Yung Chul Park *East Asian Liberalization, Bubbles, and the Challenge from China*

FOR THE PAST ten years, the economic growth and industrialization of many East Asian countries has been impressive by any measure of performance.[1] The newly industrializing economies (NIEs) and China have sustained exceptionally high rates of growth, ranging from 6.1 percent in Hong Kong to 10.2 percent in China. Equally impressive has been the extent to which these countries have been able to pursue economic integration among themselves, while also deepening their trade and financial relations with the rest of the world. Intraregional trade as a share of the region's total trade jumped from 31.4 percent in 1984 to 42.2 percent in 1994. Under the auspices of the Asia Pacific Economic Cooperation (APEC), these countries have committed to a rather ambitious schedule of trade liberalization with the goal of free trade in the region by 2020, without forming an economic bloc. A number of recent studies also suggest that financial flows between East Asian countries have risen markedly in recent years, thereby allowing their financial markets to forge stronger intraregional linkages and gradually to become integrated into the markets of North America and Europe.[2]

The economic growth and integration of East Asia is largely the result of the sweeping economic, social, and political changes that have taken place over the past decade. Two developments stand out as the main driving forces. The first is the widespread acceptance of liberal economic policies that have accelerated the process of trade and financial liberalization. Notwithstanding their continuing trade disputes with Europe and North America, most of the East Asian countries have managed to lower tariff rates and invisible trade barriers substantially and to deregulate and open up domestic capital markets.

The opening of local financial markets has been instrumental in East

1. East Asia here refers to China and Japan; Taiwan, South Korea, Hong Kong, and Singapore (newly industrializing economies); Brunei Darussalam, Indonesia, Malaysia, the Philippines, Thailand, and Vietnam (the rest of the Association of South East Asian Nations, other than Singapore); and Myanmar, Laos, and Cambodia.
2. See, for example, Yung Chul Park (1996).

Asia's economic expansion because it has increased the region's access to international financial markets and, in many countries, subsequently induced large capital inflows. The liberalization of trade in services, financial services in particular, has also contributed to keeping East Asia open. Since the service sector remains underdeveloped in most countries in the region (except for Singapore and Hong Kong), these countries have increasingly had to rely on North America and Europe for financial and other services. In fact, the ongoing liberalization of trade in services has strengthened the complementarity in trade between East Asia, on the one hand, and Europe and North America, on the other, because the East Asian countries enjoy a comparative advantage in exporting a large volume of manufactures, whereas Europe and North America have a high degree of competitiveness in service trade.[3] As a result, the creation of a regional economic bloc—whether a yen bloc or a regional bloc led by Japan or any other country—in East Asia has become both less realistic and less desirable.

The second major development is China's entry into the world trading system. Since embarking on market-oriented economic reforms in the late 1970s, including the lifting of trade restrictions, China has transformed itself from a virtually closed economy into the tenth largest trading nation in the world. Because of the apparent complementarity in trade, two-way trade between members of the Association of Southeast Asian Nations (ASEAN) and the NIEs, on the one hand, and China, on the other, has continued to soar, and its expansion has helped to propel the economic boom and regional integration in East Asia.

In recent years, however, there has been increasing indication, and hence concern, that unless there are concerted efforts at policy coordination and cooperation between East Asia, Europe, and North America, these two developments could very well blunt East Asia's dynamism and possibly could even derail the continued economic liberalization of the region.

Financial market opening, which has promoted the investment boom, has made several East Asian countries highly vulnerable to speculative currency attacks and now threatens some of them with financial crisis. China's emergence as a major trading nation could destabilize and

3. According to Findlay (1995), most East Asian countries are net importers of services.

disrupt the region's trading system as well as its trade relations with Europe and North America. Below, I analyze the problems concerning financial liberalization in East Asia and China's growing presence in the world trading system, suggesting courses of action that could avert the creation of financial bubbles in the region and ease China's passage to a full role in the world trading system.

Investment Booms and Speculative Bubbles in East Asia

During the period 1990–94, large volumes of foreign capital surged into those East Asian developing countries that were pursuing deregulation and opening their money and capital markets. According to the International Monetary Fund, the East Asian countries (excluding Japan) experienced a net inflow of $261 billion, more than twice their total inflow during the whole decade of the 1980s.[4] Indeed, the inflow during 1990–94 amounted to 50 percent of total capital inflows into developing countries worldwide during this period. Moreover, 24 percent of these flows were in the form of portfolio investment, a much greater proportion than the 8 percent of the period 1983–89. Net foreign portfolio investment increased from $10 billion during 1983–89 to $63 billion during 1990–94, although foreign direct investment has remained the most important source of external financing in these countries. Net inflows of foreign direct investment increased markedly, from $36 billion during 1983–89 to $117 billion during 1990–94, when they accounted for 45 percent of total net inflow.

Much of this foreign capital has been brought in to augment domestic investment in the East Asian countries, unlike the experience in Latin America, where to a large degree foreign capital was consumed.[5] Assuming that the rate of return to capital remains relatively stable, any increase in the ratio of investment to GDP will push up the growth rate of GDP. This, indeed, seems to be happening in East Asia. Because investment as a percentage of GDP exhibited a rising trend during the period of capital inflow in the East Asian countries, it would appear that the region's economic growth is closely correlated with the volume of capital inflow.

During the period 1990–95, investment as a proportion of GDP in

4. All numbers in this paragraph are from International Monetary Fund (1995).
5. See Calvo, Leiderman, and Reinhart (1994).

all of these countries was significantly higher than it had been in 1980, but saving rates were relatively stable, resulting in large increases in the current account deficit. In four of the most rapidly growing economies (Malaysia, Thailand, Indonesia, and South Korea), the current account deficits as a share of GDP ranged from 2 percent in Korea to almost 10 percent in Malaysia. Most of the members of ASEAN have been financing increasingly large shares of their current account deficits by borrowing from international financial markets in the form of portfolio investment. Such capital could be withdrawn from the host countries at any time, without warning. This situation has naturally raised the questions of whether the members of ASEAN and South Korea can sustain their current account deficits and whether they are immune to financial crises like those that have plagued the Latin American economies. According to a recent feature story in the *Economist*, some foreign investors are now nervously asking themselves if further financial meltdowns, such as befell Mexico, could be in the making, while others have concluded that, at the least, the miracle years are over.[6]

Paul Krugman has recently suggested that speculative bubbles could develop in East Asian financial markets because, sooner or later, investors will come to realize that they have been overly optimistic about the prospects of these economies.[7] In consequence, they might suddenly withdraw from East Asian markets en masse, thereby provoking major crises comparable to that in Mexico. The main source of their new pessimism would be the belief that East Asian growth, based on large increases in capital and labor inputs rather than improvements in efficiency, will come to an end.

By contrast, I argue that the current account problems now plaguing some of the East Asian countries have been caused, in part, by a massive influx of foreign capital that was both speculative and short-term in nature. Since financial markets are susceptible to destabilizing speculation by poorly informed investors, some controls may be necessary to discourage speculative capital movements, and these should be coordinated internationally so as not to interfere with global financial liberalization. Further, I argue that East Asia's so-called miracle years are not over.

6. "Emerging Asia's Sombre Era," *Economist*, August 24, 1996, pp. 55–56.
7. See Krugman (1995) and "The Myth of Asia's Miracle" in Krugman (1996).

Even before capital market transactions were deregulated and ever increasing volumes of foreign capital began to flow into East Asia, most of these countries were already growing at higher rates than any others in the world. In fact, it is this success, and the potential for future success, that has attracted foreign capital into the region. Not only has there been both rapid growth and domestic stability, but the rates of return to capital, adjusted for credit and market risks, have been relatively high in East Asia.[8] In most East Asian countries, the national budgets are balanced or are generating surpluses. Moreover, their policymakers have maintained the stability of nominal exchange rates relative to the U.S. dollar, in order to stabilize real exchange rates and domestic prices. Since the mid–1980s, all of the countries in the region have pursued ambitious policies of trade and financial liberalization, and they continue to do so to this day.

Given these sound economic fundamentals and the region's commitment to liberalization, bond market dealers, fund managers, and other institutional investors have seen enormous opportunities to make money and have been purchasing East Asian assets in large quantities. Many East Asian financial markets have become emerging markets, where investors have sought to be the first to move in and also to be ready to get out first, if need be. To some, this type of investment and economic expansion looks like a speculative bubble in the making.

When foreign investors see an opportunity to earn handsome returns, they will rush into a local financial market as a herd. As a result, the volume of their aggregate lending can be excessive, in that it is greater than the host country can absorb in the short run. Many of these foreign investors are likely to be noise traders, however, and will not understand or care about the possible consequences of their lending, but there is no mechanism to coordinate their behavior. Local borrowers, for their part, will be encouraged to borrow as much as they can by the positive interest rate differentials between local and international financial markets.

Little is known, either in theory or empirically, about the macroeconomic effects of capital account deregulation in developing economies where domestic interest rates are higher than those prevailing in inter-

8. Recent estimates using Korean data, provided by the Korea Institute of Finance, show that the rate of return to capital in the manufacturing sector could be as high as 9.0 percent per year.

national financial markets. The pattern of adjustment and time required to reach a new equilibrium after the liberalization of capital account transactions differs from country to country, depending on the type of exchange rate regime and other economic characteristics.[9] It is therefore difficult to estimate how much foreign capital will flow in; how it will be allocated between consumption and investment and also between different investment projects; and how it will affect the exchange rate, domestic interest rates, and other macroeconomic variables in the process of liberalization.

Since foreign capital has predominantly been used to finance investment rather than consumption in the East Asian countries, the capital inflow might induce higher levels of investment and generate pressure for currency appreciation. If the inflow and the subsequent increase in investment could be spread evenly over time, macroeconomic disturbances would be minimized. However, due to the lightning speed at which adjustment takes place, the financial markets do not permit a gradual increase in either capital inflow or investment. Instead, foreign capital floods in, leading to an accumulation of foreign reserves and a large increase in investment that, in the short run, manifests itself as a deterioration of the current account.

The increase in the current account deficit, in turn, alarms the foreign investors, even though the deficit will help to expand export capacities in the long run. If, for whatever reasons, foreign investors believe that the deficit is unsustainable and that a currency devaluation is imminent, they may pull out their investments en masse, precipitating a major financial crisis that could be contagious.

Should monetary authorities allow nominal exchange rates to appreciate when the volume of capital inflows appears to be excessive? If an army of institutional investors swarms into a small East Asian economy, the exchange rate cannot and should not bear the brunt of the necessary adjustment because it is not clear, either theoretically or empirically, what effect a large currency appreciation would have in the present situation. For example, to slow down the inflow of capital, the exchange

9. A simulation exercise tracing the effects of capital account deregulation in Korea shows that the surge in capital inflow can be destabilizing. It slows down only after a protracted adjustment period during which the current account continues to deteriorate; see Won Am Park (1996).

rate would initially have to appreciate sufficiently to generate expectations of a large subsequent depreciation. Few East Asian countries could accommodate such a large swing in exchange rates.

In the face of an onslaught of capital inflows, policymakers in East Asian countries have instead attempted to stabilize the values of their currencies by stabilizing nominal exchange rates against the U.S. dollar through intervention in local foreign exchange markets. Since intervention by itself leads to an expansion in the money supply, it is often sterilized by combining it with open market sale of government securities to mop up the excess liquidity. This, in turn, forces domestic interest rates up even further, inducing additional capital inflows.

What about fiscal tightening? Should East Asian countries further cut back their budgetary expenditures, in particular, government consumption? The answer is definitely no. Such an increase in domestic saving likely would not replace foreign investment because it would make the economic prospects of the East Asian countries look even more attractive and attract yet more foreign capital. Traditional monetary and fiscal tightening is unlikely to be adequate to arrest the deterioration of the current account balance and may have to be supported by direct and indirect capital control measures. However, where such measures are not a viable option, it would be necessary to establish a multilateral mechanism for assisting countries that face speculative attacks, as discussed below.

Are East Asia's miracle years over? Will the region meet the same fate as did the Soviet Union, as Krugman argues because of surprising similarities that he finds between them?[10] The extensive empirical study by Susan Collins and Barry Bosworth in this volume suggests that growth in East Asia can be sustained into the future if high investment rates can be maintained. One could readily offer, as another basis for optimism about the region's continued growth, a number of examples in which improvements in efficiency are not captured by measured increases in total factor productivity. What should be emphasized in the debate concerning East Asia's prospects for growth is that, despite what Krugman calls the extraordinary growth in capital per worker, the rates of return to capital in the region are higher than those in the

10. Krugman (1996).

advanced industrial economies. As long as that differential remains, the volume of capital stock will continue to grow and, in a neoclassical growth framework, the rate of growth will be higher.

In recent years, all of the East Asian NIEs and the ASEAN states have undertaken ambitious investments in a number of high-technology industries, such as aerospace, semiconductors, personal communication systems, and new materials, as well as expanding social infrastructure. This investment, in due course, will lead to overall improvements in economic efficiency. It should also be remembered that there are a number of less developed East Asian countries, including China, that are waiting to get onto the launch pad of growth driven by increases in inputs. As these countries sustain rapid growth and their trade with other East Asian countries expands, South Korea, Taiwan, and Singapore will realize gains from the market expansion.

Taken together, the ongoing liberalization of capital account transactions, the growing need for foreign capital, and expectations for continued growth will likely induce not less but more flows of capital into the East Asian economies, despite the recent balance of payments problems. Any negative effects of short-term speculative capital flows, such as increasing exchange rate and interest rate volatility, may best be offset by maintaining the soundness and dynamism of the domestic economy. However, during surges of inflow, the governments of countries that face speculative attacks should, as the International Monetary Fund suggests, consider implementing measures to influence the volume and characteristics of capital inflows, such as taxes on short-term bank deposits and other financial assets, reserve requirements against foreign borrowing, prudential limits on banks' offshore borrowing, and limits on consumption loans.[11] While it is not without its shortcomings, a currency transaction tax would certainly be one of the most effective means of reducing volatility in short-term speculative capital movements.

However, there are dangers inherent in imposing such controls unilaterally, as they will necessarily interfere with further global financial liberalization. Moreover, there exists no workable financial mechanism that would help to prevent a financial crisis in any one East Asian country from spilling over into the rest of the region. For these reasons, serious consideration should be given to multilateral efforts to control speculative

11. International Monetary Fund (1995).

short-term capital movements, rather than leaving the problem to individual countries.

Dealing with China's Economic Ascendancy: A Policy of Active Engagement

China remains an enigma about which divergent views abound. It has long been the focus of discussion, for it has recorded the fastest economic growth of any country for the past twenty years and seems destined to become the next global superpower. Many take a dim view of China's economic advancement because they consider it a threat to stability in Asia; others predict that the country will break up into warring regions or provinces or will experience a political upheaval or a major slowdown in its economic development.[12] Others are more optimistic. Whatever direction China's development may take, it will have a profound effect on the world economy and on that of the East Asian region, in particular. It is therefore in the interest of the whole world, and especially of East Asia, for China to prosper and become more politically liberal.

To many East Asians, China's size, rich cultural diversity, and complexity are so overwhelming that it hardly seems a single country. The economic and social disparities within China, particularly between inland and coastal areas, are enormous and growing. Over the next decade, at least two mainland cities, Shenzhen and Guangzhou (in addition to Hong Kong), will attain a level of economic sophistication to rival that of Singapore. The three areas centering on Shanghai, Beijing, and Tianjin will challenge the records of Taiwan and Korea in growth and industrial capabilities. And a number of regions will come to resemble Korea in the 1960s and 1970s. However, many other regions, such as Guizhou, Shaanxi, and Gansu, will remain as poor as some African countries are today.

These economic and social disparities will be the most serious cause of friction between regions, as well as between the central government and the local governments, and they pose the greatest threat to China's unity. There are a number of indications that the relatively more affluent provinces have gained a greater measure of economic autonomy over the past few years and that many provinces are trying to remain beyond

12. Hasegawa and Nakajima (1993).

the direct control of the central government. As the provinces become more autonomous, movements of capital and labor are likely to be controlled at the provincial borders to an increasing extent. In the future, foreign firms seeking to invest in China may well have to negotiate with the provincial governments rather than with the central government.

At this stage in the ongoing discussion, almost anything can be said about China's future, but the pessimists would seem to outnumber the optimists. The present comment reflects the latter camp. I expect that China will be able to sustain rapid economic growth and stability for many more years; it will not become balkanized and split into separate warring entities; and it will eventually mature and become a reliable member of the world trading community. These observations are based on the assumption that China will be able to decentralize its systems of government and economic management, giving more autonomy to the provincial governments, despite the communist legacy.

At first glance, this optimistic view of China might seem misplaced. There is, indeed, much cause for concern. Unlike the East Asian NIEs, China must shed the shackles of some fifty years of communist economic mismanagement and also deal with other unique problems. Given the widening economic disparities and the social and political problems that they entail, the communist regime must continue to announce five-year national economic plans (even though they are seldom implemented) in order to maintain its legitimacy. The gross inefficiencies and quasi-bankrupt status of nearly half of China's tens of thousands of state enterprises, moreover, will continue to burden the central authorities. Few people are confident that the planned transfer of property rights from the state to the private sector can be carried out smoothly.

Such problems and dilemmas, however, seem to be countered by China's strengths. Most important, the country's leaders in Beijing have proved pragmatic in managing the economy, as evidenced by their ability and determination to carry out a host of liberal reforms. They are acutely aware of the fact that economic micromanagement can no longer be effective. In fact, the Chinese leaders would be satisfied if they were able to maintain a single national currency and a unified financial system, in addition to a national tax administration.

If Beijing cedes more autonomy to the regional governments, how can China remain a single nation state? In my view, the Communist party–military establishment will hold the country's disparate regions together through its network of information, communications, and transportation, not to mention its willingness to use force whenever necessary. Although unstable, this dichotomy of economic and political systems will be maintained for as long as nationalist sentiment is kindled and prevails throughout the country.

In addition to using party and military machinery, the central government has so far attempted to hold the country together by rallying the people's aspirations that China become a major military power and remain the leader of Asia, in the face of what the leaders in Beijing perceive as American hegemony. The fanning of nationalist flames will become more intense over time, because it is yet another means by which the central government clings to power.

Similarities between China and the other economic "tigers" in East Asia also support the view that China's economic growth can be sustained for a long time. Part of the success of the economic tigers has been due to high saving rates; China's rate, at 40 percent, is the second highest in the world, after Singapore. In addition, China has a relatively small government sector that accounted for only 15 percent of GDP in 1995.[13] It has also demonstrated its ability to assimilate technology from abroad, as well as to develop its own. For a long time to come, it will be able to exploit the wage-cost advantage and to benefit from the distribution network and capital of the overseas Chinese population.

Even supposing that such optimism about China's development is not warranted and that the country will be lucky to achieve just 3 or 4 percent annual growth for the next ten years, it will still be a huge market for exporters everywhere. And even if the rate of growth of exports falls from the current rate of almost 20 percent to only 7 or 8 percent, China will still become the seventh or eighth largest exporter of manufactured goods in the world within a decade.

One might ask why East Asia is so concerned about China. One reason is that it is highly doubtful whether China will open its markets to the same extent as other Asian countries or will abide by the rules of fair trade, and there is no obvious means by which it could be forced to do so. China has agreed to APEC's schedule for trade liberalization,

13. Admittedly, this figure does not include state enterprises, but it is substantially lower than those for any of the East Asian tigers.

but since this is not binding, the East Asian countries (including Taiwan and South Korea) will likely find themselves inundated by inexpensive Chinese manufactured goods and may therefore experience a slowdown in real wage growth, especially for unskilled workers. This could mean an appreciable decline in the standard of living of many East Asians, although there is, as yet, no empirical work supporting this hypothesis.

Another cause of East Asia's deep concern is China's forays into the markets of the United States and the European Union. China gained strong footholds in these markets long ago and has since been carving out ever larger shares for itself, mainly at the expense of other East Asian countries. As exports are one of the main engines of growth in most East Asian countries, this will likely mean a slowdown in their export growth and therefore a slowdown in GNP growth, which will also bring down the standard of living. Furthermore, China has been running a sizable current account deficit with many other East Asian countries, which has been more than offset by China's bilateral trade surplus with the United States. However, if the trend continues, it could provoke a protectionist backlash in the United States against the entire East Asian region.

Still more concerns arise from the fear that China will not hesitate to use its influence and power to protect its interests. China has been quick to play its economic rivals off against each other to achieve its own aims, and its leaders have a penchant for using trade as a political weapon.

These issues are so pressing because East Asia will become increasingly dependent on China as its economic might grows. The less developed countries in the region (such as Myanmar, Vietnam, Cambodia, and Laos) can be expected to pursue export-oriented development strategies and will therefore need markets for their products. They are already looking at the vast and growing Chinese market. These countries could eventually fall under China's influence, for their prospects, and indeed their survival, will depend on access to the Chinese market, on the country's internal stability, and on its nonbelligerent foreign policy stance. The countries on China's periphery could very easily come to be known as the economic area of "greater China."

What, then, can the United States and the European Union do to minimize the potential for economic conflict in the East Asian region? Since China is not a member of the World Trade Organization (WTO), there is no easy way to restrain it or retaliate against it when it deviates from the principles of fair trade. Indeed, the United States has little leverage against China other than through the use of sanctions, and even this strategy has serious limitations. In order for sanctions to be effective, they would have to be supported by the East Asian countries, but it would be unrealistic to expect these countries to fall in line behind such a policy, given China's growing influence over them.

In light of these problems, it is incumbent on the United States and the European Union to take serious action to assist China's entry into the world trading community and to ease the friction that its entry may cause. To this end, the United States and the European Union should pursue a policy of *active economic engagement*—in effect, a policy of containment that would protect the interests of all the parties involved.

First and foremost, the United States and the European Union should permit China to accede to the WTO if it achieves the conditions for admission that are generally applied to developing countries.[14] The U.S. experience shows that bilateral dealings with China are very difficult, but if China were a member of the WTO, any departure from fair trade practices could be taken up in a multilateral forum. This would not only give all countries, including the less developed countries of East Asia, a recourse in their trade disputes with China, but it would also increase the possibility of satisfactory settlements. More important, China's membership in the WTO would help its central government to deal more effectively with protectionist pressures arising from the various provinces. It would also help it to restrain and control any invisible trade barriers and other import restrictions that individual provinces might impose. Without multilateral external pressure, the central government might not be able to liberalize its trade regime because it is so difficult to reconcile the interests of different provinces.

Second, the United States should assume a greater leadership role in APEC. At present, APEC is the only multilateral economic forum in which the United States and China communicate with each other. By taking the lead, the United States would be better able to assure China that it has no intention of pursuing a policy of containment, as it could more effectively help China to pursue economic development and would be aided in its efforts by the other APEC countries. The United

14. On China's accession to the WTO, see also Lardy (1994).

States could also coordinate its policy toward China through APEC by means of informal discussions with the East Asian member countries.

Third, the United States must establish a balance of economic power in East Asia. Specifically, it must reduce the dependence of the Asian NIEs, the members of ASEAN, and the less developed countries of East Asia on China, and it must build more effective leverage against that country. One possible means to this end is to expand the North American Free Trade Agreement (NAFTA). Informal discussions between the United States and the East Asian countries about how they might qualify for membership, not to mention their actual accession to the agreement, would be sufficient to pressure China into improving trade relations with its neighbors.

Fourth, as Cambodia, Laos, and Myanmar will soon be joining ASEAN, the United States should encourage the present member states to bring forward their membership and remove as many trade restrictions as possible within the association. The United States could provide incentives by engaging the ASEAN states in serious discussion about facilitating trade in other directions, including with the parties to NAFTA and to the Australia-New Zealand Closer Economic and Trade Relations agreement. An enlarged and more influential Association of South East Asian Nations would offer its member countries more leverage in dealing with China. It would also allow them to follow viable development strategies and thus establish closer trade relations with countries outside Asia.

References

Calvo, Guillermo A., Leonardo Leiderman, and Carmen M. Reinhart. 1994. "Capital Inflows and Real Exchange Rate Appreciation in Latin America: The Role of External Factors." *IMF Staff Papers* 40(1): 108–51.

Findlay, Christopher. 1995. "Trade in Services in the Uruguay Round." In *Implications of the Uruguay Round Agreements for the Asian and Pacific Region*. New York: United Nations.

Hasegawa, Keitarou, and Mineo Nakajima. 1993. *Kaitai Suru Chugoku: Posto Tou Shouhei No Yukue* (The dismantling of China: post-Deng). Tokyo: Toyo Keizai Shimposha.

International Monetary Fund. 1995. *International Capital Markets: Develop-*

ments, Prospects, and Policy Issues. Washington: International Monetary Fund.

Krugman, Paul. 1995. ''Dutch Tulips and Emerging Markets.'' *Foreign Affairs* 74(4): 28–44.

———. 1996. *Pop Internationalism*. Cambridge, Mass.: MIT Press.

Lardy, Nicholas R. 1994. *China in the World Economy*. Washington: Institute for International Economics.

Park, Won Am. 1996. *Hau Kuk Kyung Jae Euy Mo Hyung Gwa Yeh Chuek* (Macroeconomic model and forecast for the Korean economy). Seoul: Korea Institute of Finance.

Park, Yung Chul. 1996. ''Financial Liberalization and Market Opening in Asia: The Implications for Economic Development and Integration.'' Unpublished paper. Korea Instute of Finance.