

————The Performance of East Asian Economies and Financial Markets since the 1997 Financial Crisis————

Chunchi Wu*
Syracuse University, USA

Chun-nan Chen
National Cheng Kung University, Taiwan

Yan He
San Francisco State University, USA

This paper documents the economic and financial recovery of East Asia based on its real GDP, export, currency value and stock performance since the 1997 financial crisis. A macroeconomic model is used to estimate the chain effect of international trade on Asian recovery. It is found that the U.S. economy had a significant impact on the recovery of this region through close international trade relationship. Two major factors appear to explain the recent rapid recovery: (1) strong U.S. economic growth and currency value, and (2) the current account surplus and net inflow in foreign direct investment of crisis-hit countries.

Keywords: Asian Financial Crisis; Contagion; Recovery.

1. Introduction

The fast growing Asian economy encountered a severe financial crisis in July 1997. Profound as its impact, the financial crisis has put many countries in this region through the experience of the first recession since World War II (see Fisher, 1999). The crisis first occurred in Thailand and quickly spread to neighboring countries. The severity of this crisis in East Asia as well as the speedy transmission to other regions has drawn considerable research interest recently. Most of the existing studies have focused on macro explanations for the onset and propagation of this financial crisis. Major arguments include sensitivity to macroeconomic factors (Kodres and

*Contact Address: School of Management, Syracuse University, Syracuse, NY 13224, USA.
E-mail: cwu@syr.edu.