

## Preface

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シリーズタイトル(英 )	IDE Spot Survey
シリーズ番号	10
journal or publication title	Economic Outlook for East Asian Economies over the Next Decade - Is Continuous High Growth Possible?-
page range	[ii]-[ii]
year	1997
URL	<a href="http://hdl.handle.net/2344/00010416">http://hdl.handle.net/2344/00010416</a>

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The Japanese economy barely maintained positive growth in the first half of the 1990s following the collapse of its overheated stock and real estate markets. In 1995, when the yen-dollar rate appreciated to less than 100 (average 94 for the year), it was exports to the high-growth countries of East Asia in large part that enabled Japan to avoid negative growth.

Looking over a broader time frame, as the yen-dollar rate began to appreciate after the G5 Plaza Accord of September 1985, East Asia underwent a rapid 10-year industrialization process fueled by direct foreign investment from Japan and other nations and began to assume this high growth would naturally continue toward the 21st century.

In 1996, however, as exports slowed, South Korea, Singapore and Thailand each experienced two-point drops in growth. Doubts, then, began to surface about the future high growth of the East Asian economy. Paul Krugman and other observers expressed skepticism about the long-term sustainability of growth in East Asia, claiming that economic development up to that point was the mere product of increased input of labor and capital.

Given such doubt and skepticism, this spot survey examines the outlook for the East Asian economy over the 10-year period through 2005 in order to clarify whether or not the high growth of East Asia is sustainable over the long term.

This economic outlook is based on forecasts made by the "Projections for Asian Industrializing Region" (PAIR) project (coordinator: Mitsuru Toida) of the Institute of Developing Economies (IDE). Contributions to this forecasting work and related statistical work were made by Daisuke Hiratsuka, Chinami Yamaji, Satoshi Okuda, Masami Ishida, Hisayuki Mitsuo, So Umezaki, and Hiroshi Ikegami in addition to the author.

In closing, I would like to express my appreciation to the above researchers. I would also like to extend thanks to Reiko Takiuchi and Yukie Sugawara who helped prepare tables and figures for this publication.

October 1997

Mitsuru Toida