Yilmaz Akyüz and Andrew Cornford. 1999. Capital flows to developing countries and the reform of the international financial system. UNCATD discussion paper 143 (November).

Growth of foreign capital movements has resulted in:

- increasing privatisation of external financing for developing countries;
- globalisation of finance;
- instability driven mostly by short-term, speculative capital flows, both at local and global levels.

The regulation and control of the international capital movements has lagged far behind. In particular:

- the G-7 group agrees over:
  - the negative effects of the volatility of short term, speculative capital movements;
  - the need for financial regulation and supervision and transparency on market transactions and structure;
- the G-7 disagrees over:
  - reform of multilateral surveillance over exchange-rate and monetary policies of developed economies;
  - global rules and control over capital movements;
  - establishment of a lender of last resort;
- the preferred G-7 policies are:
  - limited access to external finance designed to impose discipline on debtor countries and keep them under short leash;
  - orderly debt-workout procedures;
  - more private sector participation in the resolution of financial crisis.
- given this political context, developing countries should:
  - preserve national control over capital flows;
  - engage in agreeing international arrangements for debt stand-still and lending into arrears.

Data on capital flows into developing countries:

- as % of GNP, and excluding China, capital flows into developing countries in 1975/82>1990/98>1983/89;
- FDI as % of net inflows doubled from 1975/82 to 1983/89, and doubled again from 1983/89 to 1990/98 (to over 1/3, the single most important component of capital flows into developing countries);
- Bank loans halved as % of net inflows;
- ODA and other official loans fell by 1/3 over the period;
- SSA share of net inflows fell. Only in East Asia and Pacific did the share on net inflows to developing countries increased continuously.