

## **The Asian Economic Downturn: Two Years Beyond the Crisis**

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# Introduction

*Through The Asia Foundation's Asian Perspectives Series, the Foundation is continuing to explore how key countries in Asia are managing in the aftermath of the economic crisis. The focus here is on Thailand, Indonesia, Korea, and Japan, and the progress each is making, as well as the challenges and opportunities each faces in implementing political and economic reforms.*

## A Regional Perspective by Robert Scalapino

As I see it, there are three interactive forces that are true determinants in today's world. One is internationalism; the second is nationalism; and the third is what I call communalism.

We are all aware of the enormous importance of internationalism in its variant forms. Increasingly, we try to construct regional and international organizations that bridge the economic, the political, and the strategic. And one of the problems today, as so evidenced by the war over Kosovo and perhaps more recently, the crisis in East Timor, is that our international organizations, however important, are not yet capable, in most instances, of making or keeping the peace.

At the same time, one of the great issues of the 21st century is going to be this question of what to do when ethnic, religious, or other tensions break down a state or threaten its existence. Under what conditions is intervention necessary and supportable? I can think of no issue that is going to be more critical to harmony or disharmony, to agreement or disunion in the 21st century.

Of course, we also are seeing internationalism in the

economic sphere, at both the institutional and non-institutional levels. We are hopeful that the World Trade Organization (WTO) will help resolve disputes — and the WTO does have the capacity to make decisions in that theater. We are hopeful that its membership will become more universal. And along those lines, the issue of China and Taiwan membership is before us now.

We also are hopeful that regional organizations, like ASEAN and APEC, will be able to develop gradually more than just hopes and wishes and general propositions, but will be able to move toward concrete agreements that eventuate the promises of 2010 and 2020 for a more open free trade structure in the Pacific Asian region. However, only in the case of Europe and the European Union have we reached a position that is genuinely regionally interactive. In Asia, there is the emergence of what I call natural economic territories or nets. These involve the crossing of political boundaries by an amalgamation of resources, manpower, technology, capital, and management in contiguous areas and where there are reciprocal possibilities. This is what we see in Southeast Asia in the relationship that relates to the Riau Islands of Indonesia, Singapore, and portions of Malaysia. In Northeast Asia, there is a remarkable net developing between South Korea and China's Shandong Province and moving into Jilin. Also, discussions are ongoing for a Sea of Japan or East Sea net that ultimately would involve the Russian Far East, the Korean Peninsula, western Japan, and portions of China. Even though this development is uneven, it bears enormous significance for the future in East Asia and the Pacific.

At the same time, the rise of nationalism is very strong

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throughout the region. In societies like China, this is, in part, a reflection of the decline in importance of an ideology that is Marxist-Leninist in form. Here, nationalism gets used as a means of unifying and solidifying support. That said, nationalism is also a reaction to external pressures — and at times, understandably takes on an anti-Western and anti-American form. It is a kind of feeling that the nation state is under siege for a variety of reasons.

The third force is what I call communalism, namely the individual search for a more meaningful community in this period of great flux and uncertainty. One consequence is a certain resurgence of ethnic consciousness, a newfound commitment to religion, particularly fundamentalist religion, and identification with a strong community sentiment.

Many of us in the West were as surprised as the Chinese leaders at the recent emergence of Falun Gong, a form of Buddhism and cultism that managed to mobilize 10,000 people in the very center of Beijing. A couple of years ago, there was a similar episode in Japan involving Aum Shinri Kyo, a cult of a more dangerous type. In almost every country, we are witnessing a kind of search on the part of a number of people for a kind of community that they believe gives them stability and strength in a period of uncertainty.

So, the interaction of these forces — internationalism, nationalism, and communalism — confronts every society in a variety of ways. It is a fascinating issue as we move into the next century.

Let me conclude with a few thoughts about the economic problems of the past and the basic trends now are underway.

In many respects, East Asia, until recently, has been truly an economic success story. There was no single model. However, the Japanese influence in the economic sphere was not small. The state was used as a means of supporting select factors in the economy; corporatism was involved in the development of the economic structure; and the general model was import substitution and export orientation. And international markets, particularly the U.S. market, were available for these purposes. We witnessed phenomenal growth in these respects in the decades after World War II.

Also, political leadership or solidarity was an important factor. Imperialism on the part of the West ended, and countries became more independent. And while there was a good deal of flux in some areas, leadership did ensue.

Today, we are debating the problems that have since emerged both internally and externally: the lack of transparency, the overly enthusiastic expansion, the absence of effective controls and limitations on loans, the internal and external flows of capital, and the massive corruption. These were among the factors that accentuated the crisis. Now that most areas are emerging, it is in my opinion, not wise to talk about Asia as if it were a unit. There are many variations. However, it is time for an evaluation of the present, past, and future, now that we are able to look back — or so we hope — on the worst of the crisis. There are signs of a leveling off and of improvement in many areas. And we have a very good panel to undertake that. 🌐

# Reform in Thailand

by **Tawee Butsunorn**

Thailand began its recovery once it accepted the fact that its economy was facing collapse under the weight of a crisis the government had set in motion in July 1997 when it devalued the baht. From that point forward, the government decided to turn to a ‘professional consultant,’ in other words, to participate in the International Monetary Fund (IMF) reform program.

To achieve recovery, Thailand undertook a series of missions, both to restore the economy and to address pressing social issues. Three recovery packages have been introduced so far.

The first involves financial sector restructuring. Announced on August 14, 1998, this package aimed to set in motion resolute and forceful actions designed to cure problems confronting Thailand’s financial sector and the banking system. These actions included injecting capital, separating viable from nonviable loans, restructuring where necessary, as well as taking steps to improve financial record keeping and supervision.

At the same time, the government adjusted fiscal policy to stimulate domestic consumption. New tax measures affecting refunds and payment postponement were put in place. Meanwhile, the government recognized that certain legal amendments were necessary to facilitate and support subsequent restructuring measures. It also recognized that it needed to prepare itself for a growing dependence on foreign investment and increased international involvement.

Nearly eight months after the announcement of the first package, the government was in a position to take the next step. The second package had been announced on March 30, 1999. This \$3.4 billion program addressed private

consumption and investment stimulus. Program action entailed expenditure measures, tax reductions, and efforts to lower energy prices.

The third package was designed to encourage private investment, to promote economic recovery, and to enhance prospects for long-term competitiveness in the private sector. The Cabinet approved a measure designed to promote private investment. The four-part measure was announced on August 10, 1999. First, it addressed restructuring tariff rates and involved a tax and tariff measure. The Cabinet reasoned that the private sector should benefit from a decline in manufacturing costs, which in turn would be prompted by tariffs that were brought into line with the Association of Southeast Asian Nations (ASEAN) Free Trade Agreement (AFTA) by next year. The second part of the measure concerned equity investment measures; the third promoted the real estate sector; and the fourth restructured small industry.

While great hopes are pinned to each of these measures, Thailand understands that they will not guarantee a real recovery. If Thailand’s economy is to survive the streamlining process caused by worldwide globalization, additional reforms will be necessary. The following are just some of the economic challenges still ahead.

The first significant challenge is the implementation of a debt-restructuring scheme. A large number of non-performing loans (NPLs) continue to burden our banks. The government and the private sector recognize the need to expedite debt-restructuring in a variety of sectors as the only way to create a win-win situation for both creditors and debtors. So far, more than 75,000 cases valued at \$15 billion

have been considered; another 20,000 cases worth \$28 billion are still in process. The most successful cases have involved a variety of sectors, including industry, services, real estate, wholesale and retail business. Obviously, the quicker we implement these schemes, the faster we can restore our economy.

Thailand's second challenge concerns reform in the financial sector. In 1992, Thailand instituted the Bank of International Bangkok Facilities (BIBF) to liberalize our financial system. The government viewed this step as a response to the dynamic growth in trade and investments internationally. A huge influx of foreign investment followed. In fact, the net private capital flow reached \$21 billion at one point, or 12.6 percent of our GDP. Part of the money was spent on genuine business promotion, while other portions were used to underwrite nonproductive business expenses.

When cheap foreign credit evaporated, the influx of outside investment combined with a lack of transparency in the private and public sectors rendered a highly vulnerable system. The loss of confidence and increased speculative attacks were highly contagious. In its efforts to defend the Thai currency, the government accepted a \$17.2 billion IMF package in August 1997. Clearly, these actions proved the end of the good old days of Thailand's once high-flying economy.

Today, the IMF's requirement to reform the financial system is just one of the measures in Thailand's bailout package. Financial sector reform entails much more than

simply suspending operation of 58 failing financial institutions and continued support for those that remain viable. To comply with the IMF's program, the government also introduced measures to re-capitalize banks; privatize intervened banks; enhance prudential rules and supervision; and formulate bankruptcy and foreclosure laws. The government also put in place a number of laws and regulations designed to strengthen the system and render it

more competitive in today's globalizing marketplace.

Still, a third challenge concerns the promotion and development of small- and medium-sized enterprises (SMEs). SMEs already account for 90 percent of Thailand's manufacturing. An SME Act has been drafted and is now pending Parliament revision. Designed to encourage SME development, the measure calls for the creation of an SME Development Center to facilitate SME coordination with the new world trade order. The government has also drawn up financial measures to specifically

regulate SMEs. The most recent was a stimulus package addressing trade measures, the reduction of manufacturing costs, and investment and restructuring support for small industries.

The crisis brought challenges, but also created opportunities in its wake. Thailand's economy is one of the strongest of the ASEAN nations. Contributing factors include Thailand's population, GDP growth, a diversified industrial base, and a high degree of competitiveness. The population numbers only 60 million; most people are

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considered middle income; only a small number subsist at or below the poverty line.

As of August 1999, per capita GDP in Thailand was \$6,285 — ranking fourth after Singapore, Brunei, Dar es Salaam, and Malaysia. Virtually all adults are literate and have completed six years compulsory education. Under the new Education Act, compulsory education will be extended to 12 years, illustrating Thailand's commitment to a life-long process of learning as a means of strengthening human resources.

Our diversified industrial base is another contributing factor. Twenty-seven industrial groups exist under the Federation of Thai Industry umbrella, representing a range of companies, from small to large, from low to highly technological. Industries represented include food processing, automotive, electronics, textiles and machinery. Within the Federation, there also are 45 provincial chapters that deal with the very small- and medium-sized enterprises. There also are plans to develop and strengthen enterprise.

Thailand's ability to compete, particularly in food processing, automotive manufacturing, and textiles, is also a contributing factor. Both the government and the private sector are pursuing an aggressive plan to make Thailand a production base for food processing. Already, we rank third globally, and we feel that it is not overly ambitious to aim to become the 'kitchen of the world.' We owe this optimism in part to the fact that we are an agricultural-based country with an annual food export valued at approximately \$1.3 billion.

In the automotive industry our ambitions also run strong. Here, we have set our sites on becoming the region's

top manufacturing base. Thailand already manufactures and assembles for the world's top-class automobile manufacturers — Mercedes-Benz, BMW, Volvo. We also manufacture basic pick-up trucks, like Isuzu and Toyota. Last year, we exported 66,000 units of sedans, trucks, and pick-up trucks, with a total value of \$730 million. From January to June 1999, we exported 53,000 units of sedans, trucks, and pick-up trucks, valued at \$540 million. Our projections for the entire year show exports totaling 130,000 units.

It therefore seems fair to surmise that Thailand is a large economy with great potential for continued growth. The country also benefits from its location — it lies in the geographical center of ASEAN and serves as a land bridge to five rising, regional economies in and around Myanmar, South China, Laos, Cambodia, and Vietnam. To Malaysia and Singapore to the south, Thailand serves as a huge, sub-regional market of over 200 million people — it is in Thailand's interest to emphasize its role in providing deeper economic integration within ASEAN and as a part of AFTA. Thailand's market role falls in line with ASEAN's recent focus on the ASEAN Investment Area (AIA) as a vehicle for greater growth.

Clearly, challenges and opportunities lie ahead for Thailand. In my estimation, Thailand is definitely pulling itself out of the economic crisis and has a bright future ahead. But seeing is believing, and so, may I take this opportunity to welcome each of you to my country to see with your own eyes what I have endeavored to lay out in my remarks. 🌟

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# Reform in Indonesia

by **Sri Mulyani Indrawati**

**T**rying to analyze Indonesia at this time is challenging, interesting, and sometimes confusing. It can be confusing especially when taking into account complicating factors that tend to reflect noneconomic matters.

In the wake of the financial crisis, the process that has evolved is one that has moved from denial to accepting the new reality. It is a process that is being addressed by primarily three groups.

The first group includes the technocrats, whose jobs are on the front-line of making economic recovery happen. The second group includes the politicians. Since Suharto stepped down, this group is important for the sheer fact that its numbers reflect more than 100 political parties, though only 48 of them competed in the general election. The third group is the Indonesian people.

First the technocrats: During the first months of the crisis, they denied the existence of any difficulties. It was only after two months of trying to make adjustments on their own that they 'invited in' the International Monetary Fund (IMF). But accepting the IMF's assistance was not as easy a transition as it was in the case in Thailand or Korea. At times, it seemed like technocrats and the IMF had to conspire to push reforms forward.

The politicians, on the other hand, saw things from a different perspective. Fortunately, they were very busy with how to position themselves to win the election and therefore never made Indonesia's economic program their first priority. That's not to say that some politicians did not try to capitalize on Indonesia's economic problems to boost their own popularity. But in most instances, their distraction meant that the technocrats could go about their jobs in relative peace.

Meanwhile, the average Indonesian was deeply concerned about acquiring food and the basic necessities at affordable prices. Their concerns were exacerbated by extremely high inflation — 78 percent during 1998 — and the economy's contraction — minus 13.4 percent of growth. Unemployment also jumped dramatically. Taken together, these circumstances meant that more people were forced to rely on the 'informal sector' to provide their social safety net until a program for recovery was put in place.

The recovery program had three parts: stabilization, structural concerns, and economic stimulus.

Stabilization involved choosing the right instrument — either an emphasis on macro policies or monetary and/or fiscal policy. Unlike Malaysia with its controls on capital flows, Indonesia maintained free capital flows and an open economy.

On the monetary side, the IMF's decision to close 16 banks right away, without dealing with debt relief, caused uncertainty in the system. Even today, Indonesians are suspicious about whether their bank could suddenly close down. At any rate, huge runs on the bank, especially in early 1998, created enormous constraints for Indonesia's monetary policy.

Still, the government instituted a tight monetary policy because the objective was to attract investment back into the banks. Interest rates soared upward to 70 percent and so did the number of Non-Performing Loans (NPLs).

Fiscal policy turned out to be the one instrument that the government was able to use effectively. Although constrained by its own structure, Indonesia's fiscal objectives managed to find ways to soften the cycle of the crisis and to stimulate it.

This effort was complicated by deep cuts in the government's revenue base caused by the economic downturn. That became its own burden because the government was doing what governments do when confronted with the need to stimulate the economy. For Indonesia, the logical decision was to spend more money on a safety net.

It should be noted here that Indonesia is a collection of strong-minded local governments, and that this decentralization also added to the government's unique fiscal position. And don't forget that the central government had accumulated its own huge external debt which was exacerbated by the currency's deep depreciation. So the government was being forced to spend more and more, but, in fact, it had no money. That is why the role of the IMF and the Consultative Group for Indonesia became so crucial to maintaining macro-economic stability. In other words, deficit financing on the fiscal side became crucial while the government tried to avoid inflationary pressures as much as it could.

Unfortunately, Indonesia still faces problems related to the collapsing banking sector, which as I said earlier, was aggravated by such a tight monetary policy. The banking sector's ongoing restructuring also has cost a lot of money. To illustrate, the government has spent an estimated 570 trillion rupiah, almost 70 percent of the GDP, to fix the banking sector. It turns out this effort ranks among the most expensive undertaking when compared with other countries.

The government issued domestic bonds to finance the restructuring effort. Unfortunately, it has been difficult to analyze this program's effectiveness, or determine whether there is enough infrastructure in place to enable this program to take hold. That said, this combined emphasis on fiscal and monetary policy has allowed Indonesia to maintain stability after the turbulence in 1998. The gross income during the first half of 1999 has turned out to be positive. Also, inflation has been very, very low, even when compared to pre-crisis levels.

The recovery program's second part is structural in scope with the issue being how best to design it. Basically, the objective is to fix the damage at the institutional level and then create a global market mechanism that ensures Indonesia's competitiveness.

To fix the damage at the institutional level, the government will restructure banking and corporate debt and improve governance vis-à-vis banks and corporations. This is easier said than done for three reasons. First, there are a number of technicalities that must be dealt with. Second, there may not be enough human resources to support this kind of program. And third, there is no legal system to support the program effectively. The latter is especially important and goes hand in hand with the government's emphasis on improving the quality of governance.

The second level focuses on how best to create a competitive market structure that satisfies the IMF and all donor countries. This is more difficult than it might seem. Some might think that a market structure is like a compact disk: simply by running it, you eliminate all distortion — monopoly and oligopoly. Of course, that is not true, especially in Indonesia where many of the distortions relate directly to political considerations which, in turn, triggers the dilemma of how best to re-define the role of government. This dilemma also challenges any expectation that Indonesia can succeed at adopting a so-called competition policy.

In the aftermath of this crisis, Indonesia is becoming a very socialist country. The government is becoming the dominant owner of all assets. So an institutional change of this magnitude is a far greater challenge than is suggested by the mere drafting of laws. Sure, we want to be cooperative when it comes to drafting a bankruptcy law. We accept that, and the IMF and donor countries appreciate that. But in the end, they will be frustrated because while the law may be passed and put in effect, it won't work.

The third and most crucial aspect of the recovery

program has to do with stimulating the economy. This is the most crucial aspect because already we are spending more than 500 trillion rupiah to restructure the private and state-owned banks. It is a very, very expensive process. We want the banks to survive, of course, which means we also have to restructure corporate debt — and then stimulate the economy so that it provides the kind of environment that allows both corporations and banks to work again.

Unfortunately, the stimulus program is tied to the effectiveness of fiscal policy — and it is here that we discover severe constraints in terms of revenue. Indonesia has never thought about stimulating the economy by cutting taxes. Even the IMF’s letter of intent, updated monthly, emphasized the effective administration of taxes and not

tax as a stimulus, per se. While Thailand has reduced its tax levies, Indonesia is keeping the tax rate at the same level, which ties spending policies then to the stimulus package. Consumer spending is not the emphasis; raising the level of the social safety net for poor people is. In the end, the stimulus does not improve capacity or utilize capacity for production that already is built into the Indonesian economy.

Moreover, the IMF’s interest in forcing the government to privatize results in a whole set of problems. Indonesia wants the revenues from the privatization process, but it also wants state-owned enterprises better managed. Meanwhile, the bureaucracy is reluctant to let go of any of the assets it controls.

So what is the design of the requisite institutional foundation if all these programs — stabilization, structural, and stimulus — are to work properly? Of course, the

institutional foundation in Indonesia takes into account two critical factors, namely the political and legal systems.

The weightier factor is probably the legal system but the political factor plays a role when the government is accustomed to intervention. During President Suharto’s rule, the only political institution was Suharto himself. Suharto was not only the president, his rule served as the country’s political system. When Suharto stepped down, Indonesia was

left with nothing. Indonesia, in effect, has to create new institutions. Likewise, our constitution stipulated that the Indonesian government is to play a dominant role in the economy and in politics. Today, there is a push to amend that part of the constitution, but it is something that only can be discussed after the new government is in place,

perhaps in the next two months.

This sequence of events meant that any impetus to remove the legal foundation’s constraints to recovery came from outside Indonesia, from the IMF. Consequently, Indonesia is adopting new bankruptcy and banking laws, new regulations for an independent central bank and new competition law. But as I said earlier, getting the laws in place does not guarantee they will work.

In addition, legal remedies are not fast remedies. Judges, district attorneys, and their staff all need retraining. The judiciary process has to be cleaned up so these people can work effectively. And foreigners who turn to the legal system for clear and fast solutions to commercial disputes only encounter a good bit of frustration. This deficiency means people end up looking for solutions outside the legal system — and this, in turn, adds to the nontransparency problems.

Problems remaining to solve in Indonesia?

Indonesia will not succeed with any significant reform until it addresses the role of the military.

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The military's role is also an important factor here. Unfortunately, the IMF's focus is consistently economic reform and not the military's role. Of course, our concerns with our military go beyond the scope of the IMF program. But for us in Indonesia, the unfortunate thing is that the military is not only involved in Indonesian politics, it is also involved in our economic affairs. Sooner or later deciding how we deal with the military's role will become a very important issue, both in terms of the economy and politics. Indonesia will not succeed with any significant reform until it addresses the role of the military.

Again, there's the political system to contend with. Here, Indonesia faces a much more difficult situation when compared to other countries. The presidential election is the dominant issue, and we have a situation where everyone wants to be president, but no one has prepared a program to govern the country. People are campaigning, but they are not addressing the issues. This means that Indonesia will wake up after the election and feel like it's still living a nightmare. They will blame the IMF because they think the IMF set up

everything. There is a gap between the politicians and the very poor. Politicians are not prepared to understand these new challenges they will be forced to face when competing in a political arena. In addition, Indonesia has to determine how to deal with political parties. The parties are new and very aggressive. Yet, they are poorly prepared to meet the challenges ahead. They still play the old themes: ideology, color, ethnicity, and so on. This is inappropriate at a time when Indonesia faces a totally different challenge, the problems with its economy complicated by ethnicity issues.

I cannot say what the outcome of the election will be. But I do think this set of circumstances is very unfortunate. It leaves all the players, including the IMF and the United States, confused about who it is they should deal with. That's why these foreigners talk with me at the university — because the university may be one of the few places that provides a balanced analysis of what is going on today in Indonesia.

My hope is that I have given you a picture of this rather complicated situation in Indonesia. 🌟

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# Reform in Korea

by Chan Hyun Sohn

I will provide a general picture of South Korea's efforts to overcome the financial crisis and what issues, challenges, and reforms remain ahead in restructuring the Korean economy.

At the end of 1997, when Korea faced the financial crisis, two views dominated. One held that the phenomenon was simply a short-term liquidity problem that had spread from Thailand and Indonesia to Korea. The other school of thought deemed a structural failure inherent to the Korean economy as the main problem. Both points of view considered the problem related ultimately to structural concerns. As such, the International Monetary Fund (IMF), in its reform program for Korea, focused on five areas relating to structural changes. This is our starting point today.

First, Korea's macro-economic policy should be coordinated with the IMF program. The IMF program emphasized tight monetary policy, thus keeping interest rates sky high, over 10 percent. Once the IMF measures were introduced, the business sector criticized the policies because they would destroy the very basis of the economy, if they had not done so already. Personally, I thought the IMF prescription was the correct one at that point in time. But it is clear that if such policies remain for too long, they will damage the economy.

Today, a consensus exists that retaining high interest rates over a long period of time will damage the economy in fundamental ways. In Korea's case, the IMF measures were in place more than eight months. The restrictions as well as the criticism eased somewhat, when the beginning in 1998, the United States lowered its interest rates twice. That said, I

still believe that the IMF's approach was the right choice for Korea, although I thought the program should have lasted about six months, not eight.

The second area of IMF-prescribed structural change concerned reforming Korean financial institutions. In 1997, South Korea had a sizeable market but no proper prudential system. This gap in the system became a primary cause of our financial crisis, which, in turn, meant that the creation of a supervisory committee whose members could initiate restructuring and reform in the financial sector was very important.

Another aspect in financial institution reform was the need to establish international standards. For example, BIS (Bank for International Settlements) standards for measuring the healthiness of financial institutions. Many financial institutions recognized the value and necessity of BIS standards but hesitated to adopt them because if they did, they realized their performance indicators would be very, very low. Today, they are utilizing these debt leverage indicators and making an effort to hold themselves to the standards.

Korea is pouring a great deal of public funds into the banking side of the economy. Despite this effort, poor performance has resulted in major fallout. Before the economic crisis, Korea had 33 banks. Since then, nine have been expelled, and of these nine, five lost their licenses and another four merged into other banks. These numbers indicate that one in four banks has either been expelled or merged — and this bank restructuring constitutes a major part of our financial reform.

The third area of restructuring involves the corporate

sector. Clearly, Korean businesses tend to be old fashioned when it comes to management and operations. Indeed, Korean businesses are well known for “crony capitalism” and close links with the government. The economic crisis brought this old-fashioned way of doing business to light and insisted that we needed to review and reform it. To that end, we have two approaches underway. The first deals with our policies toward the five big conglomerates, which we call our *chaebol* policy or Big Five policy. The second involves policies regulating the 60 large conglomerates other than the Big Five.

As far as review and reform of the Big Five business practices, the IMF and the government looked at the issue of transparency in management.

Reform entailed imposing transparency requirements, including a call for consolidated financial statements and a reduction in cross guarantees by the end of this year. The Big Five would therefore have to sell off pieces of their businesses or find ways to induce foreign investment and thereby raise the bottom line of their financial statements. To accomplish that, these companies also had to introduce an international accounting system, and in the process, show precisely what was going on within the company. This, in turn, meant greater transparency.

While there are other aspects of the business reform, these are the main actions the Big Five took, as did the 60 other large companies. In the meantime, there have been radical changes in the structure of these conglomerates — about which much already has been written and said.

Financial institutional reform goes hand-in-hand with corporate restructuring, the fourth area of reform. When banks have bad loans, it means that they have lent money to

borrowers who then find themselves unable to service the debt. To resolve the problem of bad loans, Korea decided to model itself (its banking sector) after (that of) Mexico in the wake of its peso crisis. In the meantime, Korea has been quite fortunate in that stock prices have more than tripled over the last eight months, which has meant that borrowers are able to pay back a part of the loans as the government brings them forward.

The government also decided to introduce the Korea Asset Management Corporation (KAMC), patterned after the Resolution Trust Corporation, the institution set up in Washington, D.C. to resolve America’s savings and loan crisis. The government also introduced the Korea Deposit Insurance Corporation (KDIC),

based on the U.S. Federal Deposit Insurance Corporation (FDIC), as a guarantee against depositors’ losses in the event a bank goes under. Together, these two institutions, the KAMC and the KDIC, were put in place to harmonize the relationship between corporate and financial institutions.

The fifth and final area for structural reform is often referred to as the enhancement of labor flexibility. Here, the greater emphasis is placed on labor flexibility rather than the expansion of the social safety net. Prior to the economic crisis, the practice in Korea — and Japan, too — was pretty much to guarantee lifetime employment for workers. Today, that has changed; anyone who is perceived to be unproductive can be laid off. Indeed, changes in the job market happen so fast I hardly can follow what goes on — and I was born in Korea; I live and work in Korea; and I have never experienced such rapid and extensive change. Here’s an example of just how rapidly things are changing. Last year, the very companies that made a comeback, ended

Financial institutional reform goes hand-in-hand with corporate restructuring.

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up laying off more than 40 percent of their executive directors. Nobody could imagine that this kind of change could happen within one year's time.

From my point of view, Korea's restructuring and reform process has accelerated. The reform movement enjoys society's support. A good example of this societal support was the donation of personal gold to enable the government to increase its reserves. Now, that is a show of solidarity.

Further reforms remain to be completed, although we are nearing the end, at least as far as the major issues go. When it comes to financial reforms, for example, we still have two issues with which to contend. One issue is the debt contract that must be completed between Seoul Bank and the Hong Kong/Shanghai Bank. For some reason, there have been a number of postponements and delays, but I do think it is important that the government and private sector increase its credit with a contract between the two. A contract between the National First Bank and Newbridge Capital also needs to be drafted. I for one have urged the government to proceed with what we promised to do, and to do so soon. I believe the two sales will be completed in the near future.

Also, we still have some problems in the corporate restructuring area, particularly with respect to the Daewoo conglomerate. The government is working very hard to resolve these problems, but here are the three major issues. First, the Daewoo crisis could affect an already vulnerable financial market and thereby cause financial instability. Thus, we are trying to minimize its impact. The second issue concerns the prevention of investment trust company insolvency. If any one company is unable to pay back its debt, then that is a prescription for disaster. The third issue pertains to the more than 6,000 companies associated with the Daewoo conglomerate. These 6,000 companies include parts and components suppliers, among others, who do a great deal of business together. The impact of Daewoo

failing these companies is so potentially severe that we are considering serious action.

Of course, we also can think of reasons to recognize the development of investment trust companies. They now seem to have problems as major buyers of big corporation commercial papers. So trust company concerns are similar to those of Daewoo's. Like Daewoo, if investment trust companies fail, the problems magnify because they will spread and potentially trigger another crisis.

Needless to say, the government is handling the situation of a potential new crisis very, very carefully and deliberately. I am confident everything will be fine in a short time. But had this kind of problem occurred prior to the economic crisis, we would not have dealt with it properly. Because we have accumulated so much knowledge and experience in the last eight months, and because we have had cooperation from the World Bank and the IMF, we now have the skills and know-how to deal with the Daewoo problem.

Based on the same reasoning, *Moody's* recently reported that they are not worried about the Daewoo crisis. Indeed, Korea stands a chance of enhancing its credibility if it resolves the Daewoo matter and the two bank contracts. If these two issues are resolved, Korea can look forward to a further acceleration in growth.

Many today ask just what is the current situation with the Korean economy. How do we evaluate it? Is it really recovering, or is this just a superficial recovery? My assessment is the recovery is real. For example, the Korean growth rate has increased from a negative rate last year to more than 7 percent anticipated growth this year. Following the second quarter this year, a 9 percent growth rate was reported. Inflation still is very low, less than 2 percent. Unemployment has been reduced sharply, from 8.6 percent in February to 6.2 percent in September 1999. Last year, shortly after the onset of the crisis, Korea's net exports were the sole source of its recovery. Today, foreign investment,

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domestic consumption, and net exports are the driving forces.

Finally, I have participated in a number of meetings in Washington D.C., but I learned the really big lessons from experiencing the economic crisis itself. I believe many other Koreans feel the same way. Many thought that Korea stood apart from the global economy. Now that we've experienced this crisis, many now see our economy integrating rapidly. Indeed, we see that we no longer can separate ourselves from the outside world. 🌐

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# Reform in Japan

by **Yoshio Murakami**

The magnitude of Japan's effort to deal with the financial crisis is unprecedented. The crisis is certainly the largest since the end of World War II. At the same time, the country continues to face other major economic challenges.

Since 1992, Japan has appropriated over 82 trillion yen, or close to \$800 billion for emergency economic measures including spending for public works, assisting financial institutions, subsidizing housing programs, improving social infrastructures, measures to deal with unemployment, and income tax reduction.

There has even been a kind of gift check for elders and children to encourage them to spend money and, in the process, stimulate domestic demand for consumption. These emergency measures have also included financial assistance to other Asian countries. So far, the results are not as dramatic as was hoped, but it does illustrate to what lengths the government has been willing to go.

The current program, costing 24 trillion yen, is by far the largest ever to focus on realigning financial institutions, particularly weakened banks. It has also reduced Tokyo's highest marginal tax rates. Not only is this something that was long overdue, it was intended to put an end to three consecutive years of negative-growth, a situation that ended only last year.

Another important measure involves restructuring the government and reducing 24 ministries and agencies to 12. A parallel effort is focused on decreasing the size of the entire bureaucracy, making it more efficient in the process. Restructuring also has become a central undertaking in the private sector. Every enterprise, including the newspaper I

work for, is trying to streamline and become more efficient. The Japanese word for restructuring is *risutora*. So if someone loses his or her job, we say he or she was made *risutora*. There also are jokes about *risutora*, like 'I have to *risutora* my wife' — or vice versa.

At the same time, a process we call regrouping or merging is occurring in tandem with *risutora*. The most famous cases so far concern banks, such as the recent merger between Japan's three big banks, the Industrial Bank of Japan (IBJ), Daiichi Kangyo Bank (DKB), and Fuji Bank. Mergers such as this mark just the beginning of the changes in Japan's financial world. Much more can be expected.

With these sweeping efforts, the economy seems to have expanded a little. Between April and June 1999, GDP rose an adjusted 0.2 percent, for a projected annual rate of 0.9 percent. This was stronger than more economists' forecasts. Policymakers also refer to it as the key to additional economic stimulus.

So what challenges lie ahead for Japan? We have not succeeded in pulling the economy out of a serious recession despite these enormous efforts. GDP might have risen 0.2 percent, but because Japan's total GDP is approximately 500 trillion yen, it theoretically takes a government bond of 5 trillion yen to increase GDP by 1 percent. Consequently, some of Japan's industrial leaders have suggested that the country draw a lesson from its failure earlier in the decade to tackle structural reform and to take on deregulation. Translated, this means that the challenge ahead is how to remake the entire system. It means recognizing that so many of these systems no longer can succeed given today's circumstances, let alone tomorrow's.

We also have the issue of unemployment in Japan. As things now stand, Japan faces an unprecedented unemployment rate of nearly 5 percent. Additional efforts at restructuring and deregulation are sure to produce even higher unemployment. So these are the major challenges facing my country.

Yet another challenge is how we are to deal with the enormous government debt — now over 500 trillion yen — given the fact that growth is likely to be very slow. This amount of debt is tantamount to Japan's annual GDP! That said, opinion remains divided over how seriously to take the debt problem. While some experts say not to worry about it — the United States and Italy were in similarly serious situations some years ago — others say Japan is totally different. Still, it smarts when *The New York Times* reports as it did recently, that Japan's debt-to-GDP ratio is at the level of Tanzania's.

Whatever your point of view about the seriousness of the situation, we are living on future generations' capacity to borrow or issue government bonds.

Another challenge has to do with the wide array of problems that face Japan. Because the government is so slow to act — in fact, too slow — a financial meltdown is a real possibility. There are huge unfunded liabilities attached to company pension funds. There are fears that Japan could face another major economic collapse after the current stimulus package runs its course. There also are concerns about Japan's growing elderly population. Can Japan maintain its productivity levels with a rapidly growing graying population, for example?

Japan, even in its deepest recession, has never even been considered as a potential recipient of assistance from other countries or from the IMF.

These are all very serious issues that must be dealt with. Still, Japan has many opportunities, too, that can come into play and help offset some of these difficulties. For example, many Japanese believe that there is a difference between

Japan's economic recession and the way the West perceives it. The Japanese see their recession as occurring in 'triple black ink' and not in a deficit situation, as was the case in the 1980s in the United States or in the United Kingdom and Mexico in recent history.

First of all, Japan has the world's largest trade surplus. Second, as of today, Japan is the world's largest creditor nation.

Third, it has the largest foreign reserves of any country in the world. These are circumstances in Japan that were not present in other major countries when they went through recessionary times.

In addition, Japanese are prone to save money, more so than any other people in the world. Japan has approximately 1,200 trillion yen in savings. In fact, Japan is sitting on money. Of course, this propensity to save and not spend is criticized with some frequency. The Japanese should be spending more and more, critics say. But I would turn that around. Do American mothers, fathers, and grandparents turn to the younger generation and say, 'Well, you've earned this much during the summer months, now go and spend it'? No, they are going to urge them to save money.

Also, Japan, even in its deepest recession, has never even been considered as a potential recipient of assistance from other countries or from the IMF. Instead, we were in the position of increasing our contribution to the IMF at the

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very time that the United States was holding back on payment of its contribution. Japan in recession pays all its dues and necessary contributions in order to fulfill its international obligations. As the world faces crises in Kosovo and East Timor, Japan is meeting its obligations while the United States in prosperity is often very slow to meet its financial obligations.

In addition, despite our economic difficulties, Japan continues to offer huge amounts of economic assistance to Asian countries — much larger amounts than the prosperous America. Indeed, it seems that Japan often is the one that pays the most, even at a time when it finds itself in the most difficult of circumstances. While the United States continues to urge Japanese banks and other institutions to modernize and to do so at an ever-faster rate, Washington asks us to help Russia. Yet, we do not get much help from the United States in our efforts to recover our northern territories from the Russians.

Frankly, many in Japan feel a certain irritation and frustration as a result of the pressure coming at us from other countries, particularly from the United States.

On the other hand, the current circumstances provide a good opportunity to review the range of obsolete systems that are in place in Japan. This recession gives us the chance to review these systems across the board, and then to restructure and streamline the entire country so that Japan

can continue to lead as the world's second largest economy. We also can be encouraged by our history in that we have survived economic difficulties in the past. Each time, we emerged stronger than before. So why not this time, too?

Once the huge liabilities facing our banks and the liabilities of major Japanese companies' pension funds are dealt with, the stock market will make a comeback. This, in turn, will add to the country's wealth and help re-create a positive business environment that stimulates output, employment, and production.

Clearly, I am being hopeful here, and we will have to see how well Japan sorts out its opportunities with the challenges and major difficulties.

Still on an optimistic note, Japan's long-term potential is sure to become brighter as the world moves into a new millennium of globalization and Internet-ization. That is because when it comes to staying internationally competitive, software will become an increasingly important factor, replacing natural resources, which Japan completely lacks.

Japan also retains a geographic advantage in that it is situated in a region with high economic potential. Indeed, as Asia becomes an increasingly prosperous region within the greater context of globalization, Japan surely will be in a premium position to continue to play a prominent role as the world's second largest economy. 🌐

# Questions and Comments

by **Asian Economic Downturn Panel**

**Q** Japan's stimulus package has been compared to giving a transfusion when heart surgery is what is called for. In other words, the core problem still exists. Are the institutional changes far-reaching enough?

**Yoshio Murakami:** To continue the analogy, Japan does not need heart surgery to make it exactly like the United States. Instead, Japan may prefer classical Chinese medical treatment, for example. Perhaps things are moving slowly from the U.S. point of view. But we in Japan do not have the feeling that we are on the verge of collapsing. If you go to Tokyo or anywhere in Japan, for that matter, cities are clean. There is no street crime to speak of. The restaurants are prosperous. There are waiting lines on Thursdays and Fridays.

So yes, we may not be growing as fast as the United States would like, but we're not sinking either. We realize that we face serious problems, but that is not to say that we feel like we are in the midst of a crisis. For the most part, the nation is not convinced that we need to move at the speed others think we should move at, although there are splinter groups who want things done the way the West wants things done. At the same time, we have groups who also advocate going even slower.

Nevertheless, the Japanese are not confident these days. That is true. On the other hand, I can recall when the Japanese were overly confident or as confident as Americans are today. I'm thinking back to when the Japanese were buying up Tiffany's, Rockefeller Plaza, and Atlanta's Twin Towers. On a personal note, I can remember being in Washington as my newspaper's bureau chief. It was 1989, and I was waiting to interview a U.S. senator when I

overheard a couple of obnoxious Japanese businessmen talking loudly in the waiting room. They talked about how they had nothing more to learn from America. 'America's problem,' they said, 'is education, the crime rate, and so on.'

So, one might say that the Japanese are paying for our past arrogance. And there are many of us who hope we pull through this with a feeling of having learned a lesson or two. First, we should be more humble so that we don't fly around buying up another country's landmarks, and secondly, we should make sure that next time around we get the United States' cooperation in securing an economic boom for as long as possible.

**Q** What specifically are some of the things that the central bank and/or government financial institutions can and will do better to improve upon the state of governance?

**Taweé Butsunorn:** It takes time to break old patterns, but in Thailand, the Central Bank is trying to enforce the rules as they apply to commercial banks. Before the crisis, the Central Bank was more relaxed about almost everything.

For example, it was suggested three of four years ago that the Central Bank adopt the BIS for commercial banks. But because it was felt that it was too early to enforce these standards, we have nonperforming loans today. A loan was declared nonperforming if a debtor was unable to pay the interest and/or principle for one year. Then when the IMF was brought in, all commercial banks were required to follow the BIS. This meant that overnight, the grace period for a loan was reduced from 12 to three months and before

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it was declared nonperforming. It also meant that the number of nonperforming loans skyrocketed.

**Sri Mulyani Indrawati:** There is good reason to be optimistic about Indonesia. The Central Bank and the financial authority each play a different role in this post-crisis period now that they have the IMF at their side, monitoring their actions. It also means that we must comply with the IMF monetary policy targets, including money supply. When it comes to banking regulations and the Central Bank's supervisory function, the IMF also plays a prominent role in insisting that the Bank do its job properly. There is also the new Central Bank Act, which makes the Bank more independent while requiring that it conform to BIS standards.

Feelings of pessimism can be traced to concerns about implementation in a political environment that has not changed all that much. The President might declare that the Central Bank is independent, but it still is easy for him to summon the Bank's governor in order to inquire about the problems. It's just so obvious. It isn't even necessary for the President to intervene per se. He only has to ask that something be done about a specific transaction.

That said, there still are more checks and balances in place than ever before, and that is because we are operating with greater transparency and according to democratic principles. Clearly, this will not prevent 100-percent wrongdoing, but things will improve gradually. So, a very, very valid case can be made for cautious optimism.

**Chan Hyun Sohn:** During the economic crisis, the Korean government intervened directly in the market despite a regulatory authority that is much stronger as a result of restructuring. Needless to say, this created a dilemma that some consider more difficult to deal with than the crisis itself. I'll use myself as an example. As an economist, I am a believer in letting market mechanisms solve problems, but in this instance, I found myself watching government

intervention increase as a result of this crisis. Prior to the crisis, Korea had no regulatory mechanism in place to cover financial transactions. We had no rules or regulations to govern an open financial market.

So, when it came time to introduce a financial supervisory committee, it was a little like introducing new rules for the game. Today, we're still at the beginning of this process and continue to face a number of problems that could trigger intervention again. In other words, regulators may seem to have more power and it does indeed look like they do, but the concern right now is more or less with getting the rules for an open financial market in place.

We are like a football team, playing with new rules. One of those rules has reduced the number of players from 11 to nine. The team has complied, but the referees still are playing by the old rules and as a result, they are more inclined to intervene than the players would like.

**Yoshio Murakami:** I am reminded of years ago when the U.S. government was trying to pry the Japanese market open. Both the U.S. trade representative and the State Department were complaining about the control exerted by the Japanese bureaucracy. In order for there to be any deregulation, the bureaucracy had to hand down the necessary administrative orders. Even today, when the number of ministries is being reduced from 24 to 12, those who run the economy continue to take their direction from the bureaucratic authorities.

But Japan is unique in another sense, too. Every September 15, we celebrate a national holiday called Keirono-hi, which means the 'day of respect for the elderly.' Local governments all over Japan invite older people to dinner and luncheons. Where else in this world do you see this, particularly among the advanced democracies? This is something that is very oriental and also very Japanese. This is all by way of saying that I can see how someone might describe us as different.

But I would emphasize that the world is made up of a variety of societies and cultures. It therefore seems necessary to try to understand and pay due respect to the characteristics that distinguish cultures from one another within the international community.



Please comment on how capital flows and financial speculators might have affected outcomes during the financial crisis?

**Tawee Butsunorn:** Thai means free, and Thailand is the 'land of freedom.' After Thailand opened its doors to foreign currency many years ago, the government and the private sector borrowed money, up to \$90 billion. Only 20 percent of that represented government borrowing. The remainder — 80 percent — was borrowed by the private sector. Of that 80 percent, half was borrowed on behalf of corporations and half for banks and financial institutions

This was before the crisis. But in my opinion, this free flow of foreign currency, without rules or regulations, damaged the economy. It was easy money, acquired without controls and with no inspections. It meant that one corporation might have borrowed the money to put into a productive business, but another might have turned around and put it in the stock market. The whole process has created a lot of problems.

**Sri Mulyani Indrawati:** Dating back to the early 1970s in Indonesia, we adopted provisions for free capital movement. But during the boom times, we failed to collect enough information to sustain the economy during the down times. This meant that speculative capital flows were very damaging in the long run, especially in Indonesia. In addition, there was no way to regulate these capital flows. By regulation I mean that the government was unable to put mechanisms into place that would increase the amount of information at the disposal of both investors and authorities,

thereby reducing speculation.

There is a certain rationale to explain why developing countries can be expected to turn to foreign currency investments. Investors want to create domestic demand, certain patterns in the economy, and necessary infrastructure. They make their investment decisions investments based on information that is available, which can mean relatively short-term capital movements. This, of and by itself, can be very speculative and therefore traumatic. But it also could improve the economy until the bubble bursts and a disaster is created. That is why Indonesia and other developing countries want to adopt ways to regulate short-term capital flows while remaining open to foreign investments and longer-term commitments. By extension, that means each country has to do its homework if it is going to improve its legal system, the investment climate, central production, marketing and labor regulations — all of which are necessary to reap the advantages of longer-term capital flows.

**Chan Hyun Sohn:** While the surge in short-term foreign capital flows, whether coming in or going out of the country, was not responsible for the Asian financial crisis, it was an exacerbating factor. So, a regulatory system that addresses these kinds of surges in inflows and outflows could help stabilize the global economy.

But while we understand the pros and cons as far as repetitive transactions go, we still do not understand in detail the problems that can result from regulating short-term transactions. My understanding is that it is very hard to regulate short-term capital transactions unless there is a cooperative system in place among countries.

This is today's reality. So, changing the rules can make a big difference. But we still have to be careful about actions taken to address short-term capital movement. In the case of Korea, we have established a monetary mechanism or system

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called the Korean International Financial Center, to monitor short-term transactions and to keep a check on whether there is too much inflow or outflow.

**Yoshio Murakami:** Monitoring inflows and outflows makes sense because it can help us figure out the extent to which foreign capital reflects the real economy, region to region. It also helps us understand to what extent it might be responding to speculative motivation and manipulating the economy. Then again, monitoring could turn out to be a very difficult task.



Is regionalism increasingly influential and if so, in what direction is it taking your economies?

**Sri Mulyani Indrawati:** ASEAN worked excellently as a forum for Southeast Asia during the boom era. But it has been every country for itself during the crisis period. Perhaps working together would benefit ASEAN member countries, especially Indonesia and those countries that are developing.

Japan as a dominant country, on the other hand, could serve as a resource for problem solving during a crisis. The objective would be achieving as much of a level playing field as possible in order to solve problems across the board.

Regionalism can be good from another perspective. We, in Indonesia, might say, 'Look at what Korea and Thailand are doing. They have achieved so much more when it comes to improving their economies. Indonesia still lags behind.' Using other countries as regional benchmarks is a mechanism that can work to motivate us. Hopefully, ASEAN could play a significant role in a crisis situation, especially regarding political issues in a country like Indonesia.

I also would like to suggest that the role played by the IMF during this crisis was different country to country and sometimes very different within a country. For example, the IMF might have been very unwelcome in Indonesia but that

didn't stop politicians from playing off the IMF to put pressure on one another. In the long run, this is unhealthy. It should be up to each country to execute its reforms, to make sure they work and prepare their people and lay the foundation for reform.

**Chan Hyun Sohn:** Thinking of Mexico's experience in 1995, it was the United States that took an active role in helping them resolve their problems, with some very impressive outcomes. But it was slightly slower to react and with a smaller amount of bailout money, so to speak, when it turned to Asia and the IMF environment in Asia. This helps explain why many Asians called for the IMF or a kind of regional alliance in this post-crisis period.

**Yoshio Murakami:** ASEAN is a successful institution today. Indeed, it is a marvelous accomplishment to have come this far. The new framework for APEC is also an accomplishment. That said, we still are far, far behind when compared to the progress made by the European Union. This means in the case of Japan, we should try to redress our trade imbalance vis-à-vis other Asian countries. We also should be transferring technologies to our Asian partners. This would be a boon to the benefit of others — and it also would be a plus in terms of Japan's political credibility. Even today, many Asians still feel a lot of antagonism toward Japan.

While Europe has issues like Kosovo to deal with, Asia's problems are more structural. Two come to mind, the China/Taiwan issue and the North and South Korea issue. The fact of the matter is we cannot have a real Asian regionalism if one region or another is excluded.

A final footnote about the yen becoming an internationally important currency. If Japan really wants the yen to be one of the world's key currencies, it must first denominate. It cannot be a key currency if it remains one dollar to 100 yen. It has to be one dollar to approximately one yen.

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The denomination issue is one that has been debated for decades. No Cabinet has been able to resolve it, but another possibility is an Asian currency that is patterned after the euro. This is just a footnote. Clearly, a number of difficulties still lie ahead for Asia. But I do think we are going in the right direction, and we should try our best to continue that. 🌐

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# Closing Remarks

by **Robert Scalapino**

There are four concluding thoughts that occurred during the course of the presentations. One is that the kind of structural reforms and basic altering policies that are contemplated, underway, or desirable, go beyond economics. They really relate to culture. This is one reason why they are so difficult and drawn out. We are asking societies, or they are asking themselves, to make certain changes that go right to the root of their recent cultural developments.

A second point is that while some problems are held in common, there are many differences. We're talking about 'Asias' not Asia because the variations from country to country, the stages at which they are in meeting the crisis, and above all, the degree of political stability, varies. These are variables of importance.

Thirdly, it seems to me in general, with the exception of Indonesia, that there is reason for cautious optimism. Still,

the challenges remain very large and to some degree unmet. Therefore, it's premature to talk about the total end of the economic problem.

And finally, our discussion has touched upon the pros and cons of international intervention through such agencies as the IMF, different evaluations of its program for countries, and its degree of receptivity. But the fact remains that we are in this era of internationalism, and the fact is that most of these countries have needed some form of international assistance, with or without conditions.

And perhaps some agencies like the IMF have served as encouragement to structural changes or other policies that the internal political structure would not have permitted or allowed. This is going to be a continuing discussion and debate, and we won't have any unanimity and agreement. 🗣️

# The Participants

## Tawee Butsunporn

Tawee Butsunporn is the Chairman of the Federation of Thai Industries and Senior Advisor to the Siam Cement PLC. Before taking on the Chairman position for two years, Mr. Butsunporn was the Executive Vice President of the Siam Cement Plant. Mr. Butsunporn also serves as Director of the Board of Government Housing Bank.

At the Siam Cement Company, Mr. Butsunporn has held the positions of Senior Vice President, the Vice President of Cement & Refractories, the General Manager of the Siam Kraft Paper Company, Manager of Refractory Business, and Production Engineer at Ta Luang Cement Works. Prior to joining the Siam Cement Company, Mr. Butsunporn was the a lecturer in the Engineering Department at Chulalongkorn University in Bangkok, Thailand.

Mr. Butsunporn has served on a number of national boards in Thailand. Positions include Director of the Board of Thai Farmers Bank, Director of the Board of Electricity Generating Authority of Thailand, and Director of the Board of Expressed Transport Organization. Other professional activities include Member of the Board of Trustees for the Sirindhorn International Institute of Technology at Thammasat University; President of the ASEAN Federation of Cement Manufacturers, President of the Thailand Management Association; and President of Thailand Fellowship Cement Manufacturers.

Mr. Butsunporn completed the Advanced Management Program at Harvard University's School of Business Administration and earned graduate certificates in management programs from Harvard, the Irish Management Institute, the European Institute of Business Administration, and Syracuse University. He received a B.A. in Engineering from Chulalongkorn University and has also received two honorary degrees: an honorary Doctorate in Engineering from King Mongkut Institute of Technology Lad Krabang; and an honorary doctorate degree in Engineering from Chulalongkorn University.

## Sri Mulyani Indrawati

Sri Mulyani Indrawati is Director of the Institute for Economic and Social Research at the Faculty of Economics at the University of Indonesia. She is one of Indonesia's leading economists with expertise in public finance, monetary and labor economics.

Dr. Mulyani also holds numerous concurrent positions: Editor, the

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Prior to assuming her current responsibilities Dr. Mulyani has served as the Associate Director of LPEM-FEUI; as Expert for the Overseas Training Office of National Development Planning Agency; and as a Teaching Assistant at the University of Illinois in Urbana-Champaign.

Dr. Mulyani is the author of numerous publications including: "Forget CBS, Get Serious About Reform," *Indonesia Business*, 1998; "Domestic Industry Preparedness for the Free Trade Era," Department of Industry and Trade, 1997; "Potential and Student Savings in DKI Jakarta," Bank of Indonesia, 1995.

Dr. Mulyani received her Ph.D. in Economics and her Masters of Science in Policy Economics from University of Illinois in Urbana-Champaign. She graduated with a B.A. from the University of Indonesia in Jakarta.

## Yoshio Murakami

Yoshio Murakami is Board Director of International Affairs and the General Director of the International Division at *The Asahi Shimbun*, one of Japan's largest and most influential newspapers, with a daily circulation of more than 8 million. He is concurrently Executive Editor of Asahi Evening News, the English-language newspaper of *The Asahi Shimbun*.

Dr. Murakami began his career with *The Asahi Shimbun* in 1964. He served as War Correspondent in Vietnam, Chief of the Bangkok Bureau, Resident Correspondent at the Washington D.C. Bureau, Chief of the American Bureau, and Foreign Editor in the Tokyo Bureau, and finally Deputy Managing Editor. While in Washington, D.C., Dr. Murakami broke the Lockheed bribery scandal story in the Japanese press in 1976, for which he won an award for outstanding reporting from the Japan Newspaper Publishers & Editors Association.

Dr. Murakami's published works include: *The Pacific Rivals: Japan and America*, 1972 (joint author); *Bangkok Report*, 1975; *Lockheed Sales Mission to Japan*, 1976; *A New Theory of Diplomacy: The U.S., the Soviet Union, and Japan's National Interest*, 1983; and *Japan and*

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*America: Changing Relationship*, 1987 (joint author).

Dr. Murakami received a B.A. in International Economics from Kelo University in Tokyo. He was named Joseph C. Grew Scholar at the Fletcher School of Law and Diplomacy, where he received an M.A. in International Relations, an M.A.L.D., and a Ph.D. in Japanese-American relations. While studying, Dr. Murakami taught in the Department of Government at Tufts University.

### **Chan Hyun Sohn**

Chan Hyun Sohn is Director of the Department of Trade Politics at the Korea Institute for International Economic Policy (KIEP). In his capacity as Director, Dr. Sohn works on trade issues such as intellectual property rights and technical barriers to trade. His work brings him in close contact with the World Trade Organization, the Asia Pacific Economic Corporation, and the Organization of Economic Cooperation and Development. Previous positions at KIEP include Director for the Department of International Economic Systems, Division Head for the New Issues Studies division, and Chief Coordinator for the International Economics Studies division.

Prior to joining KIEP, Dr. Sohn was Director and Research Fellow for the Office of International Economic Studies at the Korea International Trade Association (KITA). He has also held research positions at the Federal Reserve Bank of Cleveland Ohio; the Korea International Economic Institute (KIEI); and the Korea Development Institute (KDI).

Dr. Sohn is the author of numerous articles and publications including: "WTO Discussions on Trade Facilitation: Issues and Strategies," (KIEP, Dec. 1998); "New Trade Issues in the WTO and Challenges Facing Korean Business" (Korea Chambers of Commerce, Oct. 1998); and "The Benefits of Trade and Investment Liberalization," (KIEP, Oct. 1998).

Dr. Sohn received his Ph.D. in Economics from Case Western Reserve University (Cleveland, Ohio). He received a post-graduate diploma in Economics from the University of Lancaster (Lancaster, England) and a B.S. in Industrial Engineering from Seoul National University. From 1996 to 1997, Dr. Sohn was a Visiting Fellow at the Economic Growth Center & Department of Economics at Yale University.

### **Robert Scalapino**

Robert Scalapino is Robson Research Professor of Government Emeritus, former Director of the Institute of East Asian Studies, and former Editor of the *Asian Survey* at the University of California, Berkeley.

Dr. Scalapino has been a Trustee of The Asia Foundation since October 1983, and serves on the Executive and Program Review Committees. He is a fellow of the American Academy of Arts and Sciences, and a Trustee of The Asia Society, Pacific Forum-CSIS, and the Atlantic Council.

Traveling extensively in Asia, Dr. Scalapino has made 36 trips to the People's Republic of China, including service as a visiting lecturer at Peking University in 1981 and again in 1985. He has lived in Japan and has made numerous visits to Korea, North Korea, Mongolia, Taiwan, and Southeast Asia.

Dr. Scalapino has written 38 books and monographs and more than 500 articles on Asian politics, international relations, and foreign policy. His most recent monograph is: *The Last Leninists: The Uncertain Future of Asia's Communist States* (1992).

Dr. Scalapino is the recipient of the Order of the Sacred Treasure from the Government of Japan and the Order of Diplomatic Service Merit, Heung-In Medal, from the Government of Korea. He holds honorary doctorates from Kyung Hee University (Korea), the Chinese Cultural University (Taiwan) among others. He has presented guest lectures at numerous American and foreign universities including Harvard, Georgetown, Johns Hopkins (SAIS), George Washington, Michigan, Peking, Tokyo, and Seoul National.

Dr. Scalapino received his B.A. degree from Santa Barbara College, and his M.A. and Ph.D. degrees from Harvard University.

