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DEVELOPMENT AND INTERNATIONAL ECONOMIC COOPERATION

Net transfer of resources between developing and developed countries

Report of the Secretary-General

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I. INTRODUCTION

1. In 1990, the net transfer of financial resources of the capital-importing developing countries as a group turned positive for the first time since 1983. It remained positive and rapidly increased in 1991. Yet the total flow of real resources to these economies in the two years was only barely positive when account is taken of the deterioration of their terms of trade.

2. The present report has been prepared in response to General Assembly resolution 45/192 of 21 December 1990 on the net transfer of resources between developing countries and developed countries, in which the Assembly requested the Secretary-General to include an update of the issue in the World Economic Survey 1991 and to submit to the General Assembly at its forty-seventh session an analytical report on the subject. 1/

II. OVERVIEW

3. There has been a turnaround in the net financial transfers to developing countries in the early 1990s. Between 1983 and 1989, there was a net outflow of financial resources from the capital-importing developing countries 2/ amounting to $98.5 billion. In 1990, the trend was reversed with a small positive net inflow of $9.6 billion, and in 1991 that amount went up to $32.5 billion. It is however still too early to conclude from this that the reversal of the negative trend can be hoped to be sustainable, or the positive inflow of financial resources of the past two years signified the beginning of a trend of transfer of new resources to the developing countries.

4. The global figures of net transfers do not always capture the underlying diversity of the experiences of the different developing countries at different levels of development from different regional groupings. For example, the 15 heavily indebted countries were mostly responsible for the net outflow of financial resources from the developing countries, accounting for a negative transfer of $211.7 billion between 1983 and 1989. Most of them, although not all, came from Latin America, which region as a whole also accounted for a net outflow of $171.1 billion during the same period. Such negative transfers continued in 1990 for both the 15 heavily indebted countries, amounting to $16.5 billion, and the Latin American countries, amounting to $15.6 billion. In 1991, however, this net transfer turned positive, equal to $8.4 billion for the 15 heavily indebted countries and only $4.4 billion for Latin America. The turnarounds in both groups were, however, mostly due to large positive flows of short-term borrowing and return of flight capital, amounting to $23.5 billion for the 15 heavily indebted and $16.4 billion for the Latin American countries.

5. It is difficult to decipher from these short-term flows how much is speculative response to reversible expectations, and how much is related to sustainable changes in economic variables. In an environment of global recession, depressed interest rates and uncertain prospects of output growth in the industrialized countries, a large part of such short-term capital

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inflow into the developing countries may have very little to do with any improvement in the prospects of growth or the rates of return in the developing countries, which would be the variables relevant for sustainable positive inflows in these countries.

6. The net flow of medium- and long-term foreign private credit and foreign official credit continued to remain negative by substantial amounts, $24.4 billion for the 15 heavily indebted countries and $20.7 billion for the Latin American countries in 1991, clearly suggesting that there was little improvement in the confidence of the capital markets for those countries. There was, however, a noticeable although not very large increase in the net direct investment in those countries in 1991. This is partly the result of the privatization exercises in some of those countries, but is also the consequence of efforts to attract additional investments through changes in regulations and improved macroeconomic policies.

7. The other problem group of countries in Africa, and in sub-Saharan Africa in particular, did not experience even this indication of market-related improvement in net direct investments either in 1990 or in 1991. The net flow of foreign private credit continued to remain negative. Those countries, however, managed to receive positive, even if small, net transfers of financial flows throughout this period, because of a continued flow of official grants and credits. While the flow of official grants and credits has remained comparatively large and stable in the past five years in countries of sub-Saharan Africa, there was a sharp rise in the official grants in other African countries in 1990 and 1991, largely as a consequence of the conflict in the Persian Gulf.

8. The largest contribution to the global totals of net financial transfer to the developing countries in 1990 and 1991 came from Asia, which received $17.5 and $25.2 billion of positive net transfers in these two years. Asia as a whole performed best among all the developing countries throughout this period. It had positive net flows of significant amounts in all the years except 1987, received official grants of the order of $4 to $5 billion annually, and a flow of official credit that fluctuated between $7 and $15 billion in that period. These amounts, together with a significant flow of direct investment, more than compensated for the negative transfers on account of private foreign credit for most of the last six years.

9. In sum, a close look at the disaggregated figures of the net transfers would show that the past two years of positive net inflow of financial resources cannot be regarded as an indication of a basic change in the environment of the developing countries, or a reversal of the trend of economic conditions of those countries, which were mostly responsible for the problems of net outflow of financial resources. The prospects of continuing this trend of positive net transfer to the developing countries will depend on the international economic environment as well as on continuing confidence in those economies which have recently been attracting the flow of financial resources.

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10. On the whole, the reversal of the outflow has been a highly welcome development. But the character of some of the recent flows, being largely of a short-term nature, has sometimes created problems of macroeconomic management in these countries. In fact, in 1990 and 1991 these financial transfers were almost entirely used to build up reserves in the developing countries. The growth of such official reserves in these countries, especially in Africa and in the 15 heavily indebted countries, has been no doubt beneficial for the short run, but the implication of the build-up is that the impact of resource flow on total expenditure (consumption plus investment) in the economy remains negative.

11. While the flow of financial resources to the capital-importing developing countries has turned positive, the flow appears far less impressive when account is taken of the terms of trade losses. As much as half of the $32 billion net inflow of financial resources to capital-importing developing countries in 1991 may have been offset by such losses. Indeed, when both factors are taken into account, Africa and Latin America and the Caribbean experienced a decline in net real resource availability in 1990 and again in 1991.

12. While an improved international environment - especially, sustained non-inflationary growth in industrialized countries - is necessary to smooth out fluctuation in interest rates, capital flows and terms of trade, most countries will continue to require policy adaptations. For individual developing countries, fluctuations in financial flows, particularly private flows, and terms of trade will remain large. In such countries, long-term strategies can help to reduce the impact of fluctuations, but short-term adjustment - of a macroeconomic nature - are unavoidable. Often a differentiated set of policies is required to face terms-of-trade shock as compared to a financial shock. While more flexibility in economic structure and policy is indispensable, a sound early response to shocks is essential to maintain or increase output levels.

III. CONSIDERATION OF THE NET TRANSFER AT THE UNITED NATIONS

13. The issue of net transfer of resources continues to attract considerable attention in international organizations and among development economists. The United Nations has considered the issue since 1986, when the General Assembly, in its resolution 41/180 of 8 December 1986, expressed concern at the accelerating rate at which the net transfer of resources from developing to developed countries was taking place.

14. It was already clear then that the premature onset of a reverse transfer (from developing to developed countries) had its origins in the debt crisis. The steep increase in debt-servicing costs and the sharp cutbacks in the current account deficit of capital importing developing in 1983-1984 were very much concentrated in the group of major debtors. 3/ A considerable part of the discussion of the 1980s on the net transfer and its measurement was devoted to conceptual problems. Different concepts and measurements often

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made it difficult to agree about the causes of the phenomenon and its cure. At the same time, since the origins of the net transfer difficulties of the 1980s were in the period of increased bank lending of the 1970s, a comparative analysis of those two decades helped to identify the causes of the net negative transfer (see A/42/272).

15. Later analysis was extended to the examination of the interactions between changes in the terms of trade and changes in the pattern of financial flows to and from developing countries (see E/1988/64). The impact of the transfer of resources on investment and growth differed in particular countries and groups of countries, and depended greatly on the capacity of their economies to increase domestic savings and to cope with the decline in availability of external finance and the increase in debt repayment obligations. In the majority of indebted developing countries the negative financial transfer had been associated with a decline in the rates of investment and growth. 4/

16. Policy recommendations to reverse the outflow of financial resources from developing countries have addressed the issue of finance for development, measures to reduce debt and debt-servicing burdens, the level of world interest rates, the mobilization and more efficient utilization of domestic savings and the expansion and diversification of exports.

IV. REVERSAL IN THE NET FINANCIAL FLOWS OF DEVELOPING COUNTRIES AND THEIR COMPOSITION

17. The change to a positive transfer in 1990 and 1991 for the aggregate of developing countries is essentially a reflection of the change in the group of highly indebted countries, in which the weight of Latin American countries is large. The shift from negative to positive transfer in the heavily indebted countries at the beginning of the 1990s is almost as sharp as the opposite shift that had occurred among them at the beginning of the 1980s. The $16.5 billion net outflow of the group in 1990 turned into a net inflow of nearly $8.5 billion in 1991, or a shift of $25 billion (table 6). The reverse shift that started the negative transfer problem at the beginning of the 1980s had been of the order of $27 billion. In Latin America, the $15.6 billion net outflow of 1990 became a net inflow of $4.4 billion in 1991 - or a shift of $20 billion in one year (table 2). The picture in sub-Saharan Africa excluding Nigeria (table 4) has remained more or less unchanged in the past five years, with a positive flow of between $6.4 billion and $7.4 billion. For the whole of Africa (table 2), however, 1990 and 1991 are anomalies, and what stands out is a reduction in the overall financial positive transfer despite a temporary jump in official grants. In Asia (table 5), where the net financial transfer was positive for most of the 1980s, there was a sharp increase in that transfer in 1991.

18. Financial flows originate from several sources. They include official credits, private and official grants, foreign direct investment and short-term borrowing. The relative importance of each of these components and their movements varies greatly among countries and groups of countries.

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19. The net transfer through official flows increased in 1990 and 1991, due to an exceptional increase in official grants. Official grants have increased in importance over the years, but the aggregate figures for 1990 and 1991 are far above trend, reflecting grants in connection with the Persian Gulf conflict. In sub-Saharan Africa, in particular, where transfers through official flows are the most important financial source, official grants have almost doubled over the decade and have surpassed official credits. But as official credits were less than at the beginning of the 1980s and as interest payments increased, the net transfer through official flows to sub-Saharan Africa did not increase much. In the past three years, official grants to the region remained virtually unchanged (table 4). For Africa as a whole, however, official grants climbed from $7 billion in 1989 to $20 billion in 1990 and remained high in 1991 (table 3), reflecting the prominence of the Gulf war-related official transfers to Egypt. In other regions grants as a source of finance are less important.

20. The aggregate of bilateral and multilateral net official credits and their respective interest payments has not changed much in the past three years. However, there was a large increase in net official credits in Asia in 1991, due to the accords between India and the multilateral financial institutions.

21. While Africa, and sub-Saharan Africa, maintained a net positive financial transfer over the decade, it should be noted that Nigeria, where private credits have had an important role, has been suffering a net negative transfer since 1984, and has not yet experienced any reversal of fortune in the 1990s.

22. Medium- and long-term foreign private borrowing in 1991 increased by about $3 billion to reach $10 billion. Some developing countries, predominantly in Asia, increased their borrowing on international capital markets (table 5). The largest change in the 1990s, however, is that a number of Latin American countries regained access to those markets, albeit limited and expensive. The net private credit flow, which was still negative in Latin America in 1989, became positive in 1990 (table 2). This flow includes the issues of bonds abroad, mostly in the Eurobond market, which is being increasingly used by Latin American borrowers. Interest paid on long-term private loans was lower in 1990 compared to 1988-1989, in particular in Latin America and the Caribbean and in the group of heavily indebted countries, reflecting not only payment arrears but a reduction in international interest rates. However, the conclusion of debt reduction agreements for some countries meant a resumption of normal debt service, so that the amount of interests paid increased in 1991 compared to 1990, despite further declines in world interest rates.

23. New bond issues by developing countries in 1991 were dominated by Latin America. This was partly a result of the various debt restructuring exercises: at work was a combination of hesitance of the Latin American countries to add more bank debt when debt reduction was being sought and reluctance of commercial banks which were not ready to add long-term exposure to the region. More than $30 billion of new bonds were issued by Mexico in

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connection with its bank debt restructuring, almost $20 billion by Venezuela (see A/47/396). Also, not directly related to any restructuring, borrowers from Argentina, Brazil, Mexico and Venezuela, and recently also from Chile, have raised funds through Eurodollar bond issues, although at relatively high costs. The Republic of Korea, whose emerging large current account deficit necessitated increased overseas funding, India and Indonesia were the main Asian borrowers to tap the international bond market. In contrast to the bond market, the syndicated credit market was dominated by South and East Asian countries, led by the Republic of Korea and Indonesia. As the new bank loans were extended almost exclusively to highly creditworthy borrowers, average spreads on the new loans to developing countries increased only marginally in 1991 compared to one year earlier.

24. Despite the fact that lately the bond credit market has been growing faster than traditional bank lending, the item "medium- and long-term foreign private borrowing" still constitutes mostly bank loans. On the whole, the transfer on this item remains a large negative.

25. The net transfer through direct investment increased by over $2 billion in 1991 and reached $8.4 billion for the capital-importing countries as a whole. In the last years, developing countries in Asia have had the largest net flows of foreign direct investment. By contrast, Africa has had very limited net flows of such investment. For sub-Saharan Africa, in particular, dividends remitted abroad have been much larger than the inflow of foreign investment for over a decade. In Asia and in Africa, 1991 did not mark a departure from the recent trend (tables 3, 4 and 5). The overall increase in the net positive transfer through direct investment mainly reflects the changed economic fortunes of Latin America, where the increase was $3.5 billion (table 2). Mexico, in particular, saw a large increase in foreign direct investment, partly fuelled by expectation of the conclusion of the North American Free Trade Agreement (NAFTA). Some foreign direct investment in Latin America was effected through debt-equity swaps.

26. It is important to note that the largest shift in resource flow in 1991 occurred in the item short-term borrowing and domestic outflows, which reflects the movement of short-term private capital and includes some capital repatriation. This shift was about $21 billion for the aggregate of capital-importing developing countries (table 1). The swing was even larger for the highly indebted countries (over $30 billion) and for Latin America and the Caribbean (over $25 billion).

27. Reduced to its essential characteristics, the positive net transfer of 1990-1991 represents a reversal in Latin America and the Caribbean, more than in any other region, and in short-term capital, more than in any other component of the overall financial flow. Capital has been flowing back to a number of Latin American countries for various reasons. The restructuring of bank debt, together with stabilization efforts and economic and institutional reforms that reduced inflation, cut trade barriers, lifted controls on capital movements, privatized State enterprises and increased competitiveness, helped to change views and expectations about the regional economy. Symptomatic of the improvement in investors' confidence were the highly buoyant Latin

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American stock markets, aided also by lower returns elsewhere. Moreover, real interest rate differentials between several Latin American countries and the United States, after successive reductions by the Federal Reserve Board, became so large that they would allow for margins to cover the exchange rate risk against the Latin American currencies. Capital flight has slowed or stopped, or capital repatriation has begun. Foreign direct investment and equity issues have grown as well. In some countries, large-scale privatization has attracted foreign investors. International equity markets were tapped by developing country companies that launched new share offerings in 1991 and in the first half of 1992. They were predominantly from Latin America, led by Mexico.

28. Although not all short-term flows are of speculative nature, they cannot be relied upon to increase long-term investment and growth. The recent upturn in some of the economies benefiting from the sudden shift could therefore prove fragile. Beside their possible instability, large short-term capital inflows complicate macroeconomic management.

29. Not all rapid changes cause difficulties. Much depends on the starting conditions in each country and the type of flow. The destabilizing potential of large short-term capital movements is well known. Sudden inflows tend to bring an appreciation of the local currency in countries with a floating rate of exchange. The Central Bank has no alternative but to buy the sudden surplus of hard currency, if it is not to allow an appreciation of the domestic currency detrimental to local exports and import-competing production. The problem, then, is how to finance the accumulation of hard currency reserves without expanding unduly the monetary base. Such accumulation of reserves has been very large in Latin America in the past two years, and not all countries had the capacity to absorb the sudden new inflows without either an unwelcome appreciation of their currency or inflationary pressure. 5/

30. In a few other countries, where the exchange rate has not been left to float but has been used as an anchor to help domestic price stabilization, real exchange appreciation due to the large capital inflow could be sustained. But such appreciation might weaken the export sector and signal renewed balance-of-payments difficulties in the future. 6/ In fact, in some Latin American countries imports did grow rapidly last year, and much faster than exports.

31. Import growth continued unabated in 1992. Imports doubled in Argentina in 1991, and the trade surplus was almost halved to $4.7 billion; imports continued to grow so fast in the first months of 1992 that a disappearance of the trade surplus of Argentina is forecast for 1992. In Mexico imports grew by 22 per cent in 1991, after a jump of 34 per cent in 1990. Since 1987, imports have been growing so much faster than exports that the trade surplus of $8.4 billion of that year had turned into a trade deficit of $11 billion by 1991. In the first months of 1992 imports were growing at the same rate as in 1991, while exports were falling, raising the prospect of an even larger trade deficit. In Venezuela imports expanded by 60 per cent last year, while

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exports declined, more than halving the trade surplus from $10 billion to $4 billion. Trade deficits can be maintained as long as the large inflow of capital persists. But if the financial investors' euphoria does not result in investment in the tradables sector so that its productivity and competitiveness are increased, such rapid expansion of imports will become unsustainable in the medium and long run.

32. Several countries have faced the problem of neutralizing the impact of incoming capital on their money supplies and inflation rates. 7/ Of course, the destabilizing potential will be larger in countries that have not yet managed to fully put in place stabilization programmes and where inflation rates are still high. To finance accumulation of reserves, the Government has to reduce public sector finance requirements elsewhere. The increase in domestic public debt may be the counterpart of the accumulation of foreign exchange reserves, but in a few countries domestic public debt is already very high. Increases in short-term public debt are inflationary and exert upward pressure on domestic interest rates, which in turn accelerates the inflow of short-term foreign capital.

33. All in all, even though the renewed ability to tap the international capital markets is a positive development, it has also complicated macroeconomic management. The major aim must be to secure and utilize sources of stable finance compatible with a reasonable time-frame for productive investment to mature and become profitable. The reversal of the net transfer must be a sustained one if it is to result in an increase in long-term investment.

34. High reserves are useful if the central bank has to counteract speculative movements against the exchange rate. They are necessary to allow the central bank to stabilize the currency, given the high volatility of short-term capital movements. High foreign exchange reserves can also function de facto as a guarantee for domestic public debt. However, in the medium and long term, external resources should be used to increase investment in production for the domestic and external markets. The accumulation of reserves without a recovery in investment and economic growth rates offers limited benefit. The reserve build-up in fact implies a fall in domestic expenditure, other things remaining the same, and on an expenditure basis the transfer of financial resources still remained negative in 1991, to the tune of $13 billion for the capital-importing developing countries. This was, however, a significant improvement on an outflow of $26 billion in 1990 (table 1).

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V. TERMS OF TRADE AND THEIR RELATIONSHIP TO NET RESOURCE AVAILABILITY

35. Changes in terms of trade and changes in the patterns of financial flows may interact in several ways. These interactions have been examined in the past reports on net transfer. A sudden worsening of terms of trade, brought about by a sharp decline in prices of the main commodity exports of a country or a rise in import prices, increases the need for external finance. Along the same lines, if a country has to make a financial transfer abroad to service previously contracted debt, obviously the task is made easier (harder) depending on the presence of gains (losses) deriving from changes in terms of trade. Conversely, a growing net inflow of financial resources does not translate into an increase in real resource availability if the loss derived from changes in the terms of trade is larger than that additional net inflow.

36. A common measure of terms of trade used by international organizations is the so-called net barter terms of trade. They are calculated as changes in the ratio of an export price index to an import price index, relative to a base year. If a country faces a reduction in its terms of trade index, it means that for the same volume of exports it will be able to obtain fewer imports, which is equivalent to a decline in real income of the country. Such comparison between two points in time is only approximate, and it is less precise over the long term because the composition of exports and imports of a country changes over time.

37. Changes over the 1980s were examined earlier (see A/45/487) and the focus here will be on the first years of the 1990s. Calculations in table 7 compare every year with the year before. In the calculations, the volume of exports and imports remains constant at the level of the year before, so that the effect of price changes is isolated. The estimated gain of $3.3 billion for the developing countries in 1990 results from the movement of export and import prices between 1989 and 1990. It is the difference between the 1990 volume (of exports and imports) at 1990 prices and the 1990 volume at 1989 prices. Using the same method, the loss of the developing countries in 1991 works out at $29 billion and the projection for 1992 puts such loss at $19 billion.

38. The impact of movements in export and import prices on country groupings and individual countries obviously varies according to the composition of their exports. The gain of 1990 in terms of trade, for instance, reflects mainly the increase in oil prices with the start of the Persian Gulf conflict, and it was essentially a gain of oil-exporting countries. Commodity-dependent Africa is more heavily affected by changes in terms of trade than other regions: the terms of trade loss of $5.6 billion in 1991 represents between 1.5 per cent and 2 per cent of the regional GDP. The loss in South and East Asia (excluding China) was approximately the same absolute amount, but represented only a half per cent of the GDP of that region. Within each of the groupings, of course, countries with more diversified exports and a high share of manufacture exports faced neutral or improving terms of trade. The proportion of such countries is higher in South and East Asia.

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39. On the whole, the transfer of real resources to the capital-importing developing countries at the beginning of the 1990s was more limited than indicated by financial transfers alone. In 1990, these countries had a positive financial transfer of almost $10 billion, but their net resource availability was considerably smaller. In that year developing countries as a whole (including capital-exporting countries) had a net term of trade gain of some $3 billion. The gain was, however, concentrated in West Asia (see table 7), which is dominated by capital exporters, leaving other developing countries with a terms of trade loss. The real availability of resources for the latter 8/ was thus smaller than the $10 billion net financial inflow, probably considerably so. In 1991, the capital-importing developing countries received a net financial transfer of about $32 billion but probably half of that was offset by the deterioration in their terms of trade. 9/

40. Changes in the world economy and international economic variables affect groups of countries in different ways and with varying intensity, depending on the structure of their economies and the perceptions of international markets. Latin America and the Caribbean is a region relatively more sensitive to the rise or fall of world interest rates, while commodity prices are more crucial for Africa, for instance. Thus, the comparison between the changes in the financial transfer and terms of trade losses or gains yields different results in the various regions: Asia, aggregated, did not lose from the terms of trade movements in 1990 and 1991 as much as it gained from net financial transfers; it experienced an actual increase in net real resource availability. Africa, on the whole, despite the positive financial transfer, had a net outflow of real resources in the two first years of the decade; the same can be said of Latin America, where the positive net transfer of $4 billion in 1991 comes in the same year in which the region lost almost $8 billion from the unfavourable movement in terms of trade. For both regions, the net real resource availability declined in 1990 and 1991 on account of financial transfers and terms of trade changes.

VI. CONCLUDING OBSERVATIONS

41. The transfer of financial resources to the developing countries turned positive in 1990 for the first time since 1983 and increased significantly in 1991. It is still unclear whether the trend will continue. The prospects will depend on the international economic environment as well as on continuing confidence in those economies which have recently been attracting the flow of financial resources. On the whole, the reversal of the outflow has been a highly welcome development. The nature of some of the recent flows has, however, been such that they have not been an unmixed blessing. Being largely of a short-term nature, they have created problems of macroeconomic management in some countries.

42. While the flow of financial resources to the capital-importing developing countries has turned positive, the flow appears far less impressive when account is taken of the terms of trade losses. As much as half of the $32 billion inflow of financial resources in 1991 may have been offset by such losses.

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43. The impact of resource flows varies greatly among countries, depending on their economic structure, the sources and other characteristics of the financial flows and the nature of changes in the world economic environment. Especially important is the differential impact of the latter. Some countries are, for example, likely to be much more affected by movements in terms of trade than by changes in international interest rates.

44. An improved international environment can do much to smooth out financial and terms-of-trade shocks. Sustained non-inflationary growth in industrialized countries should contribute to more stable interest rates and financial flows and less abrupt changes in terms of trade. Still, for individual developing countries, changes in external financial flows, particularly private flows, and substantial changes in terms of trade are likely to remain large. While national development strategies geared to diversifying production structures and improving the functioning of domestic capital markets can help reduce potential fluctuations in capital flows and terms of trade in the long run, an accommodation of macroeconomic policies to cope with the impact of such fluctuations on the domestic economy is virtually unavoidable.

45. Terms of trade losses imply a direct fall in real national income. If the country does not seek compensatory capital inflow (e.g. IMF credit) or devalues, or both, there is an additonal effect on domestic expenditures that should lead to reduced aggregate output. In other words, macroeconomic policies should be geared to avoiding further losses in output. On the other hand, a financial shock can often be absorbed by a change in reserves and some accommodations in monetary (interest rate) policies. However, a large shock can lead to considerable pressures on the exchange rate. Depending on the foreign exchange regime, this should translate into an immediate change (floating rate) in the exchange rate or a delayed one (fixed exchange rate regime). Such a change will contribute to a smooth adjustment to financial inflows. Still, repercussions on the real economy can be quite significant.

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Table 1. Net transfer of financial resources of capital-importing developing countries a/

(Billions of United States dollars)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991 b/
Transfer through direct investment c/											
Net investment flow	9.7	7.2	6.3	6.3	7.5	5.9	9.4	14.6	16.8	17.0	18.9
Net dividends and other income	-10.2	-9.8	-9.4	-8.6	-8.0	-7.1	-8.1	-8.5	-10.0	-10.8	-10.4
Net transfer	-0.4	-2.6	-3.1	-2.3	-0.5	-1.2	1.2	6.1	6.7	6.2	8.4
Transfer through medium- and long-term foreign private borrowing											
Net credit flow	48.2	41.4	27.4	18.9	12.7	8.0	2.2	8.4	4.5	7.4	10.2
Interest paid	-31.2	-37.3	-35.5	-40.4	-39.4	-34.9	-34.0	-39.7	-32.7	-29.6	-34.1
Net transfer	17.0	4.1	-8.1	-21.5	-26.6	-26.9	-31.7	-31.3	-28.2	-22.2	-23.9
Transfer through short-term borrowing and domestic outflows d/											
Net transfer	-13.7	-29.1	-22.1	-13.8	-13.1	-3.4	-7.1	-15.2	-8.8	-7.3	13.6
Transfer through private grants (net) e/	1.8	1.7	2.1	2.6	2.9	3.8	4.1	4.9	3.5	3.8	4.0
Transfer through official flows											
Official transfers (grants)	12.0	9.3	10.2	10.9	11.6	11.2	12.6	13.1	13.9	28.6	31.7
Net official credits f/	29.8	32.6	30.0	24.8	19.1	19.0	17.2	16.8	20.7	21.0	22.3
Interest paid	-6.8	-8.2	-9.6	-11.1	-12.7	-15.6	-16.8	-18.3	-18.6	-20.4	-23.7
Net transfer	35.0	33.7	30.7	24.5	17.9	14.6	13.1	11.6	16.0	29.2	30.3
Total net transfer (financial basis)	39.7	7.8	-0.5	-10.6	-19.4	-13.0	-20.4	-23.9	-10.7	9.6	32.5
Memo items:											
Use of official reserves g/	3.0	19.2	-6.4	-18.7	2.2	8.7	-13.1	-8.2	-18.3	-35.6	-45.6
Total net transfer (expenditure basis)	42.7	26.9	-7.0	-29.3	-17.2	-4.3	-33.5	-32.1	-29.0	-26.0	-13.1

(Source and footnotes on following page)

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(Source and footnotes to table 1)

Source: Department of Economic and Social Development of the United Nations Secretariat, based on data of IMF and the World Bank, and United Nations Secretariat estimates.

a/ Sample of 93 countries. It excludes the surplus energy exporters (Brunei Darussalam, Iran (Islamic Republic of), Iraq, Kuwait, Libyan Arab Jamahiriya, Qatar, Saudi Arabia and the United Arab Emirates) and recent surplus countries (Hong Kong, Singapore and Taiwan province of China).

b/ Preliminary estimate.

c/ Direct investment is net of reinvested earnings (cash flow approach).

d/ Calculated as a residual (including short-term trade financing, normal and unusual outflows ("capital flight"), arrears of interest due and other flows captured in balance-of-payments data as errors and omissions and presumed to be financial flows).

e/ Private grants include net flow of gifts from overseas residents (excluding workers' remittances) and grants by non-governmental organizations.

f/ Official credits include use of IMF credit; interest includes IMF charges.

g/ Additions to reserves are shown as negative numbers.

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Table 2. Net transfer of financial resources of Latin America and the Caribbean a/

(Billions of United States dollars)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991 b/
Transfer through direct investment c/											
Net investment flow	4.9	3.1	1.9	1.9	2.5	1.1	3.6	5.5	4.4	5.2	8.0
Net dividends and other income	-2.6	-2.4	-2.3	-2.4	-2.5	-2.9	-2.9	-3.5	-4.9	-5.0	-4.3
Net transfer	2.3	0.6	-0.4	-0.5	0.1	-1.8	0.7	2.0	-0.5	0.2	3.7
Transfer through medium- and long-term foreign private borrowing											
Net credit flow	33.4	24.2	11.7	7.3	2.1	-1.1	1.5	-0.3	-2.3	1.6	0.8
Interest paid	-20.2	-25.0	-23.4	-26.3	-25.6	-21.3	-20.3	-23.9	-15.7	-12.9	-15.7
Net transfer	13.2	-0.8	-11.8	-19.0	-12.5	-22.4	-18.8	-24.2	-18.0	-11.4	-14.9
Transfer through short-term borrowing and domestic outflows d/											
Net transfer	-8.0	-24.2	-18.8	-11.5	-11.8	-1.7	0.8	-8.2	-9.9	-9.0	16.4
Transfer through private grants (net) e/	0.6	0.4	0.5	0.7	0.9	1.0	1.1	1.5	1.5	1.6	1.6
Transfer through official flows											
Official transfers (grants)	1.1	0.7	0.9	1.2	2.1	1.4	1.9	1.9	2.0	3.0	3.4
Net official credits f/	5.7	9.7	7.5	9.5	6.1	6.6	4.1	4.3	4.3	7.0	2.3
Interest paid	-2.1	-2.4	-2.8	-3.3	-4.0	-5.1	-5.6	-6.0	-6.1	-7.1	-8.1
Net transfer	4.7	7.9	5.7	7.3	4.2	2.9	0.4	0.3	0.2	3.0	-2.4
Total net transfer (financial basis)	12.8	-16.1	-24.8	-22.9	-30.2	-22.0	-15.9	-28.6	-26.7	-15.6	4.4
Memo items:											
Use of official reserves g/	1.5	19.7	-0.7	-12.2	-0.6	7.9	-3.4	6.6	-2.8	-14.1	-17.6
Total net transfer (expenditure basis)	14.3	3.7	-25.5	-35.2	-30.8	-14.1	-19.3	-22.0	-29.5	-29.7	-13.2

Source: Department of Economic and Social Development of the United Nations Secretariat, based on data of IMF and the World Bank, and United Nations Secretariat estimates.

a/ Sample of 25 countries and territories.

(For remaining notes, see table 1.)

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Table 3. Net transfer of financial resources of Africa a/

(Billions of United States dollars)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991 b/
Transfer through direct investment c/											
Net investment flow	2.1	1.5	1.4	1.2	2.0	1.4	1.9	1.9	3.6	1.5	1.6
Net dividends and other income	-2.6	-2.2	-1.6	-1.4	-1.4	-1.2	-2.1	-1.7	-1.1	-1.2	-1.3
Net transfer	-0.5	-0.8	-0.2	-0.2	0.6	0.2	-0.1	0.2	2.5	0.4	0.3
Transfer through medium- and long-term foreign private borrowing											
Net credit flow	5.0	6.6	3.5	1.9	1.1	2.5	2.4	3.0	0.1	-0.7	0.4
Interest paid	-3.8	-4.1	-3.9	-4.1	-4.1	-3.4	-3.0	-3.8	-4.1	-3.8	-4.5
Net transfer	1.2	2.6	-0.4	-2.2	-3.1	-0.9	-0.6	-0.8	-4.0	-4.4	-4.1
Transfer through short-term borrowing and domestic outflows d/											
Net transfer	-0.4	-0.8	-1.7	-3.5	-3.6	-1.3	-7.0	-4.8	-4.9	-16.1	-9.3
Transfer through private grants (net) e/	0.2	0.2	0.3	0.5	0.9	1.1	0.9	1.0	1.0	0.9	1.0
Transfer through official flows											
Official transfers (grants)	3.4	2.9	3.9	4.2	4.8	5.1	6.1	6.2	7.3	20.2	11.5
Net official credits f/	9.1	9.3	8.5	6.8	5.0	5.3	6.3	6.5	7.0	4.9	6.6
Interest paid	-1.7	-1.9	-2.2	-2.6	-2.9	-3.6	-3.2	-4.3	-4.5	-4.7	-5.1
Net transfer	10.8	10.3	10.1	8.3	6.9	6.7	9.2	8.4	9.8	20.4	13.0
Total net transfer (financial basis)	11.3	11.6	8.1	2.9	1.7	5.7	2.4	4.0	4.4	1.1	0.9
Memo items:											
Use of official reserves g/	4.2	3.0	0.3	-0.3	-2.3	1.0	-1.5	0.0	0.5	-5.8	-2.1
Total net transfer (expenditure basis)	15.5	14.7	8.4	2.6	-0.6	6.8	1.0	4.0	3.8	-4.7	-1.2

Source: Department of Economic and Social Development of the United Nations Secretariat, based on data of IMF and the World Bank, and United Nations Secretariat estimates.

a/ Sample of 44 countries.

(For remaining notes, see table 1.)

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Table 4. Net transfer of financial resources of sub-Saharan Africa a/

(Billions of United States dollars)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991 b/
Transfer through direct investment c/											
Net investment flow	0.4	0.4	0.4	0.1	0.2	0.0	0.3	0.2	0.2	0.0	0.5
Net dividends and other income	-0.8	-0.7	-0.7	-0.7	-0.7	-0.6	-0.9	-0.7	-0.9	-1.0	-1.0
Net transfer	-0.4	-0.3	-0.3	-0.6	-0.5	-0.7	-0.6	-0.5	-0.6	-0.9	-0.4
Transfer through medium- and long-term foreign private borrowing											
Net credit flow	1.8	2.4	1.0	0.9	0.5	0.7	0.4	0.9	0.5	0.4	0.4
Interest paid	-1.1	-1.2	-1.1	-1.1	-1.1	-1.1	-0.9	-0.8	-0.8	-0.6	-0.6
Net transfer	0.6	1.2	-0.1	-0.2	-0.6	-0.4	-0.5	-0.1	-0.2	-0.2	-0.2
Transfer through short-term borrowing and domestic outflows d/											
Net transfer	0.8	-0.5	-0.9	-2.4	-0.5	0.7	-0.2	-0.4	-1.4	-1.4	-1.6
Transfer through private grants (net) e/	0.1	0.2	0.2	0.5	0.7	0.6	0.7	0.9	0.7	0.8	0.8
Transfer through official flows											
Official transfers (grants)	3.2	2.8	2.9	3.0	3.5	3.9	4.9	5.1	5.8	5.7	5.9
Net official credits f/	5.6	5.1	5.0	3.5	2.8	3.4	4.3	3.9	3.8	4.1	4.7
Interest paid	-0.8	-0.9	-1.0	-1.2	-1.3	-1.7	-1.6	-1.7	-1.6	-1.6	-1.8
Net transfer	8.0	7.0	6.9	5.3	5.0	5.6	7.6	7.3	8.0	8.3	8.8
Total net transfer (financial basis)	9.2	7.5	5.8	2.6	4.0	5.8	7.0	7.4	6.4	6.5	7.4
Memo items:											
Use of official reserves g/	-0.1	-0.1	-0.4	-0.3	-0.8	-0.5	-0.7	-0.6	0.1	0.5	-0.5
Total net transfer (expenditure basis)	9.1	7.4	5.4	2.3	3.1	5.3	6.3	6.7	6.5	7.0	6.9

Source: Department of Economic and Social Development of the United Nations Secretariat, based on data of IMF and the World Bank, and United Nations Secretariat estimates.

a/ Sample of 38 countries, excluding Nigeria.

(For remaining notes, see table 1.)

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Table 5. Net transfer of financial resources of developing Asia a/

(Billions of United States dollars)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991 b/
Transfer through direct investment c/											
Net investment flow	2.6	2.5	2.8	3.0	2.8	3.2	3.7	6.8	8.1	9.6	9.2
Net dividends and other income	-5.0	-5.1	-5.4	-4.8	-4.3	-3.1	-3.4	-3.7	-4.6	-5.3	-5.8
Net transfer	-2.4	-2.5	-2.6	-1.8	-1.4	0.1	0.3	3.1	3.5	4.3	3.4
Transfer through medium- and long-term foreign private borrowing											
Net credit flow	9.6	11.3	12.2	9.9	10.3	6.4	-3.1	1.8	5.0	6.1	6.8
Interest paid	-6.0	-6.9	-7.0	-7.9	-8.4	-8.7	-9.4	-10.4	-11.5	-10.9	-11.9
Net transfer	3.6	4.4	5.2	2.0	2.0	-2.3	-12.5	-8.7	-6.4	-4.8	-5.2
Transfer through short-term borrowing and domestic outflows d/											
Net transfer	-5.2	-3.8	-2.9	0.5	2.3	-0.4	1.4	3.9	5.6	10.1	14.2
Transfer through private grants (net) e/	0.6	0.8	1.0	1.0	0.9	1.5	1.8	2.0	0.6	0.8	2.0
Transfer through official flows											
Official transfers (grants)	7.4	5.6	5.2	5.3	4.6	4.6	4.3	4.6	4.2	4.3	4.2
Net official credits f/	13.5	12.5	14.1	7.8	8.1	7.3	7.8	7.7	11.8	10.3	15.3
Interest paid	-2.4	-3.1	-3.8	-4.3	-4.8	-5.9	-6.7	-6.9	-6.9	-7.6	-8.7
Net transfer	18.5	14.9	15.6	8.9	7.9	5.9	5.4	5.4	9.2	7.0	10.8
Total net transfer (financial basis)	15.2	13.8	16.3	10.6	11.6	4.8	-3.4	5.7	12.5	17.5	25.2
Memo items:											
Use of official reserves g/	-1.4	-3.9	-5.6	-5.8	4.8	0.7	-8.3	-12.3	-10.0	-12.5	-10.6
Total net transfer (expenditure basis)	13.7	9.9	10.7	4.7	16.4	5.6	-11.7	-6.6	2.5	4.9	14.6

Source: Department of Economic and Social Development of the United Nations Secretariat, based on data of IMF and the World Bank, and United Nations Secretariat estimates.

a/ Sample of 22 countries, including China and India. Hong Kong, Singapore and Taiwan province of China are not included. Also excluded are surplus energy exporters, namely Brunei Darussalam, Iran (Islamic Republic of), Iraq, Kuwait, Qatar, Saudi Arabia and the United Arab Emirates.

(For remaining notes, see table 1.)

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Table 6. Net transfer of financial resources in 15 heavily indebted countries a/

(Billions of United States dollars)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991 b/
Transfer through direct investment c/											
Net investment flow	5.4	3.5	2.2	2.0	3.1	1.4	4.1	6.3	6.5	6.1	9.1
Net dividends and other income	-3.5	-3.2	-2.7	-2.5	-2.8	-3.1	-3.5	-3.9	-4.9	-5.0	-4.3
Net transfer	1.9	0.2	-0.5	-0.5	0.3	-1.7	0.6	2.5	1.6	1.1	4.8
Transfer through medium- and long-term foreign private borrowing											
Net credit flow	38.0	29.1	13.9	7.7	2.4	-1.7	1.4	0.0	-1.9	2.4	0.4
Interest paid	-22.9	-28.0	-26.0	-30.0	-28.4	-23.7	-22.6	-27.0	-19.0	-15.8	-19.4
Net transfer	15.1	1.2	-12.1	-22.3	-26.0	-25.3	-21.2	-27.0	-20.9	-13.3	-19.0
Transfer through short-term borrowing and domestic outflows d/											
Net transfer	-10.2	-23.8	-19.1	-11.7	-15.9	-2.7	-3.8	-10.1	-12.3	-7.0	23.5
Transfer through private grants (net) e/	0.8	0.6	0.7	0.9	1.0	1.1	1.3	1.4	1.6	1.9	2.1
Transfer through official flows											
Official transfers (grants)	1.1	0.7	0.7	0.8	1.3	0.9	1.2	1.3	1.5	2.7	2.5
Net official credits f/	7.0	10.3	8.8	9.7	5.1	6.3	4.3	4.0	4.6	7.5	5.1
Interest paid	-2.5	-3.0	-3.4	-4.2	-5.0	-6.3	-7.1	-7.9	-8.2	-9.4	-10.5
Net transfer	5.5	7.9	6.2	6.3	1.5	0.9	-1.5	-2.5	-2.1	0.8	-3.0
Total net transfer (financial basis)	13.2	-13.9	-24.8	-27.4	-39.1	-27.8	-24.7	-35.8	-32.1	-16.5	8.4
Memo items:											
Use of official reserves g/	7.2	23.3	1.0	-13.2	-1.5	5.8	-3.7	4.7	-5.6	-18.7	-19.9
Total net transfer (expenditure basis)	20.4	9.4	-23.8	-40.6	-40.6	-22.1	-28.4	-31.1	-37.7	-35.2	-11.5

Source: Department of Economic and Social Development of the United Nations Secretariat, based on data of IMF and the World Bank, and United Nations Secretariat estimates.

a/ Argentina, Bolivia, Brazil, Chile, Colombia, Côte d'Ivoire, Ecuador, Mexico, Morocco, Nigeria, Peru, the Philippines, Uruguay, Venezuela and Yugoslavia.

(For remaining notes, see table 1.)

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Table 7. Developing countries: terms of trade loss or gain

(Annual change in billions of United States dollars)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991 a/	1992 b/
Developing countries c/	37.8	-13.3	-8.1	11.9	-8.8	-109.2	-5.3	-7.3	19.7	3.3	-28.8	-18.5
Latin America and Caribbean	0.3	-3.5	-0.5	1.0	-3.1	-17.0	-0.8	1.3	3.0	0.9	-7.6	-0.5
Africa	9.3	-0.7	0.2	1.8	-0.8	-22.3	-3.7	-5.5	4.3	1.5	-5.6	-2.0
South and East Asia d/	2.5	5.0	2.1	8.1	-3.3	-30.7	0.8	6.9	5.2	-8.4	-2.5	-2.0
West Asia	26.7	-4.1	-10.9	1.0	-1.9	-42.5	0.3	-11.0	8.0	12.1	-13.7	-11.0
Mediterranean	-1.1	0.0	1.1	0.1	0.2	3.4	-1.8	1.0	-0.8	-2.7	0.6	-3.0

Source: Department of Economic and Social Development of the United Nations Secretariat.

Note: Gains or losses in the given year are calculated as $M (1 - p^m) - X (1 - p^x)$ where M and X are import and export values of the year before and p^m and p^x are, respectively, the index of import and export prices of the given year, with the year before = 1.00.

a/ Preliminary.

b/ Forecast, rounded to the nearest half billion.

c/ Calculated as the sum of the estimates by subregion.

d/ Includes China.

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Notes

1/ The recent improvement in the financial transfer is related to recent developments on the debt front, in the same way as the onset of the deterioration of the net transfer situation was closely linked with the beginning of the debt crisis. The present report is thus complementary to the report of the Secretary-General on recent experience under the international debt strategy (A/47/396), being presented to the General Assembly at its forty-seventh session.

2/ For the definition of capital-importing developing countries, refer to the notes to table 1.

3/ See World Economic Survey 1985 (United Nations publication, Sales No. E.85.II.C.1), chap. V.

4/ See World Economic Survey 1989 (United Nations publication, Sales No. E.89.II.C.1), chaps. IV and VIII; World Economic Survey 1990 (United Nations publication, Sales No. E.90.II.C.1), chap. IV; A/45/487; World Economic Survey 1991 (United Nations publication, Sales No. E.91.II.C.1, chap. IV; and World Economic Survey 1992 (United Nations publication, Sales No. E.92.II.C.1), chap. IV.

5/ For the 15 heavily indebted countries covered in table 6, the level of official reserves increased by 50 per cent in 1990 and by 32 per cent in 1991. Foreign reserves almost tripled in Argentina from 1989 to 1990 and in 1991 they further increased by 60 per cent. Brazil's reserves doubled in six months between the end of 1991 and mid-1992. Chile's reserves doubled from 1989 to 1991. Mexico's reserves almost doubled from 1990 to 1991. Also Colombia, Peru and Venezuela had rapid and large increases in their foreign reserves (basic data from International Monetary Fund, International Financial Statistics, August 1992).

6/ The question has even been raised about an emerging exchange rate "Dutch disease" in Latin America, in those countries in which inflation control is being helped by exchange rate appreciation, as Argentina since 1989, Mexico since late 1990 and Chile in 1991. Morgan Guarantee Trust Company, World financial markets, May/June 1992, p. 21.

7/ The Central Bank of Brazil, during the first half of 1992, with reserves increasing very rapidly, introduced a few measures aiming at reducing the incentives to the inflow of foreign finance. Peru, in March 1992, tried to obtain from its main banks a cut in interest rates in an attempt to depress at that point in time the overvalued local currency.

8/ Approximately corresponding to the capital-importing countries.

9/ The term trade loss of countries other than West Asia was about $15 billion.

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