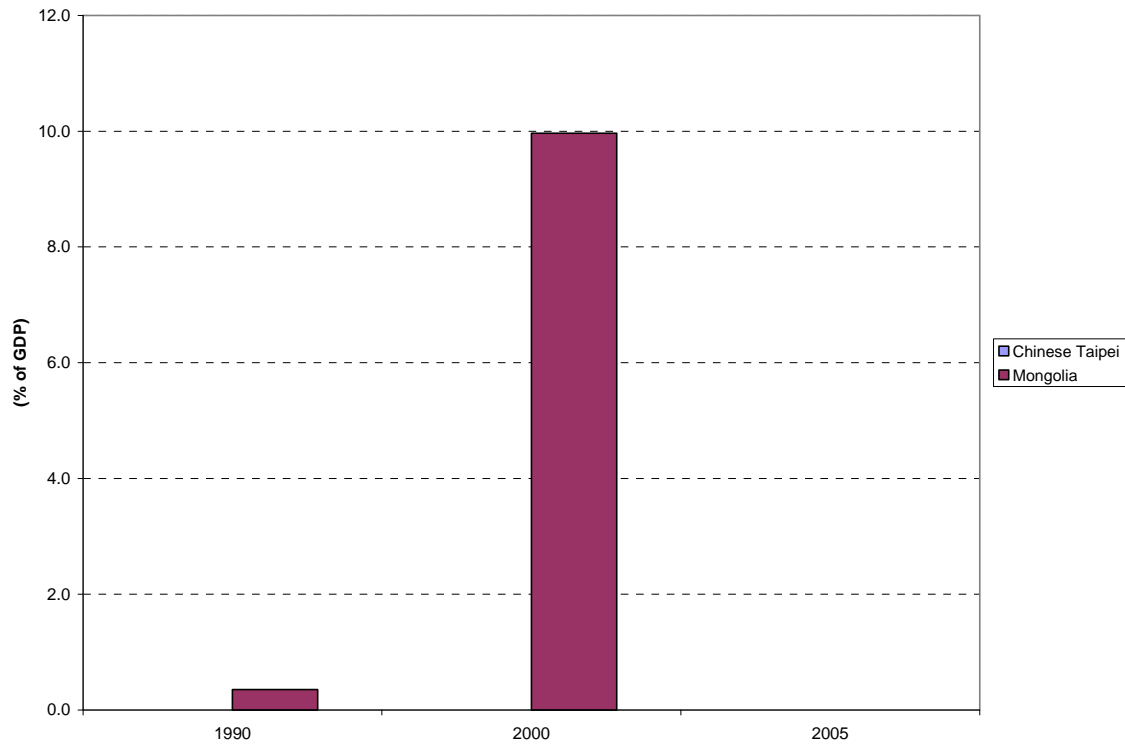
**Figure 5.9: Net Current Transfers, 1990-2005: Japan, Korea, China and India**



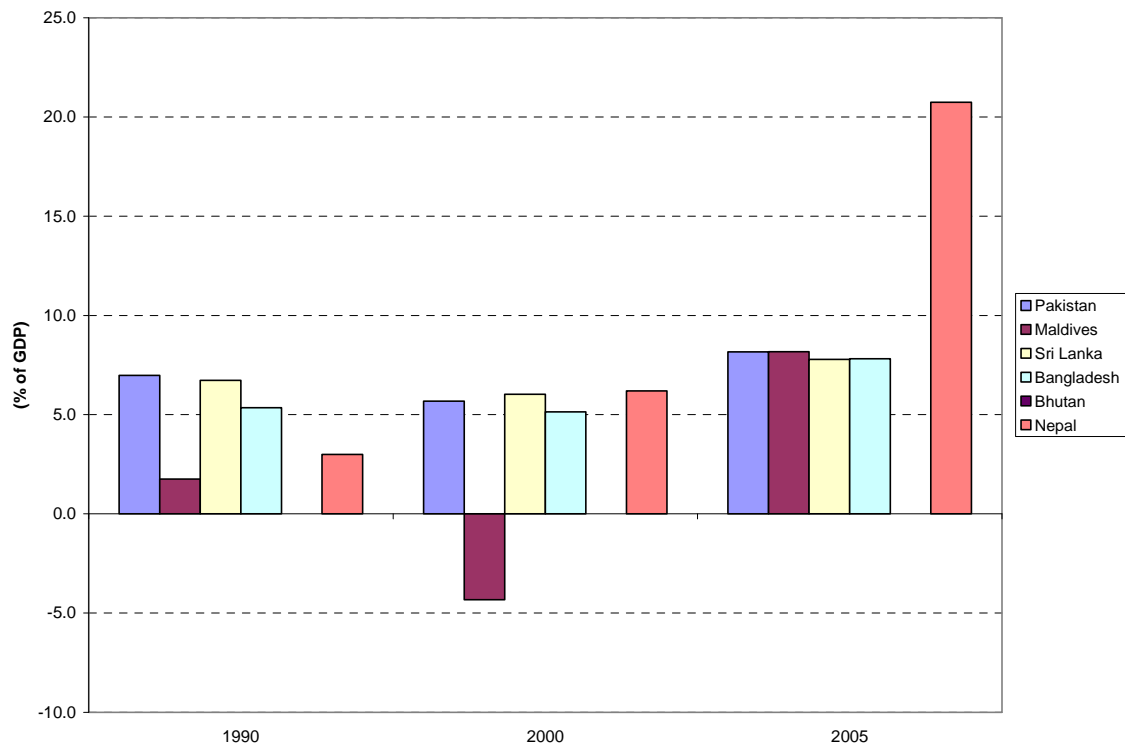
**Figure 5.10: Net Current Transfers, 1990-2005: Myanmar, Laos, Cambodia, Vietnam, Brunei, Singapore, Malaysia, Thailand, Philippines and Indonesia**



**Figure 5.11: Net Current Transfers, 1990-2005: Taiwan and Mongolia**



**Figure 5.12: Net Current Transfers, 1990-2005: Pakistan, Maldives, Sri Lanka, Bangladesh, Bhutan and Nepal**



## 5.6 FOREIGN AID

We argue that flows of foreign aid are dictated more by political decisions, much less by economic reasoning. An economic analysis can hardly be rational as market forces have only a minor role. A review of the data below points to some obvious facts: Japan did not receive any foreign aid; Korea has graduated to a higher level of industrialization; China has been a recipient since 1979; from 1970-2005, India has received the most significant amounts of aid out of this group of countries. The ASEAN-10 has also had their shares of foreign aid, though Brunei, the petroleum-rich country, is the notable exception. Chinese Taipei did not need any foreign aid. Mongolia has been receiving its shares of foreign aid since 1976.

**Table 5.29: Foreign Aid (in millions of US\$), 1970-2005: China, Japan, Korea, and India**

	1970	1980	1990	2000	2001	2002	2003	2004	2005
China	..	66	2,030	1,728	1,473	1,471	1,333	1,685	1,757
Japan	..	..	..	..	..	..	..	..	..
Korea	275	139	52	-198	-111	-82	-458	-68	..
India	825	2,186	1,399	1,463	1,701	1,441	900	694	1,724

Source: World Development Indicators (2006)

**Table 5.30: Foreign Aid (in millions of US\$), 1970-2005: Myanmar, Laos, Cambodia, Vietnam, and Brunei**

	1970	1980	1990	2000	2001	2002	2003	2004	2005
Myanmar	23	308	161	106	126	119	125	124	145
Laos	69	46	149	282	245	278	301	272	296
Cambodia	19	269	41	396	418	484	514	483	538
Vietnam	436	277	181	1,681	1,449	1,274	1,765	1,840	1,905
Brunei	0	0	4	1	0	-2	0	1	..

Source: World Development Indicators (2006)

**Table 5.31: Foreign Aid (in millions of US\$), 1970-2005: Singapore, Malaysia, Thailand, Philippines, and Indonesia**

	1970	1980	1990	2000	2001	2002	2003	2004	2005
Singapore	29	14	-3	1	1	7	7	9	..
Malaysia	26	135	468	45	27	86	107	290	32
Thailand	74	418	796	698	281	294	-959	26	-171
Philippines	46	299	1,271	575	572	550	739	467	562
Indonesia	465	941	1,716	1,654	1,467	1,301	1,743	102	2,524

Source: World Development Indicators (2006)

**Table 5.32: Foreign Aid (in millions of US\$), 1970-2005: Chinese Taipei and Mongolia**

	1970	1980	1990	2000	2001	2002	2003	2004	2005
Chinese Taipei	..	..	..	..	..	..	..	..	..
Mongolia	..	2	13	217	211	208	249	262	212

Source: World Development Indicators (2006), Statistical Yearbook of the Republic of China (2005)

**Table 5.33: Foreign Aid (in millions of US\$), 1970-2005: Pakistan, Maldives, Sri Lanka, Bangladesh, Bhutan, and Nepal**

	1970	1980	1990	2000	2001	2002	2003	2004	2005
Pakistan	421	1,181	1,127	692	1,942	2,128	1,062	1,424	1,666
Maldives	0	21	21	19	25	27	21	28	67
Sri Lanka	49	387	728	276	313	344	677	520	1,189
Bangladesh	..	1,287	2,093	1,168	1,025	909	1,394	1,413	1,321
Bhutan	0	8	46	53	60	73	77	78	90
Nepal	23	160	423	387	391	361	463	428	428

Source: World Development Indicators (2006)

## 5.7 INTRA-COUNTRY FLOWS OF FDI

The phenomenon of intra-country capital inflows merits closer analysis as it relates to the emerging pattern of Asian regionalism. We have added Australia and New Zealand, the two economies in the South Pacific, to the AE-22 framework of the present study. These two economies have developed fast growing economic inter-relationships with the AE-22 following the denial of their membership of the European Union (Chapter

7). Based on data for 1995-2002, presented in Table 5.34 through Table 5.49, Australia, New Zealand, Japan, Korea, China, India and South East Asian economies of Laos, Cambodia, Brunei, Thailand, the Philippines, Indonesia, Malaysia, have been engaged in substantive intra-regional investment inflows. In South Asia, Bangladesh presents a record of receipt of foreign aid. Given its political situation, Chinese Taipei must play a specifically limited role in this regard (Chapter 8).

**Table 5.34: Foreign Direct Investment (in millions of US\$), Inflows, 1995: AE-22, Australia and New Zealand**

To/From	Australia	Bangladesh	Bhutan	Brunei	Cambodia	Hong Kong	India	Indonesia	Japan	Korea	Laos	Malaysia	Maldives
China	232.99	0.10			1.31	20,060.40	0.18	111.63	3,108.46	1,042.89		259.00	
Japan	5.32					216.88		-3.19		114.82		6.38	
Korea						33.00			297.00				
India						100.00			60.90	23.90			
Myanmar						5.70			0.40	1.40		5.70	
Laos	0.26								0.85	74.66		0.83	
Cambodia	3.90					3.40	0.70			1.30		49.50	
Vietnam					0.50	183.52		6.20	134.33	161.39		83.20	
Brunei	10.23					4.77	1.39	11.06	6.12	0.24		36.31	
Singapore									843.11				
Malaysia	135.76			42.72	0.80	565.41	4.79	31.54	1,056.14	105.02			
Thailand	25.16			0.04	0.40	278.87	-0.29	11.88	556.12	12.37	4.18	11.39	
Philippines	46.86					157.87	1.87		683.05	85.86		30.32	
Indonesia	67.93					106.78	14.07		1,750.88	162.49		23.26	
Chinese Taipei													
Mongolia													
Pakistan						7.65			17.93				
Maldives													
Sri Lanka													
Bangladesh	13.50					1.80	0.30		2.50	4.30			
Bhutan													
Nepal													
Australia				0.74		144.55		1.48	714.59	14.83		80.80	
New Zealand	668.20					246.39			-33.10				

Source: Asian Development Bank, UNCTAD.

**Table 5.35: Foreign Direct Investment (in millions of US\$), Inflows, 1995: AE-22, Australia and New Zealand, con't.**

To/From	Mongolia	Myanmar	Nepal	New Zealand	Pakistan	Philippines	China	Singapore	Sri Lanka	Chinese Taipei	Thailand	Vietnam
China	0.15			20.72		105.78		1,851.22	0.23	3,161.55	288.24	28.30
Japan						-1.06	21.26	4.25		5.32	1.06	
Korea												
India												
Myanmar				2.80		3.10	3.10	55.50			32.40	
Laos							1.46	0.05		1.10	5.64	
Cambodia							-0.10	48.00		10.10	3.40	0.30
Vietnam						3.15	7.20	239.20		259.50	55.00	
Brunei				7.13		0.61		262.05		0.80	1.30	
Singapore												
Malaysia				1.20		35.94	14.77	1,377.58		229.20	4.39	0.40
Thailand		-0.07		0.07	0.04	0.59	1.86	136.20	0.03	96.53		-0.04
Philippines							13.74	208.05		12.51	3.22	
Indonesia							5.70	585.63		-14.09		
Chinese Taipei												
Mongolia												
Pakistan												
Maldives												
Sri Lanka												
Bangladesh					1.20							
Bhutan												
Nepal												
Australia				-118.60		0.74	5.93	303.18		39.29	17.05	
New Zealand								203.41			-0.77	

Source: Asian Development Bank, UNCTAD.

**Table 5.36: Foreign Direct Investment (in millions of US\$), Inflows, 1996: AE-22, Australia and New Zealand**

To/From	Australia	Bangladesh	Bhutan	Brunei	Cambodia	Hong Kong	India	Indonesia	Japan	Korea	Laos	Malaysia	Maldives
China	194.00					20,677.00			3,679.00	1,820.00			
Japan	5.52					395.30	5.52	-0.92		55.16		-10.11	
Korea						17.00			173.00				
India						41.50			96.70	6.30			
Myanmar	1.60					13.20			15.60	0.50		10.60	
Laos	0.08								0.35	21.48		22.47	
Cambodia	29.00					12.60	0.20	15.90	23.80	5.70		185.10	
Vietnam						184.22	0.70	3.40	158.60	202.44		36.80	
Brunei	12.00					5.49	1.42	11.31	7.35	0.26		43.10	
Singapore									595.73				
Malaysia	87.05	0.40		60.81	0.79	362.49	1.59	24.25	1,076.73	59.62			
Thailand	34.08	0.02		0.08	1.24	214.81	4.08	9.84	522.85	24.80	3.41	20.98	
Philippines	3.58					114.12	0.22	4.89	528.27	33.31		19.36	
Indonesia	93.57			38.68		94.55			1,828.63	310.48		32.86	
Chinese Taipei													
Mongolia													
Pakistan						3.82			26.87				
Maldives													
Sri Lanka													
Bangladesh	55.30					2.90	1.00		3.20	2.80		0.10	
Bhutan													
Nepal													
Australia				-0.78		10.96		18.78	272.33	8.61		100.17	
New Zealand	963.41					-352.20			31.79			2.62	

Source: Asian Development Bank, UNCTAD.

**Table 5.37: Foreign Direct Investment (in millions of US\$), Inflows, 1996: AE-22, Australia and New Zealand, con't.**

To/From	Mongolia	Myanmar	Nepal	New Zealand	Pakistan	Philippines	China	Singapore	Sri Lanka	Chinese Taipei	Thailand	Vietnam
China								2,244.00		3,475.00	323.00	
Japan				2.76		-10.11	0.92	-29.42		27.58	10.11	
Korea												
India												
Myanmar						0.40	2.20	175.00			42.60	
Laos		0.01					0.41	1.27		0.07	78.82	
Cambodia							8.30	35.10		26.50	9.10	
Vietnam						18.50	3.10	233.00		286.01	37.00	
Brunei				8.69		0.64		296.66		0.33	1.41	
Singapore												
Malaysia				3.18	3.97	9.14	9.94	1,203.53	0.40	180.85	2.78	1.19
Thailand		-0.04	-0.08	1.86	0.00	2.07	3.91	274.98	-21.94	137.78		-0.02
Philippines							3.10	43.25		51.27	7.38	
Indonesia				0.47				48.54		19.48	73.25	
Chinese Taipei												
Mongolia												
Pakistan												
Maldives												
Sri Lanka												
Bangladesh					1.30							
Bhutan												
Nepal												
Australia				285.63		-2.35	139.30	153.38		28.17	-11.74	
New Zealand							1.71	179.11		3.44		

Source: Asian Development Bank, UNCTAD.

**Table 5.38: Foreign Direct Investment (in millions of US\$), Inflows, 1997: AE-22, Australia and New Zealand**

To/From	Australia	Bangladesh	Bhutan	Brunei	Cambodia	Hong Kong	India	Indonesia	Japan	Korea	Laos	Malaysia	Maldives
China	314.00					20,632.00			4,326.00	2,142.00		382.00	
Japan	10.74					342.17		2.48		80.17		3.31	
Korea						13.00			71.00				
India						62.40			163.50	333.10			
Myanmar	0.40					4.70		7.00	18.90	6.50		5.10	
Laos	4.32						0.09		4.10	5.37		56.07	
Cambodia	5.80					8.80	0.40	-5.90	-19.00	2.70		-2.90	
Vietnam						281.79	1.43	31.40	433.92	330.88		53.40	
Brunei	11.97					6.93	1.50	11.66	7.15	0.28		46.77	
Singapore									1,289.05				
Malaysia	125.78			40.48		223.13	3.02	59.54	1,300.20	46.99			
Thailand	121.93				-2.84	472.38	0.06	6.47	1,350.93	29.15	1.28	11.83	
Philippines	25.80					59.00	0.25	2.98	395.59	50.22		5.17	
Indonesia	125.80			-38.41		232.28	13.23		1,597.23	237.64		24.58	
Chinese Taipei													
Mongolia													
Pakistan						7.08			58.22				
Maldives													
Sri Lanka													
Bangladesh	81.00					6.40	1.70		5.90	14.80		0.50	
Bhutan													
Nepal													
Australia						25.23		-12.62	-11.87	-23.01		46.02	
New Zealand	802.73					-41.95			116.73			8.83	

Source: Asian Development Bank, UNCTAD.

**Table 5.39: Foreign Direct Investment (in millions of US\$), Inflows, 1997: AE-22, Australia and New Zealand, con't.**

To/From	Mongolia	Myanmar	Nepal	New Zealand	Pakistan	Philippines	China	Singapore	Sri Lanka	Chinese Taipei	Thailand	Vietnam
China								2,606.00		3,289.00		
Japan				6.61			22.32	295.06		28.10	-18.18	
Korea												
India												
Myanmar						0.10	0.40	279.10			32.00	
Laos							2.71	1.72		0.20	6.33	0.24
Cambodia							7.20	-2.70		32.90	4.50	
Vietnam						10.00	28.10	347.00		377.32	105.40	
Brunei				9.67		0.70		324.32		0.40	1.49	
Singapore												
Malaysia			0.89	1.35	0.36	1.42	32.70	1,560.50	0.36	92.78	8.64	0.36
Thailand		0.04		1.27	0.01	7.94	-9.07	314.11	0.30	146.82		1.33
Philippines							5.84	126.51		38.41	8.21	
Indonesia						0.86	8.02	134.03		7.74	151.42	
Chinese Taipei												
Mongolia												
Pakistan												
Maldives												
Sri Lanka												
Bangladesh					0.50			2.90		4.80		
Bhutan												
Nepal												
Australia				-93.51		1,821.31	11.13	250.12		-11.87	-0.74	
New Zealand								7.53			-0.70	

Source: Asian Development Bank, UNCTAD.

**Table 5.40: Foreign Direct Investment (in millions of US\$), Inflows, 1998: AE-22, Australia and New Zealand**

To/From	Australia	Bangladesh	Bhutan	Brunei	Cambodia	Hong Kong	India	Indonesia	Japan	Korea	Laos	Malaysia	Maldives
China	271.97					18,508.40		68.97	3,400.36	1,803.20		340.49	
Japan	7.64					227.65	3.06	0.76		20.63		2.29	
Korea						12.00			354.00				
India									235.10	85.30			
Myanmar	0.30					10.70		4.80	33.50	17.10		12.00	
Laos	0.47				0.04				7.03	3.12		1.20	
Cambodia	-1.20					28.40	-0.80	1.20	4.20	7.30		24.20	
Vietnam						209.05	0.50	4.50	383.76	172.12		19.00	
Brunei	11.87					7.98	1.37	11.30	6.93	0.26		42.86	
Singapore									457.10				
Malaysia	72.95			12.43		157.91	1.80	15.77	1,484.52	2.72			
Thailand	36.89			0.03	1.38	400.66	1.17	2.69	1,462.25	67.68	3.02	17.18	
Philippines	4.40					30.97	0.98	28.55	357.65	56.23		3.20	
Indonesia	-182.99			-27.11		13.28	15.29		-153.85	-177.67		19.42	
Chinese Taipei													
Mongolia													
Pakistan						5.29			14.08				
Maldives													
Sri Lanka													
Bangladesh	128.50					0.40	1.70		12.00	26.10		1.90	
Bhutan													
Nepal													
Australia						-46.49		10.05	-360.59	117.48		-51.51	
New Zealand	1,651.28					385.39			13.92			-59.07	

Source: Asian Development Bank, UNCTAD.

**Table 5.41: Foreign Direct Investment (in millions of US\$), Inflows, 1998: AE-22, Australia and New Zealand, con't.**

To/From	Mongolia	Myanmar	Nepal	New Zealand	Pakistan	Philippines	China	Singapore	Sri Lanka	Chinese Taipei	Thailand	Vietnam
China				26.64		179.27		3,403.97		2,915.21	205.38	14.14
Japan				-0.76		9.93	-9.93	91.67		44.31	-5.35	
Korea												
India												
Myanmar							2.60	79.10			58.00	
Laos							2.79	0.19		0.14	26.27	0.64
Cambodia							36.40	43.80		62.90	27.60	0.10
Vietnam						5.20	1.70	319.00		277.12	51.00	
Brunei				9.55		0.66		190.99		0.35	1.37	
Singapore												
Malaysia				4.51		1.02	8.92	839.19		73.06	11.14	2.40
Thailand		0.11		0.25	0.08	7.74	5.25	548.21	0.07	98.48		1.19
Philippines							216.37	73.50		86.35	0.64	
Indonesia						-1.36	-43.95	-21.56		-6.90	-7.76	
Chinese Taipei												
Mongolia												
Pakistan												
Maldives												
Sri Lanka												
Bangladesh					1.10		1.80	0.40		0.10		
Bhutan												
Nepal												
Australia				-132.55		-855.62	26.38	44.60		21.36	-6.91	-0.63
New Zealand								116.69		6.96	1.07	

Source: Asian Development Bank, UNCTAD.

**Table 5.42: Foreign Direct Investment (in millions of US\$), Inflows, 1999: AE-22, Australia and New Zealand**

To/From	Australia	Bangladesh	Bhutan	Brunei	Cambodia	Hong Kong	India	Indonesia	Japan	Korea	Laos	Malaysia	Maldives
China	263.31					16,363.00		129.17	2,973.08	1,274.73		237.71	
Japan	99.20					506.55		-0.88		47.41		-0.88	
Korea						190.00			761.00				
India									142.00	8.00			
Myanmar	1.30					13.80		1.00	18.80	8.80		15.50	
Laos	11.36					1.58	0.01		0.84	0.14		9.07	
Cambodia	0.70					32.10	0.30	1.00	0.30	1.90		32.30	
Vietnam	33.82				0.10	102.78	0.22	0.52	400.47	196.98		96.46	
Brunei						0.26	0.04	0.18	5.59			1.59	
Singapore	-941.10			4.30	-0.10	272.30	21.00	109.10	657.83	310.80	0.10	-52.60	
Malaysia	18.13	0.26		7.84		234.92	4.13	15.05	1,882.89	5.26	0.26		
Thailand	12.95				1.44	234.36	1.53	1.22	490.78	5.43	0.56	27.60	
Philippines	1.98					64.55	0.55	-0.64	132.97	10.14		2.33	
Indonesia	-202.24					-143.94	-5.94		1,134.77	63.75		-24.16	
Chinese Taipei													
Mongolia													
Pakistan						-1.53			8.59				
Maldives													
Sri Lanka													
Bangladesh	1.30					25.20			12.50	33.60		4.80	
Bhutan													
Nepal													
Australia						-30.32		-7.74	552.28	-14.19		41.94	
New Zealand	1,326.20					-38.63		1.06	800.69	-0.53		29.64	

Source: Asian Development Bank, UNCTAD.

**Table 5.43: Foreign Direct Investment (in millions of US\$), Inflows, 1999: AE-22, Australia and New Zealand, con't.**

To/From	Mongolia	Myanmar	Nepal	New Zealand	Pakistan	Philippines	China	Singapore	Sri Lanka	Chinese Taipei	Thailand	Vietnam
China				18.39		117.28		2,642.49		2,598.70	148.32	0.13
Japan				0.88			3.51	64.09		209.82	9.66	
Korea												
India												
Myanmar						0.20	0.03	14.90			9.60	
Laos				0.01			1.14	1.68		1.31	19.56	1.05
Cambodia							9.50	18.10		20.60	32.30	0.50
Vietnam						4.36	6.97	177.27		121.57	10.55	
Brunei				70.88				2.50				
Singapore		0.30		29.10	-2.10	-24.00	27.40			75.90	48.10	1.20
Malaysia		0.42	0.26	1.47	0.34	2.29	2.97	517.05		36.26	18.18	1.05
Thailand		0.05		0.43	0.11	3.24	-2.15	530.16	0.05	121.17		0.38
Philippines				0.06			64.93	105.20		9.00	4.03	
Indonesia							-1.16	-398.27		-20.50	-5.40	
Chinese Taipei												
Mongolia												
Pakistan												
Maldives												
Sri Lanka												
Bangladesh					8.00		1.00	0.30		5.70		
Bhutan												
Nepal												
Australia				1,180.68		-3.23	0.65	-147.75		29.03	0.65	
New Zealand							2.65	-371.51		-1.06		

Source: Asian Development Bank, UNCTAD.

**Table 5.44: Foreign Direct Investment (in millions of US\$), Inflows, 2000: AE-22, Australia and New Zealand**

To/From	Australia	Bangladesh	Bhutan	Brunei	Cambodia	Hong Kong	India	Indonesia	Japan	Korea	Laos	Malaysia	Maldives
China	308.88					15,500.00		146.94	2,915.85	1,489.61		202.88	
Japan	363.75					568.83	0.93			48.25		1.86	
Korea						176.00			990.00				
India									156.00	24.00			
Myanmar	1.91					4.49		7.51	16.30	4.48		5.91	
Laos	3.64					0.06	0.11		1.64	0.13		3.20	
Cambodia	0.20					25.40	0.30	-7.20	4.10	3.00		45.90	
Vietnam	15.21					103.08	2.15	7.00	139.16	81.61	5.72	83.98	
Brunei	0.05						0.23	2.11	5.41			5.38	
Singapore	-232.20			7.60	-0.10	227.90	52.60	99.90	548.16	-23.10	0.10	-46.10	
Malaysia	21.42	0.26		15.53		473.16	0.79	13.61	949.74	5.00			
Thailand	27.72	0.10			2.25	332.97	1.81	4.28	884.86	-4.13	4.19	20.83	0.07
Philippines	0.02					45.88		2.79	49.15			15.16	
Indonesia	-108.16					-122.23	15.91		1,717.37	56.42		0.85	
Chinese Taipei													
Mongolia													
Pakistan						0.83			1.56				
Maldives													
Sri Lanka													
Bangladesh	1.60					14.60	8.60		10.60	31.40		6.20	
Bhutan													
Nepal													
Australia						884.15		-1.16	543.82	45.80		270.17	
New Zealand	693.73					81.32			-61.33			-5.45	

Source: Asian Development Bank, UNCTAD.

**Table 5.45: Foreign Direct Investment (in millions of US\$), Inflows, 2000: AE-22, Australia and New Zealand, con't.**

To/From	Mongolia	Myanmar	Nepal	New Zealand	Pakistan	Philippines	China	Singapore	Sri Lanka	Chinese Taipei	Thailand	Vietnam
China				18.22		111.12		2,172.61		2,296.28	203.57	0.56
Japan				-8.35		5.57	0.93	82.59		296.94	-14.85	
Korea												
India								22.00				
Myanmar								57.61			2.99	
Laos							9.08	0.53		1.25	8.58	1.41
Cambodia						0.10	20.00	19.30		29.20	12.00	1.00
Vietnam				1.41		1.51	21.00	90.96		230.93	13.22	
Brunei								3.10		0.32		
Singapore		7.80		5.00	1.50	98.90	-7.10			116.10	70.20	4.10
Malaysia		0.58		13.08	0.42	20.53	1.39	456.29	5.03	68.34	2.92	0.88
Thailand		0.61	0.06	0.29	0.34	0.48	7.61	374.40	0.04	156.71		0.21
Philippines				0.38				108.59		3.37		
Indonesia							-2.81	-197.02		-4.86	-36.38	
Chinese Taipei												
Mongolia												
Pakistan												
Maldives												
Sri Lanka												
Bangladesh					0.80			1.90		2.40		
Bhutan												
Nepal												
Australia				146.10		15.07	10.44	453.96		-11.60	-1.16	
New Zealand						-0.45	40.43	-12.27		1.36	-0.45	

Source: Asian Development Bank, UNCTAD.

**Table 5.46: Foreign Direct Investment (in millions of US\$), Inflows, 2001: AE-22, Australia and New Zealand**

To/From	Australia	Bangladesh	Bhutan	Brunei	Cambodia	Hong Kong	India	Indonesia	Japan	Korea	Laos	Malaysia	Maldives
China						16,717.30		159.64	4,348.42	2,151.78		262.98	
Japan	13.17					93.80	0.82			37.85		11.52	
Korea						108.00			389.00				
India									143.00	3.00			
Myanmar	1.12					4.72		3.48	7.72	7.17		2.23	
Laos	1.92					0.08			0.58	1.04		0.90	
Cambodia	-2.60					8.00		1.20	-2.20	2.20		10.90	
Vietnam	10.30					51.35	0.10	5.06	87.45	51.62		27.23	
Brunei						0.39	0.28	0.20	4.31			6.11	
Singapore	-256.60			5.40		81.90	24.90	16.10	414.69	20.00	0.10	-91.50	
Malaysia	25.82			6.29	0.09	92.11	0.37	5.66	1,398.58	10.89	0.06		
Thailand	3.62	0.01		0.01	0.69	163.55	0.99	0.28	1,376.09	24.61	0.07	19.44	
Philippines	4.50					1.31			139.84	-1.57		2.20	
Indonesia	-148.66					-177.71	17.65		1,101.45	-285.96		1.40	
Chinese Taipei													
Mongolia													
Pakistan						0.65			-0.05				
Maldives													
Sri Lanka													
Bangladesh						4.40	0.30		2.10	7.80		0.30	
Bhutan													
Nepal													
Australia						-341.88		-3.62	488.25	148.96		345.50	
New Zealand	464.11					230.37			-187.49				

Source: Asian Development Bank, UNCTAD.

**Table 5.47: Foreign Direct Investment (in millions of US\$), Inflows, 2001: AE-22, Australia and New Zealand, con't.**

To/From	Mongolia	Myanmar	Nepal	New Zealand	Pakistan	Philippines	China	Singapore	Sri Lanka	Chinese Taipei	Thailand	Vietnam
China						209.39		2,143.55		2,979.94	194.21	
Japan				-0.82			0.82	19.75		164.57	-195.02	
Korea												
India								54.00				
Myanmar							0.52	55.69			5.96	
Laos				0.04			11.84	0.08		3.09	1.52	0.56
Cambodia						0.20	2.90	21.60		59.80	3.30	
Vietnam						3.36	24.17	160.62		215.37	45.22	
Brunei								4.28		0.99		
Singapore		1.10		18.50	-5.30	-15.60	99.90			87.90	-89.60	1.20
Malaysia		0.03		0.45	1.42	24.61	9.03	1,171.05	0.26	26.66	2.82	0.16
Thailand			0.02	0.56	0.14	2.95	1.04	1,625.27	0.03	114.07		0.17
Philippines				-4.24			0.08	220.10		1.57		
Indonesia						-1.20	-1.50	-200.49		-7.45	-39.68	
Chinese Taipei												
Mongolia												
Pakistan												
Maldives												
Sri Lanka												
Bangladesh					0.10							
Bhutan												
Nepal												
Australia				-527.56		-539.45	10.86	7,002.03		-68.27		45.51
New Zealand								171.10				

Source: Asian Development Bank, UNCTAD.

**Table 5.48: Foreign Direct Investment (in millions of US\$), Inflows, 2002: AE-22, Australia and New Zealand**

To/From	Australia	Bangladesh	Bhutan	Brunei	Cambodia	Hong Kong	India	Indonesia	Japan	Korea	Laos	Malaysia	Maldives
China						17,860.90		121.64	4,190.09	2,720.73		367.86	
Japan	-0.80					-13.56		-5.58		63.00		-1.60	
Korea						183.00			485.00				
India									66.00	15.00			
Myanmar						6.09		0.79	4.62	4.27		1.00	
Laos	9.13						0.13		0.29	1.70		0.99	
Cambodia						-7.10			1.90	19.60		6.90	
Vietnam	12.05					80.34		0.57	95.54	55.49		36.99	
Brunei						0.65	1.46	2.69	295.09	7.84		5.82	
Singapore									204.40				
Malaysia	15.08	0.26		2.26		107.49	1.89	21.45	1,091.08	3.75			
Thailand	-13.75	0.10		0.11	1.43	25.29	3.23	3.24	635.44	41.46		-16.44	
Philippines	0.32					3.61		0.02	741.81	1.77		-0.29	
Indonesia	40.48					2.05	-0.53	0.01	-450.67	-147.23		46.26	
Chinese Taipei													
Mongolia													
Pakistan						-2.71			17.23				
Maldives													
Sri Lanka													
Bangladesh						23.75	11.02		12.61	13.55		25.74	
Bhutan													
Nepal													
Australia						448.78			1,468.57	57.59			
New Zealand	579.51					-135.51			168.35				

Source: Asian Development Bank, UNCTAD.

**Table 5.49: Foreign Direct Investment (in millions of US\$), Inflows, 2002: AE-22, Australia and New Zealand, con't.**

To/From	Mongolia	Myanmar	Nepal	New Zealand	Pakistan	Philippines	China	Singapore	Sri Lanka	Chinese Taipei	Thailand	Vietnam
China						186.00		2,337.20		3,970.64	187.72	
Japan				-5.58		0.80	1.60	124.41		-23.13	-133.98	
Korea												
India								39.00				
Myanmar							3.44	17.58			0.81	
Laos		0.04		0.04			1.30	4.51		0.89	2.35	
Cambodia							2.10	2.80		4.20	3.10	0.80
Vietnam				0.58		2.73	9.35	120.01		52.44	40.13	
Brunei				39.33		0.81	0.16	9.81		1.15	1.93	0.17
Singapore												
Malaysia		0.26		1.58	0.16	29.89	3.62	1,393.16	0.26	31.00	12.29	8.57
Thailand		1.21	0.01	0.94	-0.01	-0.35	19.40	1,236.74		73.19		2.16
Philippines								35.88	0.04	0.38	2.37	
Indonesia						13.45	-1.02	362.82		-1.83	5.83	
Chinese Taipei												
Mongolia												
Pakistan												
Maldives												
Sri Lanka												
Bangladesh							6.92	39.40				
Bhutan												
Nepal												
Australia				900.27			6.52			-9.24	-0.54	0.54
New Zealand								98.05				

Source: Asian Development Bank, UNCTAD

## 5.8 CONCLUDING REMARKS

The industrialization of Asian economies in the recent decades has been funded by massive inflows of foreign savings from the savings-rich mature industrialized economies. FDI has been a major factor. Expected profit, anchored to the rate of growth of a given Asian economy, more so at accelerated rates, attracted the inflow and enabled the foreign investors to harvest profit-earnings. Of course, China has been the prime destination of FDI since 1990s, though the recent inflows of FDI into resource-rich Mongolia merit attention.

The World Bank charter enables this international institution to make loans at low rates of interest for periods of time much longer than normal financial institutions. Given the sustained political stability in a democratic political system with one-person-one vote, India with its resource base has become the World Bank's largest creditor.

The economic analysis of Net Current Transfers warrant more critical evaluation. Borrowing by ranking corporate institutions in an Asian country from banks in the USA and other richer countries has played a unique role in Korea.

Foreign Aid has been known to be a handmaid of foreign relations amongst the giving and receiving countries, as such it does not lend to free

market operations. To the extent it is for combating terrorism and maintaining global security, extra-economic factors remain all too dominant. Humanitarian considerations must account for Foreign Aids given to an economy hit by a natural calamity, whether it is an earthquake, flood, Tsunami or epidemic.

Joint ventures between indigenous and overseas entrepreneurs have played a substantive role in many Asian countries in Southeast Asia including Thailand, Malaysia, Indonesia, the Philippines and India in South Asia. Political events eventually neutralized the progress made in the Philippines and Indonesia. Legal stipulations historically limited the role of joint ventures in India. Political instability in several South Asian countries inclusive of Pakistan, the second largest economy in South Asia, became a serious challenge to attract and promote joint ventures. In recent years, Vietnam has successfully invited inflows of joint ventures. The economies of Laos and Cambodia are in the process of restructuring to facilitate inflows of foreign funds. Myanmar is currently under a military dictatorship and so the economy is now substantively closed. In South Asia Maldives, Sri Lanka and Nepal are undergoing political challenges. The tiny Himalayan economy of Bhutan has not been known for its industrialization. Japan,

Chinese Taipei, Singapore, Brunei Darussalam each has their independent economic structures.

The success story of Asian industrialization has been rooted to the open economic policies adopted by these economies. The inflows of foreign savings from the rich industrialized countries in the many and varied forms to the savings-poor economies of Asia progressed, contributing to the optimization of economic gains for all participating economies.