

Overcoming the Crisis

Economic and Financial
Developments in Asia and Europe

Edited by

Štefan Bojnec

Josef C. Brada

Masaaki Kuboniwa





University of Primorska Press

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Editors' Introduction

This volume consists of papers selected from among those presented at two international conferences. One of these was the conference on Economic and Financial System Development in the Pacific Rim Region, which was held in Honolulu, Hawaii on May 16–19, 2012. This conference was organized by the Association for Comparative Economic Studies (ACES), the Japanese Association for Comparative Economic Studies (JACES), and the Society for the Study of Emerging Markets (SSEM). The conference focused on developments in the economic and financial systems of the Pacific Rim region and the region's interaction with the global economy. Empirical and theoretical papers related to the theme of the conference as well as papers of political economy and policy issues were presented and discussed. The second conference was EuroConference 2012 of the Society for the Study of Emerging Markets, which was hosted and co-sponsored by the University of Primorska, in Portorož, Slovenia and held during July 11–14, 2012.

While each conference had a regional focus, one on Asia, the other on Europe, each drew participants from many different countries. It is not surprising that the global financial crisis and its consequences were the focus of many contributions. Yet, despite this common preoccupation, the thrust of the papers presented at the two conferences differed considerably, in large part due to the experience of the two regions with the crisis. Many Asian countries already had considerable experience with global economic crises due to the lessons learned from the Asian Crisis of the 1990s. As a result, this time they were relatively insulated from United States financial markets due to strengthened regional financial ties, and they entered the recent crisis period with strong balance of payments and international reserve positions.

As a result, the focus of the papers presented at this conference was on the long-term development and integration of the economies of the region.

EuroConference 2012, on the other hand, had a heavy representation of contributors from Eastern Europe. There the experience with the crisis had been quite different. For all of these countries, this was their first experience with a 'capitalist' crisis, and for this reason it proved more traumatic and even unexpected. Moreover, most of the countries of the region entered the crisis with booming economies that had been receiving massive inflows of financial capital and FDI and whose economies were thus very vulnerable both to a stop in capital inflows and to a decline in demand for their exports. As a result many of the authors at this conference sought to reinterpret the region's development strategies, to examine their countries' links to international financial markets and to consider ways in which vulnerabilities to external shocks could be mitigated by means of hedging strategies of various sorts.

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To reflect this diversity, we have organized the book into three Parts. The first deals with the European experience. Papers by Polona Pašić and Borut Bratina, by Primož Dolenc, Igor Stubelj, and Suzana Laporšek, and by Milorad Filipovic and Miroljub Hadzic examine what the implications of the crisis are for firms and banks in Eastern Europe and for the regulatory environment in which they operate. These papers, combined with that by Marzena Lemanowicz and Joanna Szwacka-Mokrzycka, raise the key questions facing East European policy makers. How effective can domestic regulation be, especially for banks, and what are the costs of greater integration into the global economy in terms of the ability to manage domestic economic activity and to maintain the competitiveness of locally-owned firms? The contributions to this section also show a lively interest in the financial sector, which is not surprising given the central role played by this sector in propagating the crisis. Two papers by Sławomir Juszczuk and Rafał Balina examine the microeconomics of risk avoidance using the example of commodity markets to show how market institutions allow participants to reduce the risks of price fluctuations by means of different hedging strategies. Péter Csillik and Judit Sági, Domagoj Sajter, and Jan Šedivý contribute papers that deal with various important behaviors and regularities in financial markets. Papers by Emilia M. Campeanu and Anna Jasiulewicz try to reinterpret the growth strategy followed by their two countries prior to the crisis and to offer some ways of modifying these strategies in light of the lessons of the crisis, and Miroljub Jevtić, Sofija Adžić, and Tanja Radović show some com-

plementarities between policies that are environmentally friendly and economic development.

The second section of the book deals with Asia and the Global Crisis, and it consists of five papers submitted to the Pacific Rim conference. Slawomir I. Bukowski, investigates the degree of the Chinese equity market integration with the Japanese and us equity markets, a topic also covered by authors in other sections of the book, perhaps a testimonial to the growing integration of capital markets worldwide. Farazi Binti Ferdous focuses on FTAs and prospects for export diversification in regional markets for East Asian economies while Yugo Konno develops a statistical analysis of trade liberalization in Russia, China, and India during the 1990s. Jan Kubiček tackles the thorny issue of exchange rate regimes for Asian economies and proposes a ‘floating band’ regime with a central parity of the band dependent on past values of the exchange rate. Eric Lin touches on some problems caused by the rise of China.

At each conference participants also took a more global approach to the analysis of the crisis and its aftermath, and in Part 3 we combine those papers from the two conferences that had a more global perspective. The two papers by Mine Aksoy, Selin Karatepe, Z. Oğuz Seçme, and Fatma Benli echo themes already developed in pervious parts of the book as they examine stock market regularities and cross-country linkages among financial markets. Kehluh Wang, Han-Hsing Lee, and Kuanyu Shih contribute an interesting and innovative paper on how to measure sovereign risk. Miloslava Filipović and Svetlana Mihić, Aleksandar Andrejević, and Milan Mihajlović offer ways of reimagining the global economy in a way that expands opportunities for growth and trade. Hae Kim’s paper considers the impact of regionalism and globalization on economic development in the world, and Pedro Paulo Bastos Zahluth follows up the regional integration theme by examining the case of Latin America.

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