

CHAPTER 1

INTRODUCTION

Objective

The objective of this study is to evaluate the economic policies of selected East Asian economies, which were adopted during the financial crisis and their subsequent impact thereof. These policies will be evaluated by looking at selected indices and variables, and will form the basis of comparison on how it has affected the performance of these countries to date. Policy options that were available in addressing the issues will be discussed. Economic policies of these countries will be critically evaluated to see to what extent the desired objectives were achieved. The question here will be, what other factors including policy differences can explain their recovery and performance? Theoretical concepts have been integrated wherever possible into explaining the mechanics of these policies and events.

Scope of Study

Countries involved in this study are confined to Indonesia, South Korea, and Thailand (referred to as "program countries") which received financial aid from IMF and were subjected to IMF reforms and Malaysia. The selection of these countries will allow us to make a comparison of policies

that were IMF led against policies adopted by Malaysia which did not totally adhere to IMF's recommendation.

Methodology

The study has been carried out through analysis of reliable information regarding the matter under study. Data has been analysed and presented comprehensively in the form of tables and figures. The main source of data is the ARIC Indicators, which is an economic database compiled by the Asian Development Bank. Wherever possible, the data source has been confined to this database as to ensure consistency in definition, the method of computation and assumptions. Generally the time frame adopted for this study is from 1996 to 2002. However this is subjected to the availability of current data. This time frame will provide us on the developments from three periods i.e. pre-crisis period, crisis and post crisis periods, which will allow us to chart the progress of these countries vis-à-vis their economic policies. Materials for the study will be obtained from journals, magazines, published books and the Internet. Other relevant macroeconomic data such as capital outflows, external debt, credit growth and etc. will be obtained from the respective country central bank reports and international monetary and financial publications.

Limitations of Study

As in any other studies conducted, limitations are inevitable. Other than the time constraint in trying to complete this study, the main limitations were-

- (i) availability of reliable data and information to justify and support arguments;
- (ii) the availability of some texts books, journal articles and publications which were not found in resource centres.

Structure of Study

The study will be divided into six chapters-

Chapter 1- this chapter outlines how the study has been undertaken and its approach i.e. its objectives, scope and methodology.

Chapter 2- this chapter forms the background of the study and it explains and analyses some of the policies, factors and other related issues which led to the financial crisis. It becomes the basis of policy formulation during the financial crisis.

Chapter 3- this chapter explains the role of IMF and the policies it imposed on the countries that it had bailed. Some comparison is made with Malaysia, which had adopted some of its own policy prescriptions.

Chapter 4- this chapter explains the programs under the structural reform agenda and how effective has these programs been by

analysing some of the relevant indicators. It also analyses the some issues related to social sector policy.

Chapter 5- like chapter 4, this chapter evaluates the monetary and fiscal policies that were instituted during the crisis and their subsequent effect thereof. Included also is a section on post crisis developments which primarily focuses on the impact of another external shock caused by a global slowdown on the economies of these countries. Comparison of policies during this external shock and the financial crisis is made. Various macroeconomic variables are used to study this impact.

Chapter 6- this chapter presents the conclusion including some policy directions.