

investors who have no serious financial problems. Even if they had, it is rather easy for them to resolve their financial difficulty. Another equal important factor is that almost every East Asian country has undergone restructuring of their financial institutions. They also have tried to eliminate the nepotism between government officials and enterprises, to make their management more transparent and to reduce their debt and unnecessary investment, which should be helpful for them in regaining their growth.

By the end of 1998, the rising prices of stocks in the U.S. have reached more than 10,000 points, which has caused many people to become worried about the busting of the bubble economy. Correspondingly, many big international funds started to consider the reallocation of their capital in order to avoid the risk of “putting all eggs to one basket”. In particular, finding that the financial crisis in East Asia has reached its bottom and was in position to rise again, and not wanting to lose an opportunity, they shifted the direction of their capital movement from the developed area to the newly emerging markets. Since the summer of 1999, all the countries in the region have tended to gradually recover.

So far, East Asia has met two basic requirements for its recovery, that is, the expansion of their foreign trade and the inflow of capital to their financial markets.

11. THE PURPOSE OF THIS VOLUME

The financial crisis in East Asia is almost over; now is the time for us to review the real causes and potential effects of the crisis, and to examine the most important lessons to be learned from the bitter experiences of the past three years. There is an old Chinese saying, “the past that should not be forgotten may serve as a master for the future”. This is of paramount importance in exploring the problems of the East Asian financial crisis.

In this volume, we have dealt with ten counties, the four Asian dragons, Singapore, Hong Kong, Taiwan and Korea, the four Asian tigers, Thailand, Malaysia, Indonesia and the Philippines, and two giant countries, China and Japan. We would like to find the answers to the following questions:

- (1) What were the real causes of the financial crisis in each country?
- (2) What interactions between the countries in East Asia have been created as a result of the financial crisis?
- (3) What policies and measures has each government taken for curbing the financial crisis and its effects on economic activities?
- (4) How appropriate and how effective have the policy recommendations of the IMF been in the cases of Korea, Thailand and Indonesia?
- (5) Is it possible to draw a theoretical framework from the general causes of the financial crisis?
- (6) What are the important lessons to be drawn from the experiences of each of the affected countries?

The answer to each of these questions is presented in the final chapter of this volume.

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