Preface

The financial crisis first broke in Thailand on July 2, 1997, and swept the region like a tornado, engulfing Malaysia, Indonesia, Philippines and Singapore, and encroaching upon Hong Kong, Taiwan, Korea, Japan and China. No country in East Asia managed to completely evade its impact. One year later, the far-reaching effects of the economic storm have still not died down in East Asia, and had spread even to Russia and Latin America. All the countries that succumbed to the crisis found themselves facing a sharp depreciation in their currencies and collapse of market stock; these effects have in turn resulted in a decline in exports, a slowdown in economic growth, and a rise in unemployment.

It may be an oddly ironic that these newly-industrializing Asian countries had all maintained a high growth rate for over two decades before 1997, since, within the period of just a few months, prosperity was transformed into depression, and abundance into scarcity. Many well-known and well-regarded large enterprises have gone bankrupt, while the governments concerned still have no effective means of mitigating the impact of the financial crisis. However, it may also be interesting to note that after two years of recession in East Asia, almost all the countries in this region are rising again. In the wake of this sudden onslaught on the economies of East Asia, many new questions have come to light, and are waiting for the right answers, such as: How is it that the Asian countries could have become so weak so as to totally succumb to the financial crisis? What are the real causes of the financial crisis? What policy measures have the affected countries undertaken in order to combat the financial crisis and how effective are they? As for the argument of “hands off policy” vs. “government intervention”, which approach is more appropriate for curbing the expansion of the financial crisis? What are the policy implications for solving the problem of financial crisis? Why is East Asia rising again after two-year recession? And so on.

Obviously, the financial crisis in East Asia has not only troubled the government and businessmen but also caused great concern for economists in this region. Mr. Harold H. C. Han, president of the Himalaya Foundation, realized the serious impact of the financial crisis to East Asian countries and asked us to submit a research project on this crisis to his Foundation. At the Meeting of Leading Grant-Making Foundations in Asia and Oceania held on November 20–21, 1998 in Tokyo, he presented our project on the East Asian Financial Crisis to the Meeting and gained the support of all the participants. We then organized a research team, composed of twelve leading economists from the ten East Asian countries, including Thailand, Malaysia, Indonesia, the Philippines, Singapore, Hong Kong, Taiwan, Korea, Mainland China and Japan. We also invited one expert from the United States to be responsible for making an aggregate analysis of the interdependence of this region in the context of a financial crisis.

The first meeting of the research team was held in Taipei in April 9, 1999. All participants discussed the outline very carefully. The team members had a second meeting in Taipei in January 22 and 23, 2000. About one year later, we finished the project.

There are already many research papers and books regarding the Asian financial crisis. However, there are several characteristics that make this book unique, and attractive to many readers.

First of all, labor division among the economists is the most important characteristic of the book, since the author of each chapter is an expert on their own country's economy. They are very active not only in economic research but many of them were also deeply involved in the policy-making process during the financial crisis. They provided a great deal of first-hand knowledge and the latest information on the financial crisis and economic recovery in their country.

Secondly, because all the authors in the book worked on the same framework instead of writing their paper totally independently, it is much easier for our readers to understand what has happened in Asian countries through comparative studies. Even though each paper focuses on one country's case, there is an internal connection among the chapters. All articles in the book discuss the external affects and regional environment during the financial crisis.

Thirdly, the articles in the book not only pay attention to policy analysis but also emphasize economic theory. Many articles in the book challenge the traditional economic theory in international finance.

The potential readers of the book will be professors and graduate students in economics, and economists who work in financial institutions such as the World Bank, IMF, ADB and commercial banks and other financial and international business arenas. In addition, this book is also very important to all economic policy-making officials in either Asian countries or the rest of the world. This book is a very rich information resource for all readers who are interested in Asian economies.

The completion of the research project should be mainly attributed to Mr. Han who initiated the project and fully supported the proceeding of the project. We are also deeply indebted to the foundations, banks and groups, including Himalaya Foundation, Pou Chen International Group, Lin Rong San Foundation of Culture and Social Welfare, Holmsgreen Foundation, Fubon Bank, Toyota Foundation, Chiang Ching-Kuo Foundation for International Scholarly Exchange, Vedan Group for their generous support. Without their support, it would be impossible to successfully focus on carrying out our project.

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