

Financial Fragilities in Developing Countries

Edited by
Hisayuki Mitsuo

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Preface

This report is a product of a research project, “Financial Markets and Money in Developing Countries” conducted at the Institute of Developing Economies (IDE), Japan External Trade Organization (JETRO) from April 2005 to October 2006.

In recent years, some developing countries suffered joint occurrences of banking and currency crises. The foreign-currency share of total debt before the joint occurrences was high. The joint occurrences of currency and banking crises sometimes accompanied output contraction. On the other hand, currency crises raised the importance of balance sheet management in central banks in developing countries. Against these backgrounds, this research project analyzed banking and currency crises, roles of debt denominated in foreign currencies, and central bank's balance sheet management in developing countries. This report contains four papers of theoretical nature and one paper on a case study of the Indonesian economy which experienced a joint occurrence of banking and currency crises. We hope this report will be helpful to readers in understanding the banking and currency crises in developing countries.

Finally, we would like to express our sincere thanks to all persons who helped our project.

Hisayuki Mitsuo

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