



**Economic and Social  
Council**

Distr.  
GENERAL

E/1994/52  
29 April 1994

ORIGINAL: ENGLISH

Substantive session of 1994  
New York, 27 June-29 July 1994  
Item 7 of the provisional agenda\*

REGIONAL COOPERATION IN THE ECONOMIC, SOCIAL AND  
RELATED FIELDS

Summary of the survey of economic and social conditions  
in Asia and the Pacific, 1993

SUMMARY

With an estimated 1 per cent rate of economic growth in 1993, recovery of the world economy from the recession lingering since 1990 remained weak. The prospects for world economic growth, forecast at less than 3 per cent, were better but still not very bright in 1994. The developing economies of the ESCAP region, by registering an average growth rate of 6.7 per cent against the backdrop of the continuing recession in the world economy in other regions, performed remarkably well. Their prospects in 1994 looked equally good, or better.

The various groups of economies of the region, however, continued to diverge in their performance. Economic growth remained strong and steady, at 6 to 8 per cent rates in South-East Asia, with the exception of the Philippines where growth remained much weaker. In East Asia, China's economic growth rate of 13 per cent was the most spectacular. Other economies in East Asia achieved a more moderate - 4 to 5 per cent - rate of growth, with the exceptions of the Democratic People's Republic of Korea and Mongolia, both of which suffered output decline. The economic performance of South Asian countries registered moderate improvements, with the exception of Pakistan where the rate of growth had slowed.

While there had been a substantial strengthening of the growth performance of many of the region's least developed countries and small island

\* E/1994/100.

economies there were several others among them whose performance remained weak. The six Central Asian republics, faced with the daunting tasks of restructuring and stabilizing their newly independent economies within a market-based framework, were experiencing further contraction.

Economic growth in the developing economies of the ESCAP region had been sustained in a generally stable macroeconomic environment, characterized by high rates of domestic savings and investment, manageable balance-of-payment and budgetary deficits, and low rates of monetary growth and inflation. High rates of growth in both exports and imports were another factor that underpinned the economic resilience of the region. Some of the least developed countries, and most of the economies in transition from centrally planned to market-oriented regimes, were exceptions to this general picture.

A large measure of convergence has emerged among countries in the region in their approach to development policies. Most countries have vigorously pursued a variety of market-oriented reform measures, of which fiscal reforms have been a major component. The major objectives of fiscal reforms have been to enhance revenue productivity with a combination of lowering of tax rates and expansion of tax bases, to contain the growth of current expenditure while rationalizing intersectoral allocation and to reduce budgetary deficit. A large measure of success has been achieved by countries of the region in fulfilling these objectives.

The region has undergone notable economic transformation resulting from sustained high rates of economic growth for many years. A rising share of manufacturing output in gross domestic product and rapid urbanization are but two manifestations of the transformation. This has not, however, been accompanied by a commensurate increase in the share of employment in manufacturing/urban sectors. This imbalance has been partly responsible for a number of social problems in the region. Although significant progress has been achieved in alleviating poverty, in redressing unemployment and in the provision of health and educational facilities and services, there remained many challenges in these fields, while other serious social problems, such as crime and drug abuse, were also emerging.

The region, containing about 60 per cent of the world population with varying rates of population growth in different countries, and differing age composition and spatial distribution of their respective populations, faced serious challenges for providing adequate education, health and employment opportunities to the population. Large and growing populations in many countries of the region also posed serious problems for the environment, which has been deteriorating in many parts of the region. Several countries in the region have, however, managed to effect a profound demographic transition, with rates of population growth reduced or soon expected to be reduced to the replacement level, and have been better able to concentrate on the provision of social services to their populations. These divergent experiences point to the need for adoption of differentiated policy approaches to demographic issues.

CONTENTS

	<u>Paragraphs</u>	<u>Page</u>
I. WORLD ECONOMIC DEVELOPMENTS AND PROSPECTS .....	1 - 5	4
II. MACROECONOMIC PERFORMANCE AND POLICIES IN THE ESCAP REGION .....	6 - 13	5
III. INTERNATIONAL TRADE AND BALANCE OF PAYMENTS: PERFORMANCE, PROSPECTS AND POLICIES .....	14 - 17	7
IV. FISCAL REFORMS .....	18 - 22	8
V. ECONOMIC TRANSFORMATION AND SOCIAL DEVELOPMENT .....	23 - 28	8
VI. POPULATION DYNAMICS: IMPLICATIONS FOR DEVELOPMENT .....	29 - 35	10

## I. WORLD ECONOMIC DEVELOPMENTS AND PROSPECTS

1. The world economy has been on a recessionary course since 1990. The recession, affecting mainly the industrialized countries, has coincided with rapid output decline in Eastern Europe and the new national economies that emerged from the former Union of Soviet Socialist Republics; these economies have embarked on reforms to establish a market-based economic system to replace central planning. The growth performance of the developing economies other than those of the Asian and Pacific region has remained weak, though many of these economies were slowly coming out of the debt, stagnation or decline experienced during the 1980s.

2. The plunge in world output growth as a result of the diverse trends in component groups of economies seemed to bottom out in 1991 when world output nudged upwards by a mere 0.2 per cent. However 0.7 per cent growth in 1992 still implied a fall in per capita world output, and performance in 1993, with an estimated growth rate of 1 per cent, remained weak.

3. A feature of the world economy over the past three to four years has been "desynchronization" of the ups and downs in individual economies. Until 1991, the recession was largely a so-called "Anglo-Saxon" phenomenon, affecting mainly the economies of Australia, Canada, New Zealand and the United States of America. Since 1992, these economies have been set on a course of recovery, though weak, but the major European economies of France, Germany and Italy, as well as the economy of Japan, have weakened, and many of the smaller economies have gone into serious recession. The European Union (EU) suffered an estimated 0.3 per cent decline in output in 1993, and Japan's growth was restricted to a mere 0.3 per cent. In the United States and the United Kingdom of Great Britain and Northern Ireland, the expected growth rates of 2.7 and 1.5 per cent signalled continued weak recovery. The economic growth of industrialized economies thus averaged 0.9 per cent in 1993, lower than the 1.6 per cent in 1992. The rate of fall in output in the economies in transition slowed down.

4. The developing countries in Africa and in Latin America and the Caribbean experienced slow and faltering growth. In 1993, growth performance in both Africa and Latin America improved, with average growth rates rising to 1.9 per cent in Africa and 3.1 per cent in Latin America, from 1.6 and 2.2 per cent, respectively, in 1992. Many of the developing countries of the Asian and Pacific region repeated their earlier strong performance in 1992-1993, with some countries, notably China, experiencing accelerated rates of growth. In the process of reconstruction after the Persian Gulf war, the West Asian economies recovered in 1992 from their low point in 1991. But in 1993 their rates of growth slipped back again, by at least 2 percentage points from the previous year. The developing economies in the Mediterranean areas remained in deep recession.

5. The recession, which varied in onset and duration in different countries, was typically characterized by high and rising rates of unemployment and by demand deflation. Demand deflation, particularly in the industrialized countries, was rooted in falling property and asset values, reversing earlier boom trends. The fall in asset values affected consumers and investors, who

faced higher real debt burdens on earlier borrowings, much of which had gone into the acquisition of assets. Financial institutions were also affected by debt defaults and the accumulation of bad debts in their portfolios. In the process, confidence weakened, resulting in low response to policy stimulus. While fiscal policy remained constrained by the budgetary deficits in many countries, monetary policy was used to stimulate the economies in recession. The rates of interest came down to their lowest levels in many decades; however, this had little impact on the growth performance of the economies in 1993.

## II. MACROECONOMIC PERFORMANCE AND POLICIES IN THE ESCAP REGION

6. The region covered by the Economic and Social Commission for Asia and the Pacific (ESCAP) maintained its robust economic performance in 1992-1993, with the developing countries achieving an average economic growth rate of 6.7 per cent in 1993, the same as in 1992. This performance is remarkable against the backdrop of the recession in the world economy. The various groups of economies of the region continued to diverge in their individual performance, though a larger measure of convergence emerged among countries in their approach to development policy and to some extent in performance as well. A redeeming feature of the situation in 1992-1993 was the substantial strengthening of the growth performance of most of the least developed countries of the region.

7. Economic growth remained strong and steady in countries in South-East Asia, with the exception of the Philippines. The economy of the Philippines also achieved positive output growth in 1993, reversing the decline in the previous two years. Rates of growth in Indonesia, Malaysia, Singapore, Thailand and Viet Nam ranged between approximately 6 and 8 per cent in 1993. The least developed countries, such as Cambodia, the Lao People's Democratic Republic and Myanmar, also achieved 6 to 7 per cent growth.

8. In East Asia, the spectacular performance of the Chinese economy, with 13.0 per cent growth in 1993 following 12.8 per cent in 1992, attracted world-wide attention. Its high rate of growth, however, had given rise to concern that overheating of the economy could lead to a repeat of the country's experience in 1988-1989 when high inflation was followed by strong brakes on the economy and sharply lower growth. However, the situation was contained through more balanced packages of policy intervention, and the economy appeared well-positioned to restrain inflation without any drastic reduction in growth. Among the other East Asian economies, the rate of economic growth of Hong Kong strengthened from 4.2 per cent in 1991 to 5.0 per cent in 1992 and 5.5 per cent in 1993, while that of the Republic of Korea decelerated from 8.5 to 4.8 and 4.6 per cent in the same years. The two countries in the most difficult economic situation in East Asia were the Democratic People's Republic of Korea and Mongolia, both of which suffered output decline, high inflation and other difficulties.

9. The economic performance of South Asian countries showed improvement in 1992-1993. Among the five least developed countries in this subregion, Bangladesh and Nepal succeeded in moderately raising growth rates, while Bhutan and Maldives maintained growth rates of 5 per cent or more. Afghanistan is yet to recover from the impact of war and continuing internal strife. There was

distinct improvement in the economic performance of India during the period, but Pakistan suffered a set-back in 1993, partly owing to the adverse effects of weather on the country's agricultural output. Sri Lanka achieved a growth rate of nearly 6 per cent in 1993. The extensive economic reform measures under implementation by most of the South Asian countries thus appear to have started showing beneficial results.

10. The small Pacific island developing economies, with their agrarian structures exposed to frequent natural disasters and external demand and price fluctuations of export commodities, continued to be vulnerable despite bold efforts made at stabilization and restructuring for sustained higher growth. Fiji, Papua New Guinea and Solomon Islands have achieved considerable success in that regard, with stronger economic growth and moderating inflation. Elsewhere, success has remained more limited in achieving growth and reducing inflation.

11. The six Central Asian republics have been facing the daunting task of revamping their institutional structures and stabilizing their newly independent economies within a market-based framework, in sharp distinction from decades of development under a centralized system of planning within the former Soviet Union. The tasks facing them included the reorientation of their trade, which had been largely internal trade within the former Soviet Union, towards foreign trade; the settling of the national currency and exchange rate questions, including the role of the rouble, the former domestic currency; the establishment of a viable banking and credit network; and the restructuring and revitalization of production under the drastically changed policy regimes. The economic and social situation in most of the six republics continued to deteriorate, with falling output and high inflation rates.

12. The three industrialized countries of the region have suffered from the recessionary symptoms affecting all industrialized countries at different points in time since 1990. The economies of Australia and New Zealand, which went into early recession, showed definite signs of recovery in 1993, with output growth above 2 per cent in Australia and above 3 per cent in New Zealand. Australia and New Zealand also succeeded in bringing down their rate of inflation to below 2 per cent annually. The economy of Japan, however, suddenly worsened in 1992, with the economic growth rate plunging to a mere 1.5 per cent from 4 per cent in 1991. The economy was virtually stagnating in 1993.

13. The prospects for the developing countries of the ESCAP region in 1994 and 1995 remain, by and large, unchanged, with the average rate of economic growth forecast at close to 7 per cent. Among the three developed countries, the economy of Australia is expected to strengthen further, with 3.0 per cent growth in 1994 compared with 2.4 per cent in 1993, while the economy of New Zealand is expected to weaken somewhat. Economic recovery in Japan is expected to attain a greater pace, but overall performance is likely to remain weak in 1994. These forecasts, however, do not take into account the benefits expected as a result of the recent successful conclusion of the Uruguay Round of multilateral trade negotiations. The new GATT (General Agreement on Tariffs and Trade) agreement is widely expected to provide considerable stimulus to the entire world economy although its practical impact could remain limited in the short term since the agreed measures will be enforced over a period of time.

III. INTERNATIONAL TRADE AND BALANCE OF PAYMENTS: PERFORMANCE,  
PROSPECTS AND POLICIES

14. International trade continued to underpin the economic resilience of the ESCAP region in 1992-1993. The value of exports of the region's developing economies, on average, grew twice as fast as the 7 per cent average growth in the value of world exports in 1991-1992. In 1993, the rates of growth appear to have slowed down somewhat but ranged between 12 and 16 per cent in a number of countries. That reflected the region's resilience despite the current phase of recessionary downturn in the industrialized countries. A number of factors have enabled economies of the region to sustain high rates of growth in their exports in the face of recession in Europe and North America, the traditional markets for their exports. These include a change in the product composition of exports from primary commodities to manufactured goods, which currently account for 60 to 80 per cent of total exports of many countries, though primary commodities remain the main staple of exports of most of the least developed and Pacific island economies. The product range exported from the diverse groups of economies of the region is very wide in the categories of both manufactures and primary products.

15. The market for manufactured products has been well sustained in the developed countries despite recession, as consumers in those countries have come to depend increasingly on cheaper supplies of many consumption goods from abroad. The ongoing process of industrial restructuring and retooling, including office automation and renovation, have also kept up demand for machinery, tools and equipment and their parts, which constituted a substantial share of the export trade of several countries in the region. Trade was further sustained by successful diversification of markets, especially within the ESCAP region itself.

16. The liberal impact on trade and investment of policy reforms carried out extensively in the region during the past decade have also affected the trade performance favourably. The most recent changes have come about in the South Asian countries, involving decontrol and reduction of tariffs on imports, greater incentive to exports and investment, simplification of a wide variety of procedures relating to trade and investment, and liberalization of the exchange-rate regimes culminating in the floating of currencies for trade and other current transactions.

17. Not only exports but also imports of countries in the region rose fast. In fact, imports rose faster than exports in 1992 in several countries and were accelerating in 1993. The rapid pace of domestic economic activity and infrastructural investment projects launched in many countries in the region led to a spurt in growth of both capital and intermediate goods imports, while growing consumer demand in response to rising income kept up consumer goods imports. The balance of payments remained basically sound for most countries, though short-term movements presented a mixed picture of both improvement and deterioration in individual cases.

#### IV. FISCAL REFORMS

18. Fiscal reforms, involving the revenue and expenditure operations of government, have been an important component of economic reform, restructuring and readjustment in the developing countries of the ESCAP region for a decade or more. Governments in the region, by and large, have followed conservative fiscal and financial policies, enabling them to maintain reasonable degrees of economic stability coupled generally with sustained high levels of economic activity. Yet, continual changes in the domestic and external economic situations have necessitated reforms in fiscal systems, the urgency of which has been felt at different points in time in different countries.

19. A common objective of fiscal reforms in many countries has been to reduce growing budgetary deficits, which also have been a source of inflationary pressures and current account balance-of-payments deficits. These imbalances had to be removed by reducing or eliminating budget deficits. Governments also have been seeking to rationalize their traditional entrepreneurial, regulatory and social service roles, with more reliance on the private sector wherever feasible.

20. Reforms involving the revenue and expenditure operations have been carried out to fulfil the broad objectives mentioned above. Revenue reforms have been systemic as well as by individual revenue instruments with respect to base and/or rate structure. Reforms of tax administration to simplify procedures, improve administrative efficiency and encourage better taxpayer compliance have also been undertaken. Improving the revenue productivity of taxes appears to have been an overriding objective of reforms, with a view to reducing existing budgetary deficits and financing the expansion and improvement of selected public services for which demand was growing.

21. A more rational allocation of expenditure consistent with lesser emphasis on the entrepreneurial and regulatory role of government and greater emphasis on the provision of social services has been attempted. Efforts have also been made to improve the efficiency and productivity of expenditure through administrative streamlining, greater accountability and better appraisal procedures.

22. An examination of data on government revenue and expenditure in the early years of the 1990s suggests that many Governments in the region have achieved a large measure of success in reducing budget deficits. In addition to the restrained growth in expenditure, revenue has also improved in many countries in spite of the lowering of tax rates generally. Social service expenditure has been, by and large, well sustained despite the need for restraining expenditure growth.

#### V. ECONOMIC TRANSFORMATION AND SOCIAL DEVELOPMENT

23. Viewed from the longer-term perspective of the past 30 to 40 years, the developing countries of the ESCAP region have undergone major economic and social change. Many of the economies have recorded sustained high rates of economic growth and rapid structural transformation. The manufacturing industry

/...



has emerged as the catalyst for dynamic change. Urbanization has also proceeded apace. Although the levels of achievement have been unequal among countries, conditions of life have improved in many respects, albeit in different degrees. Mass starvation is no longer a concern in the region. Old generation epidemic diseases such as smallpox and cholera have been virtually eliminated. Nutrition levels have improved. Infant and child mortality rates have fallen. Birth and death rates have declined and life expectancy at birth has increased. Literacy and education have spread. A sizeable proportion of the population in many countries has achieved truly affluent living standards.

24. While these are commendable achievements, the structural transformations in many cases have been grossly uneven, resulting in wide disparities in the income and welfare of different sections of the population. The decline in the share of income of the agricultural sector without a commensurate decline in its share of employment illustrates this imbalance, which is at the root of many problems facing the region. The persistence of poverty is the most crucial of these problems. Sizeable proportions of the population, and therefore staggeringly high numbers of people in several countries of the region, remain so poor that they cannot adequately meet their need for food, clothing, health, housing and literacy. The average level of improvement can thus be misleading.

25. The rapid pace of urbanization has led to the growth of urban slums and squalor. Moreover, with the expansion of wage employment, fear and anxiety have been increasing about fluctuating demand for labour and/or displacement of labour by mechanical innovations. Concern is also growing about the lack of safety, security and a healthy environment in industrial workplaces.

26. In the area of health, many epidemic diseases have re-emerged, while the AIDS (acquired immunodeficiency syndrome) pandemic has been posing a serious threat to public health. The implications of the spread of the AIDS virus infection in the region have raised serious concern. Among a wide range of environmental concerns, atmospheric pollution is a serious hazard to the health of humans and other species.

27. Among other emerging issues is the declining influence of the family unit as a support mechanism in schooling the young, and in coping with illness and adversity, and old age and disability. Work contingency and mobility requirements for employment in modern economic sectors, and inadequate housing in and around urban-industrial workplaces, have led to erosion of the role of the traditional extended family. The incidence of divorce, single parenthood and parentless childhood, homelessness, and street-begging by children, young adults and the old, though not new phenomena, are assuming new dimensions. Child abuse, sex abuse, drug abuse and homicidal and suicidal violence are seen emerging as traditional institutions and values suffer decay.

28. Data relating to economic growth, industrialization and urbanization, poverty, health and education, as well as crime and substance abuse, confirm the above general observations relating to the region. However, the incidence and the intensity of particular problems vary widely among countries.

## VI. POPULATION DYNAMICS: IMPLICATIONS FOR DEVELOPMENT

29. Population dynamics, involving growth, changing age composition, and spatial distribution, have a strong bearing on many of the economic and social processes in the ESCAP region. The region contains about 60 per cent of the world population. Annual population growth rates in many parts of the region have slowed down considerably from the high rates of 2 to 3 per cent in earlier decades. Yet, at the current average growth rate of 1.7 per cent, over 50 million people will be added annually to the region's total population in the 1990s, and thereafter about 48 million are likely to be added annually up to 2010, according to current projections. Rates of growth remain much above the regional average in many countries, particularly in South Asia, which is expected to account for 60 per cent of the population increase in the ESCAP region between 2000 and 2010. Owing to its higher rates of growth, South Asia will also have a higher proportion of children and young people in the population than East and South-East Asia, which have achieved lower growth rates.

30. The growth trend, age and sex composition, and the spatial distribution of population have significant implications for education, health and labour force participation. Population dynamics are also linked to concern about the protection and preservation of the environment.

31. High rates of population growth in the past had resulted in a rapid increase in the school-age population in most countries. Nevertheless, many countries in the region have successfully expanded their educational programmes with physical facilities, educational equipment, trained teachers and high enrolment ratios. This has enabled them to reach sufficiently high rates of basic literacy. However, educational opportunities at higher levels have remained much more limited. Most countries have set target dates for attaining universal literacy. Countries with a high rate of population growth, a low literacy rate and a high percentage of female illiteracy will find their targets difficult to achieve because of the continuing large increase in the school-age population.

32. Population growth obviously places more demand on health services. The changing age structure of the population changes the nature of that demand, and the spatial distribution determines locational needs. Despite expansion in health facilities and progress achieved in eradicating epidemics, reducing child and maternal mortality, and prolonging life expectancy, there are considerable deficiencies in the provision of health services to the population in most countries, particularly to the rural people who still constitute the majority. Countries with higher rates of population growth would find it more difficult to provide wider health service coverage for their population and to improve the quality of facilities and services. Countries with lower rates of population growth may need to set up or expand facilities and use more expensive treatment methods as disease and demand patterns change with the changes in lifestyle and the increase in the proportion of older people in the population. The additional resource costs to meet the future health needs of the vast and growing population of the region will be enormous. Governments in the region, however, have adopted the goal of "Health for All by the Year 2000", based on the use of less costly primary health-care methods and an emphasis on control of

epidemic and vector-borne diseases, adequate prenatal and post-natal care, and health education.

33. Differential rates of population growth will influence the size of the labour force in different countries. Given a 15-year lag between birth and entry into the labour force, countries that had reduced their growth rates a decade or more ago have already been experiencing slow rates of growth in their labour force or will do so in the near future. However, countries that still have high rates of population growth will continue to experience high rates of growth in their labour force, requiring them to find expanded employment opportunities, outside the traditional agricultural sector, which will hardly have the capacity to absorb the additional labour force.

34. The extent of impact of an expanded population on the environment cannot be measured with any degree of accuracy. Given the per capita consumption level and the production technology, higher population growth and a larger population can be seen to require greater exploitation of nature's endowments and consequently their depletion and/or degradation. There is considerable evidence in countries in the region of serious resource depletion of forests, flora and fauna, water and soil. Industrialization, increased intensity of land use and technological changes have had adverse environmental consequences. Reduced population growth can be an element in stemming further deterioration, in combination with other measures, such as the adoption of environmentally friendly technologies.

35. There has been growing awareness in the region of the interaction between population and these aspects of development, and population policies are increasingly being integrated with other economic and social development policies rather than relying on the technical aspects of traditional family planning, the success of which itself depends on addressing the socio-economic concerns of the target populations effectively.

-----