



Regional Co-operation & Asian Recovery

edited by

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CONTENTS

List of Tables	vii
List of Figures	x
Acknowledgements	xi
List of Contributors	xii

SECTION I ASSESSING THE ASIAN CRISIS

1	The Implications of Asia's Unprecedented Crisis <i>Allen Sinai</i>	3
2	International Context for Asian Recovery <i>C. Fred Bergsten</i>	9
3	Policies to Encourage the Recovery of Private Capital Flows to East Asia <i>Jesus P. Estanislao</i>	16
4	The Asian Financial Crisis in Perspective <i>Jeffrey A. Frankel</i>	20
5	Social and Political Context of International Trade <i>Robert Reich</i>	36
6	Prospects for APEC in 1998 <i>John Wolf</i>	42

SECTION II FINANCIAL SYSTEMS FOR ASIAN RECOVERY

7	Financial Reform in East Asia Post-crisis <i>Wendy Dobson</i>	51
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8	Currency Arrangements in Southeast Asia <i>Manuel F. Montes</i>	82
9	The Korean Economy at a Crossroads <i>Soogil Young</i>	107
10	Public and Private Interests in Korea: Views on Moral Hazard and Crisis Resolution <i>Danny M. Leipziger</i>	143
11.	The Asian Crisis Seen from Europe: Can Newly Emerging Europe Help Newly Declining Asia? <i>Rolf J. Langhammer</i>	164

SECTION III INVESTMENT AND TRADE FLOWS AND POLICIES

12	Foreign Direct Investment in the Wake of the Asian Financial Crisis <i>Peter A. Petri</i>	187
13	Impact of the Asian Financial Crisis on Trade Patterns of the Affected Economies <i>Inkyo Cheong</i>	209
14	Regional Trading Arrangements in the Asia-Pacific Region: Strategic Options for a Weakened ASEAN <i>Kong Yam Tan</i>	224
15	APEC Early Voluntary Sectoral Liberalization <i>Philippa Dee, Alexis Hardin, and Michael Schuele</i>	249
16	APEC Strategy towards 1999 <i>Robert Scollay</i>	294

The Implications of Asia's Unprecedented Crisis

Allen Sinai

My task here is to set an overview of the economic and business climate for you and I frame it by asking: Is the Asian Crisis a tremor or an earthquake? By Asian Crisis you could substitute the phrases Asian Meltdown, Asian Bust, or Asian Event, all of which I use interchangeably. By Asia I mean Asia, the Pacific Rim, and Japan. I will briefly address the question from the viewpoints of the global economy, the region itself, and the United States.

The Asian Meltdown is no minor event for the world economy. Thirteen important countries are now involved — all five major countries of the Association of Southeast Asian Nations (ASEAN) as well as South Korea, Hong Kong, Japan, Taiwan, China, India, Australia, and New Zealand. These economies represent about one-third of world output. Japan is the world's second largest economy; China and Indonesia are among its most populous. In over a decade of seemingly never-ending booms, these countries have made a major contribution to world growth, which reached over 3 per cent in 1996 and 1997 and would be, at best, 2 per cent in 1998, probably half the previous pace for the forty-four countries that we analyse and forecast.

The Asian Crisis involves parallel economic and financial market downturns, more or less involving all thirteen countries, which started in 1997. There are depressions in some of these economies, real depressions at least as bad as the 1930's depression was in the United States. In others, there are recessions. Some economic declines qualify as major slow-downs. Each of the countries mentioned is experiencing financial market crashes, financial system instability and fragility, and extensive collapses in private sector balance sheets. The policy responses, both in individual countries and through collective institutions such as the International Monetary Fund (IMF), have been feeble and inept so far.