

PREFACE

This is the fifty-fifth publication in the series of Joint Studies on Economic Development Policies in ASEAN and Neighbouring Countries (ASEDP), and the twelfth in the series focusing on Indonesian Affairs since this joint research project commenced in 1988. This particular volume assembles research undertaken in 1999/2000 by the Institute of Developing Economies - Japan External Trade Organization (IDE-JETRO), on "Factors on Currency Crisis and Policies to Solve these Problems in Indonesia", as part of a joint project with the local Indonesian researchers.

Almost three years have passed since the outbreak of the Asian currency crisis in mid-1997. At this time, it was breaking news that the Indonesian rupiah had plummeted to Rp2,500/US\$1. Since then, several further waves of currency depreciation have overwhelmed Indonesia, and the rupiah has fallen to record levels – even to as low as Rp17,000/US\$ in January 1998. While the rupiah has strengthened somewhat in the past year, it remains floundering and weak, as if entrapped in some form of inescapable economic quagmire.

Given the scale of the economic, social and political turmoil caused by the 1997 Asian currency crises, many people were aware of its occurrence, although few have a sound understanding of those factors underlying this contagion. Of those countries hit by the crisis, the utter havoc experienced by Indonesia was by far the largest and most wide-ranging, and its economy has been the slowest to recover. Consequently, it is important that serious research effort be focused on the

Indonesian situation in order to gain a better understanding of the effects of the wider regional crisis. In order to make this research more meaningful and vivid, I have tried to incorporate a large number of local researcher viewpoints and content.

I would like to express my deepest appreciation to all of the contributors for spending a lot of time and effort in preparing this material, and I am confident that you will agree the research work has been carried out to a very high standard. I would also like to take this opportunity to show my gratitude to the International Exchange Division of IDE-JETRO in Chiba, for providing me with this valuable opportunity and for supporting all of the research activities. Finally, I expect that the Indonesian people will soon move out of this crisis and commence those difficult – but not impossible – reconstruction tasks required to again make this a proud, democratic country.

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March 2000, Jakarta
Indonesia