



IVAN ALLEN COLLEGE
THE SAM NUNN SCHOOL OF INTERNATIONAL AFFAIRS
CENTER FOR INTERNATIONAL STRATEGY, TECHNOLOGY, AND POLICY

The Asian-Financial Crisis – 10 Years Later

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At Georgia Tech's Student Center on November 1, 2007, **Dr. Meredith Jung-En Woo**, a Professor of Political Science and Korea Foundation Professor of Korean Studies at the University of Michigan, Ann Arbor, spoke on the aftermath of the 1997 East Asian Financial Crisis. Dr. Woo has authored and edited seven books, including *Race to the Swift: State and Finance in Korean Industrialization* and *Capital Ungoverned: Liberalizing Finance in Interventionist States* (both books were published under the name of Meredith Woo-Cumings). Dr. Woo was recently named as Associate Dean for the Social Sciences of the College of Literature, Science, and the Arts at the University of Michigan for a three-year period that begun in May of 2007, and her teaching and research interests include international political economy, economic development, East Asian politics, and U.S.-East Asian relations.

In her speech, Dr. Woo examined the aftermath of the 1997 financial crisis and argued that the damage from the crisis was not as bad as first expected. Most experts believed that the damage would roll-back economic progress in South Korea and East Asia for 20-plus years. However, this was not the case. The crisis essentially ended after 13 months and the region was back on its feet by the fourth quarter of 1998 – an amazing financial turn-around which economists noted as being V-shaped. However, the short-term consequences of the crisis were quite severe: bankruptcy, small companies going out of business, skyrocketing unemployment rates, workers returning to rural areas, and high interest rates, among others. In addition, the frustration of the crisis was boiling over into the streets of the effected countries - in Indonesia ethnic Indonesians were attacking Chinese shopkeepers and workers.

Dr. Woo argued that the cause of the 1997 Financial Crisis was complex and centered on the interaction of multiple casual factors taking place at the same time as a changing order in East Asia. By examining the new order that emerged in East Asia following the crisis, Dr. Woo argued that the emerging focus of the region was similar to the old focus: China. China has become an industrial powerhouse in the region and in the world, as is more focused on trade and manufacturing than military and war. China has also moved into Africa with its trade and manufacturing power, where in 2006 African-Chinese trade reached 55 billion U.S. dollars.

Dr. Woo also noted that while Southeast Asian countries rebounded from the 1997 financial crisis, these countries did not gain any extra momentum in terms of financial growth from the rebound. Their growth rate stayed consistent at 4-6 percent. It was countries such as China, India, and Vietnam whose growth rates gained momentum following the financial crisis – 8-10 percent. In addition, whereas corruption still existed in East Asia following the financial crisis, it was decentralized.

This raises the serious and interesting question of the relation between authoritarian power and economic growth. Dr. Woo stated that, “but the passing of the Cold War, and the concomitant decline of American political influence in the region, have brought about a fundamental change

in the old condominium of hegemonic politics in Southeast Asia, where the United States provided political and military support, and Japan provided the financial wherewithal. In its place is the increasingly over-whelming influence of China, which has every interest in maintaining stability on its periphery, if only to allow its own brisk economic growth to continue undisturbed. Its need to project substantial influence beyond its immediate littoral is in part based on the need to secure sea-lanes (if by means other than the deployment of force).”

Dr. Woo also discussed the changing dynamics of relationships in East Asia as nations become more used to this new regional order. She viewed the recently agreed to U.S.-ROK Free Trade Agreement as a sign that South Korea is making moves to align itself with the U.S. in order to counter-balance China. By aligning with the U.S., South Korea is acknowledging that it cannot compete head-on with China. These moves by South Korea are forcing it to abandon its previous isolationist policies and adopt a more “Tigerish,” active policy of engagement in order to survive.