THE WORLD BANK

Global Economic Prospects

and the Developing Countries

Beyond Financial Crisis

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Foreword

THERE IS A SINGLE SET OF EVENTS THAT DOMINATES THE WORLD ECOnomic scene today as it has for more than a year: the global economic crisis that began in Thailand on July 2, 1997, spread from there to Indonesia and Korea, then to Russia, then to Latin America. Few countries have not been touched by the global forces that this crisis—by some accounts the worst since the 1980s debt crisis—has unleashed. Some countries have gone, in the space of a few short months, from robust growth to deep recession. The social consequences of this economic downturn are already manifest, with interrupted education, increased poverty, poorer health.

In the midst of this uncertainty, it is important for us to have a sense of where the global economy is going, what has brought us to this juncture, and what can be done both to enhance our current prospects and to make another such calamity less likely. *Global Economic Prospects and the Developing Countries 1998/99* lays out the anatomy of the crisis in a clear and concise fashion, and assesses both the short- and long-term outlooks for the world economy and the developing countries in the aftermath of the crisis.

A current snapshot of the world economy shows an economic situation dramatically different from just a year ago. What started as a regional economic slowdown grew into a global crisis. According to the report, 36 countries that account for more than 40 percent of the developing world's GDP and more than a quarter of its population will likely see negative per capita growth in 1998. In 1997, by comparison, per capita income fell in only 21 countries that accounted for 10 percent of the developing world's GDP and 7 percent of its population.

It is easier to describe where the world's economy is today than to forecast where it will be in the coming year. The art and science of economic forecasting is always risky, but it is on particularly shaky grounds when it comes to trying to forecast turning points. Indeed, inadequacies in forecasting undoubtedly contributed to the downturn: had the magnitude of the downturn been accurately foreseen, less contractionary policies might have been pursued, and the ensuing recessions might not have been as deep—these are among the lessons that are drawn out in Chapter 2. But to be fair to the economics profession, standard macro-models, augmented by an understanding of the role that weaknesses in the financial sector played in the crisis (a point also emphasized in Chapter 2), strongly suggested a major slowdown, if not necessarily of the severity of what occurred.

But while forecasting is thus inevitably highly risky, the task of putting together the forecast—including exploring the links among the various parts of our integrated world economy, both among countries and markets—helps draw attention to sources of weakness and strength. By focusing on the downside risks and upside opportunities, it helps focus attention of policymakers not only on the actions that they should take today, but on the kinds of contingencies for which they should be prepared.

As a development institution, the World Bank is especially concerned about long-term prospects for the developing countries. Though we cannot predict, with any accuracy, when the world economy and the developing countries will fully recover from the current downturn, we do know this: there have been crises before, and the world has always recovered from them. And after recovery, the determinants of growth are underlying forces—savings, demography, the pace of technological change. Crises can, of course, have long-lasting effects that tend to persist: European unemployment rates have yet to return to the levels of 20 years ago, prior to the oil crisis. Many analysts attribute this to the attrition of skills that accompanies prolonged unemployment. Similarly, undoing the effects of the massive corporate failures that have plagued several of the affected countries will not be easy.

This report argues, however, that while 1998 was and 1999 will be very difficult years for developing countries, in the longer term growth could still reach the record setting rates of the early 1990s. But this will happen only if policies to prevent a deeper global slump are implemented *quickly.* In recent weeks, the G-7 countries have taken a number of important policy steps in this direction to foster world economic recovery and to prevent a global recession.

Understanding the nature of the East Asian crisis and the response of the international community is vital to shaping how well we rise to the challenge of crises in the future. Last year, when it became clear that there would not be a magic bullet to fix Asia's financial crisis quickly, we were encouraged by our clients and shareholders to launch a research project to provide an in-depth examination of the causes of the crisis, an impartial analysis of the world's response, and some guidance on how we can make crises such as this less frequent and less painful. Chapters 2 and 3 represent our interim report on those research findings. We should be clear: there is not unanimity on many of the key issues. This report cannot resolve all of the outstanding issues. It is our hope, however, that it will serve a constructive role in moving the international discussion on these questions forward, by identifying areas where there is and where there is not a consensus; and when there is not, trying to identify the reasons, whether it is alternative models of the economy or interpretations of the evidence.

There are inevitably a multiplicity of factors that contribute to any complex phenomenon such as the crises that have beset East Asia. This is especially the case because the situation in each of the countries differed, in some respects, markedly. But our research concludes that the origins of the crisis lay fundamentally in the interaction between institutional weaknesses in managing domestic financial liberalization and international capital market imperfections. Unlike the Latin America debt crises of the 1980s, the East Asian crisis was not characterized by excessive sovereign borrowing or severe macroeconomic imbalances. As a result, policies that were successful in responding to the debt crisis were not necessarily optimal in the circumstances of East Asia. The initial policy responses may have failed to recognize quickly enough the costs of exacerbating the downturn at a time when banks and private businesses were already in trouble, demand was falling, and capital was flowing out. In the event, the crisis had serious social consequences, in part because of the absence of social safety nets. The report suggests that the lesson to be learned from these events is that in future financial crises, the primary role for fiscal and monetary policy should be to shore up demand, expand the social safety net, recapitalize banks, and restructure corporate debt. Social safety nets in particular must be a central component of the policy response to a crisis.

The report also explores how to avoid future crises. In an age of large-scale private capital flows, developing countries face very complex problems in managing these flows but have little experience with the institutional and regulatory safeguards necessary to prevent crises. But even industrial countries have, in recent years, faced financial crises. Some of the more recent crises have occurred in industrial countries with advanced institutional structures and high levels of transparency. We know too that establishing the strong institutional infrastructure required to make markets work effectively, to enable the economy to experience stable and sustained growth, are tasks that will not be accomplished overnight, even in countries with a high level of commitment to make the necessary reforms.

When a single car has an accident on a bend in the highway, one might infer something about the driver or his car. But when, at the same bend, there are accidents day in and day out, the presumption changes—there is probably something wrong with the road. The fact that such a large number of countries have been affected by this crisis and required large official bailouts suggests some fundamental systemic weaknesses. In order to deal with the risks posed by large capital flows, especially significant when financial systems are weak, the report suggests that reforms must be comprehensive, and include a combination of more flexible macroeconomic policies, tighter financial regulation and where necessary, restrictions on capital inflows. In some cases it may be necessary to reverse the excesses of financial sector deregulation, especially in situations where countries lack the capacity for the required regulatory oversight. In each case, we need to ask what are the benefits and costs of the proposed reforms; and we need to look at the impacts on growth, stability, and poverty. The balance of benefits and costs of different policy reforms may differ in different countries. We need to recognize that in many of the poorest countries we are not likely to have, in the immediate future, robust safety nets. We have seen the devastation to the lives and livelihoods of millions of people that financial crises can have on innocent bystanders. We are seeing poverty increase overnight, undoing the slow progress that has been taking place year by year. For the poor people in those many developing countries without an adequate safety net, the risks are indeed high, perhaps unacceptably so.

While the consequences of the crisis have been severe, the report ends on a note of optimism. Events over the past year may well herald a new, more realistic and stable environment for developing countries. We now have a better understanding of the institutional infrastructure that is required to make market economies work. The international community is giving serious attention to necessary improvements in the international financial architecture—from better bankruptcy laws, a greater willingness to accept standstills and arrangements entailing more equitable burden sharing, to a greater receptivity to interventions designed to stabilize capital flows, to a greater recognition of the need for responses to crises that are better adapted to the circumstances of the country and to protecting the most vulnerable within them. The two together—improvements in domestic institutions and in the international financial architecture—will enable greater numbers of countries to be able to enjoy more of the benefits—and minimize the risks—of the global economy.

Joseph E. Stiglitz
Senior Vice-President
for Development Economics and
Chief Economist
The World Bank

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The Report Team

THIS REPORT WAS PREPARED BY A TEAM IN THE DEVELOPMENT Prospects Group, and drew from resources throughout the Development Economics Vice-Presidency, the East Asia Regional Vice-Presidency, and other World Bank regions. The task manager and principal author of the report was Dipak Dasgupta, working with guidance from Uri Dadush. The core team comprised Milan Brahmbhatt and Mustapha Nabli (principal chapter authors), Elliot Riordan (forecasts), Robert Lynn and Bert Wolfe (projections), and Miria Pigato (social sectors).

The report drew on inputs by other staff of the Development Prospects Group. Ashok Dhareshwar, Caroline Farah, Kumiko Imai, Himmat Kalsi, Robert King, Eung Ju Kim, Annette de Kleine, Aart Kraay (Development Research Group), Robert Lynn, Don Mitchell, William Shaw, Shane Streifel, and Bert Wolfe contributed to Chapter 1 and other sections. Francois Bourguignon (consultant) contributed to Chapter 2. Samir

Abhyankar, Carol Gabyzon, and Charles Wyplosz (consultant) contributed to Chapter 3.

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The production staff of the report included Madge Blair, Sarah Crow, Chi Ezenwa, Jean Jacobson, Paul Llido, and Jackie Queen. Sarah Crow served as the principal assistant to the team. Book design and production was organized by Jamila Abdelghani, Brett Kravitz, Joyce Gates, and Brenda Mejia.

Summary

Beginning with the much deeper than expected East Asian crisis, a series of events in the past 12 months has created a much more difficult and uncertain outlook for developing countries and the world economy over the next three years. With surprising speed and succession, Japan has lapsed into recession, Russia has run into severe financial difficulties, capital flows to emerging markets have fallen abruptly, and a growth-choking contraction in credit is evident amidst heightened risk aversion in global financial markets. In addition, adverse effects from El Niño and other natural disasters were felt in many parts of the world.

As a result, a sharp slowdown in world output, trade, and capital flows—already begun—is clouding short-term prospects. Domestic demand is growing above trend, but cooling, in countries producing 60 percent of world output—mainly the United States and Europe. It is contracting sharply in countries producing a quarter of world output—

East Asia, Japan, Russia, and the Middle East. And it is headed down in others—mainly Latin America.

Some recent policy announcements and developments are likely to be important in moving the world economy back to a safer direction. The United States and other industrial countries are easing monetary policies. Japan's legislature has passed an enhanced financial revitalization scheme and additional fiscal stimulus measures. The U.S. Congress has allocated funding for international financial institutions, leading the way for similar steps in other countries. The Brazilian government has adopted a program to reduce its fiscal deficit, which has received strong financial support from multilateral institutions, and governments. G-7 leaders have proposed a set of measures to strengthen the global economy. And more financial support has been announced for the East Asian crisis countries from Japan and others. These and other measures should give a boost to world economic recovery in the medium term and help to head off a global recession. But policies take time to work and the short-term outlook remains precarious.

The financial crises that have gripped developing countries and the global economy in the past 12 months or so have exposed several weaknesses that individually and in concert have contributed to these crises. Chief among them are fragilities in domestic financial systems, shortcomings in macroeconomic policies, imperfections in international capital markets, and weaknesses in the international financial architecture for preventing and dealing with crises. This year's *Global Economic Prospects* focuses on the outlook for developing countries in the wake of the crisis (Chapter 1), policies designed to deal with crises once they have erupted (Chapter 2), and ways of preventing crises in the future (Chapter 3).

Prospects

The slowdown in world economic growth in 1998–2000 will be felt most in developing countries, especially those close to weakening export markets and those relying on primary commodities for export income and on private capital flows to finance current account deficits.

Global output growth is expected to be cut nearly in half, from 3.2 percent in 1997 to 1.8 percent in 1998, and to revive only modestly to 1.9 percent in 1999. Tempered but still strong growth in continental Europe and a slowing U.S. economy with room for managing a soft landing are positive elements. More uncertain, but supported by recent developments, East Asian crisis countries and Japan are expected to shift from sharp recession in 1998 to stabilization in 1999, exerting less of a drag on world output growth. Even in the base case, developing country growth is expected to be more than halved to 2 percent in 1998, from 4.8 percent in 1997—the second worst slowdown in the past 30 years—and to commence only a modest recovery in 1999. In per capita terms, developing country growth is expected to slow to 0.4 percent in 1998, well below industrial countries' 1.4 percent. Brazil, Indonesia, Russia, and 33 other developing countries—which between them account for 42 percent of total GDP for the developing world, and more than a quarter of its population—are likely to see negative per capita growth this year, an increase over 1997's total of 21 countries (which accounted for 10 percent of the developing world's GDP and 7 percent of its population).

In the longer term (2001–07), despite the current gloom, the world economy could still grow at slightly more than 3 percent a year, if policies to prevent a deeper global slump are implemented quickly and developing countries strengthen their financial sectors and reforms. The crisis in emerging markets will hit capital flows beyond the short term, but long-term growth in developing countries (excluding transition economies) could still reach more than 5 percent, about the same as in 1991–97.

Underlying this optimistic longer-term outlook is the expectation that industrial country growth will regain strength. OECD growth should strengthen as Japan deals with its banking problems; the European Monetary Union (EMU) helps underpin European integration and increased efficiency and growth; and the United States shows improved productivity performance. Avoiding a near-term recession is important to maintain consensus behind the policy thrust underlying globalization, and recent policy developments should support that outcome. World trade is expected to show stronger growth in the longer term, boosted by expanding global production and falling barriers to trade, transport, and communications.

Developing countries also benefit from nearly two decades of reform. But the period ahead is more challenging: private capital flows will take longer to return and are more measured, contributing to a reduction in long-run growth projections (and the need for higher domestic saving to finance growth). Following their deep crisis, East Asian economies are unlikely to return to their extremely rapid growth rates of the early 1990s but recover to moderately strong growth (with more reliance on productivity gains and less on high investment). Smaller downward revisions (of 0.3–0.5 percentage point) have also been made for Russia, South Asia, and elsewhere, to reflect recently exposed institutional and other weaknesses.

There is still a substantial risk that the world economy will plunge into recession in 1999 rather than experiencing the sluggish growth described in the baseline outlook. This risk derives from a set of interconnected and mutually reinforcing contingencies: a worsening recession in Japan; a loss of confidence in international capital markets, leading to an extended shutdown in private capital flows to developing countries (especially Latin America); and an equity market correction of 20–30 percent that depresses growth in the United States and Europe.

Japan is taking fiscal and monetary action and has announced a stronger financial restructuring package, but difficulties in implementation could cause domestic demand to contract and consumer and business confidence to collapse, while exports could drop because of weaknesses across the rest of East Asia. Wealth effects and, more important, the loss of consumer and business confidence brought on by a collapse in equity prices (and related also to the ongoing credit crunch) would set back growth severely in the United States and

Europe. And Latin America would lapse into a severe recession if capital flows experienced an extended shutdown. Even though monetary authorities in industrial countries are assumed to undertake significant easing, world output growth in this scenario falls to zero in 1999. The results are severe for developing countries, where the effects of lack of access to private capital flows are aggravated by even sharper declines in export growth and primary commodity prices than in the baseline outlook, reducing aggregate growth by an additional 2 percentage points, to only 0.7 percent in 1999.

Dealing with crises

The interaction of institutional weaknesses in managing domestic financial system liberalization with international capital market imperfections, and the use of inconsistent macroeconomic policies, generated crucial vulnerabilities that laid the groundwork for the East Asian crises. The critical immediate vulnerability of the crisis countries came from an excessive buildup of short-term foreign currency debt on the balance sheets of private agents.

Surging capital inflows and weak financial regulation contributed to booms in domestic lending in East Asia, often to high-risk sectors such as real estate, resulting in fragile domestic financial sectors. Excessive corporate leveraging and some deterioration in returns made firms highly vulnerable to shocks affecting cash flow and net worth. In Thailand, an ailing financial sector, export slowdown, and large increases in central bank credit to failing banks helped trigger the run on the baht. The crisis spread to other countries in the region because of common vulnerabilities—high short-term debt, financial sector weaknesses, spillovers through international trade linkages, and contagion effects of changes in capital market sentiment. Real activity in the region began a sharp decline as private investment suffered a massive shock—due to increased uncertainty, the withdrawal of external financing, and the impact of higher interest rates and currency devaluations on the cash flow and balance sheets of banks and firms.

Given the large falloff in private investment and consumption, initial fiscal policy, contrary to design, turned out to be contractionary(and would have been strongly contractionary if fully implemented. As the severity of recessions became evident, fiscal policies were significantly relaxed. Some initial policy responses also emphasized raising interest rates to stabilize exchange rates, but they did not succeed immediately in correcting exchange rate undervaluation and exacerbated negative impacts on the real economies.

Exchange rates have since partially recovered from their deep falls, due to the large turnarounds in current account balancesthemselves a reflection of the severity of the contractions in domestic output. Interest rates have also fallen recently to near or below pre-crisis levels. But the distress in the financial and corporate sectors (and attendant credit contraction) has remained, hampering recovery. By mid-1998, large parts of the financial and corporate sectors in the most affected countries were insolvent or suffering severe financial stress. A strong response of exports to currency devaluation, which had supported a quick recovery after the Mexican crisis in 1994–95, was hurt by the regionwide downturn, including the weakness of the Japanese economy, as well as the credit difficulties of firms.

The primary role of fiscal and monetary policy is now to shore up aggregate demand, expand the social safety net, and contribute resources to recapitalize financial systems without adding to inflation. Continuing financial support from the international community is vital.

Cross-country experience suggests that bank restructuring in several crisis countries on the scale needed (with costs amounting to 20–30 percent of GDP) will require government intervention within a comprehensive plan for the financial sector, including big injections of public funds. To reduce incentives for excessive risk taking (moral hazard), a substantial share of losses of restructuring should be allocated to those who benefited the most from past risk taking, such as bank shareholders and managers. Achieving this longer-term goal will need to be balanced against the immediate priority of not exacerbating the credit crunch.

The success of bank restructuring will also depend on restructuring the debts of local corporations. Orderly debt workouts-less formal ways to bring creditors and debtors together for voluntary negotiation-will be important for both domestic and foreign debt. OECD governments, in particular, can support timely workouts between debtors and external private creditors—for example, by not holding out the possibility of more favorable bailouts for creditors in the future. Expanded flows of foreign direct and equity investment can also do much for successful financial and corporate restructuring.

The crisis has exacted an enormous social cost—especially for the poor and has, for some countries, heightened social conflict. Social policy concerns need to play an integral part in the selection of policy responses to the economic crisis. While not a substitute for sound pro-growth macroeconomic policies, safety nets can help mitigate the social effects of economic crises. Another lesson from this crisis is the importance of establishing ex ante safety nets in all countries.

East Asian countries had reduced poverty and improved living standards and conditions at a pace unrivaled in history. Even so, cross-country research suggests that protracted crises lead to more poverty, greater income inequality, and on occasion, deteriorating social indicators, such as infant malnutrition. These trends can have long-lasting effects on people's physical well-being and their ability to participate in the economy. Unemployment in Indonesia, the Republic of Korea, and Thailand is expected to more than triple between 1996 and 1998. Real wages are falling dramatically in Indonesia. The number of people falling into poverty in 1998 could reach 25 million in Indonesia and Thailand alone and could be much higher if income inequality rises. Priority actions to protect the poor include ensuring food supplies through direct transfers and subsidies, generating income for the poor through cash transfers and public works, preserving the human capital of the poor through basic health care and education services, and increasing training and job search assistance for the unemployed.

Preventing crises

Developing countries are vulnerable to financial crises, yet the domestic institutional structures and public policies needed to protect them from crises are slow to change. Partly because many small developing economies have become more exposed to waves of international capital market euphoria and panic, the frequency and costs of financial crises have increased in recent years.

Until the surge in private capital flows in the 1990s, crises in developing countries arose primarily from macroeconomic mismanagement—especially excessive public deficits and overborrowing abroad. The type of crisis seen in East Asia since 1997, in Mexico in 1994–95, and in Chile in 1982, however, is closely connected to surges in private-to-private capital flows and to the domestic and international financial systems intermediating these flows. Developing countries have been exposed to a large wave of capital inflows but have little experience with the institutional and regulatory safeguards needed to manage them safely. Institutions take time to develop, and the political constraints on prompt policy actions to avert crises are often severe. In contrast, industrial countries have implemented public policy and institutional reforms to prevent systemic crises over the past hundred years. And they appear to have reduced the incidence and severity of crises—but not eliminated them (for example, the savings and loan crisis in the United States in the 1980s, banking crises in Nordic countries in the early 1990s, and financial sector problems in Japan). The building of required institutions and safeguards in developing countries should proceed vigorously so that the potential benefits of globalization can be realized with fewer risks.

Analysis of the causes of financial crises and the appropriate policies to prevent them highlights the interaction of various factors that amplify the risks and vulnerabilities—inadequate macroeconomic policies, surges in capital flows, fragility of domestic financial systems and ill-prepared financial or capital account liberalization (or both), and weak corporate governance.

Poor macroeconomic policies leave a country vulnerable to financial crisis, and prudent policies are the first line of defense. But in the presence of large capital inflows and weak financial systems, the room for maneuver in setting appropriate macroeconomic policies to control excessive private borrowing and risk taking is constrained by the difficult tradeoffs, including distributional considerations. A multidimensional approach is needed, often implying more flexible exchange rates, increased reliance on fiscal policy, and improvement and tightening of domestic financial regulation (and, where necessary, restrictions on capital flows) to reduce excessive capital inflows, domestic lending booms, and risks of financial crises.

Domestic financial sector liberalization, which can significantly increase the risk of crisis (particularly in conjunction with open capital accounts), should proceed carefully and in step with the capacity to design and *enforce tighter financial regulation and supervision. At the same time, however, efforts to improve prudential safeguards and banking operations will need to be accelerated.* There is strong evidence of a higher probability of financial crisis following liberalization without better prudential safeguards, even in industrial countries. A developing country's regulatory structure should reflect its circumstances. Regulations that increase safety and stability need to be enhanced. Banking and capital market reform, oriented toward better risk management, remains a key ingredient of any strategy to prevent financial crisis. Public policy and institutional reforms that clamp down on connected lending and improve corporate governance are also essential.

Capital account liberalization should proceed cautiously, in an orderly and progressive manner. It is unrealistic to expect the best policies and strongest institutions to prevail in developing countries and so eliminate the risk of crisis. The benefits of capital account liberalization and increased capital flows have to be weighed against the likelihood of crisis and its costs. For foreign direct investment and longer-term capital inflows, the balance of expected benefits over the costs associated with financial crises is clearly positive, and developing countries should pursue openness. But for more volatile debt portfolio and interbank short-term debt flows (and the related policy of full capital account convertibility), there are higher associated risks of financial crisis and greater uncertainty about benefits. Tighter prudential regulations on banks and, where the domestic regulatory system is weak, restrictions on more volatile short-term flows (through taxes, say) may help reduce the risk of crisis. For countries reintroducing such restrictions on capital inflows, these actions will need to be managed carefully so as not to lead to a loss of confidence; their reintroduction for capital outflows are not considered here but may pose more difficult issues.

Changes are needed in the architecture of the international financial system in view of the excessive volatility (euphoria and panics), strong contagion effects, and increased moral hazard in international financial markets. The most pressing issue is to develop better mechanisms to facilitate private-to-private debt workouts, including standstills on external debt under some conditions, and to restore capital flows and increased international liquidity to countries in crisis. Although there are some compelling arguments for a lender of last resort, difficult issues arise for appropriate burden sharing, the rules for intervention, and the avoidance of moral hazard. Improved regulation by creditor country authorities and better risk management of bank lending to emerging markets should also help reduce the probability of crisis. More timely and reliable information is desirable, but complete transparency and better information alone will not prevent a crisis. Still, better use of warning indicators may help governments take corrective actions early enough to reduce the extent and cost of crises. The issues are undergoing debate and consideration in different forums.

Conclusion

Events over the past 12 months or so may well herald a new, more realistic, and chal-

lenging environment for developing countries. The financial crises that have hit emerging markets do not mean that developing countries should retreat from globalization. The benefits of greater openness in trade are among the more important ways in which countries can achieve faster long-run growth. Similarly, the benefits of openness to foreign direct investment are considerable—in providing access to better technologies, productivity, and skills enhancement. Developing countries can also benefit from other long-term capital flows from world financial markets; for that, domestic bond and capital markets need to be better developed. The main lessons of the crisis are that countries need to build and strengthen regulatory and institutional capacities to ensure the safety and stability of financial systems, especially at the interfaces with international financial markets, and that the international architecture to prevent crises and deal with them more effectively needs to be strengthened.

Institution building will take time and careful design, on questions of both financial regulation and supervision and capital account openness (to inflows). Differing country circumstances will dictate differences in the pace and sequencing of reforms. The strengthening of the international architecture also involves difficult issues. The early 1990s were unusual in the degree of euphoria that had emerged about the benefits of financial liberalization, private capital flows, and emerging markets. Now that the downside risks and costs have become more evident, a stronger foundation that would support these benefits, with fewer risks, may yet emerge.

Abbreviations and Data Notes

ADB	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
ASEAN-4	Indonesia, Malaysia, Philippines, and Thailand
BIS	Bank for International Settlements
CFA	Communauté Financière Africaine
CIS	Commonwealth of Independent States
CPI	Consumer price index
East Asia-5	Indonesia, Republic of Korea, Malaysia, Philippines, and Thailand
ECLAC	United Nations: Economic Commission for Latin America and the Caribbean
EMU	European Monetary Union
ERM	Exchange rate mechanism
EU	European Union (formerly the EC)
EU-4	France, Germany, Italy, and the United Kingdom
EU-12	Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, and the United Kingdom
EU-15	Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom
FDI	Foreign direct investment
G-3	Germany, Japan, and the United States
G-5	France, Germany, Japan, the United Kingdom, and the United States
G-7	Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States
G-8	Canada, France, Germany, Italy, Japan, Russia, the United Kingdom, and the United States
G-10	Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, the United Kingdom, and the United

	States (and sometimes Switzerland is involved)
G-22	Argentina, Australia, Brazil, Canada, China, France, Germany, Hong Kong (China), India, Indonesia, Italy, Japan, Korea, Malaysia, Mexico, Poland, Russia, Singapore, South Africa, Thailand, the United Kingdom, and the United States
GCC	Gulf Cooperative Council
GDP	Gross domestic product
GTAP	Global Trade Analysis Project
HIPC	Highly indebted poor countries
ILO	International Labour Organisation
IMF	International Monetary Fund
LIBOR	London interbank offered rate
M2	A measure of broad money supply in the United States
Mercosur	Latin America Southern Cone trade bloc (Argentina, Brazil, Paraguay, and Uruguay)
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of Petroleum Exporting Countries
UNCTAD	United Nations Conference on Trade and Development

Data notes

The “classification of economies” tables at the end of this volume classify economies by income, region, export category, and indebtedness. Unless otherwise indicated, the term “developing countries” as used in this volume covers all low- and middle-income countries, including the transition economies.

The following norms are used throughout.

- Billion is 1,000 million.
- All dollar figures are U.S. dollars.
- In general, data for periods through 1997 are actual, data for 1998 are estimated, and data for 1999 onward are projected.