The stunning success of East Asia’s miracle economies over the past two decades has spawned a vast literature on how they did it. Broadly speaking, these countries combined macroeconomic stability, an outward-oriented development strategy, an effective institutional framework, high savings and investment, and attention to human capital to produce very rapid income growth. But, after having won the development race, many of these economies are now facing challenges of a different order—overregulation of domestic markets, weak financial systems, and competition from lower-cost producers elsewhere in Asia and in the rest of the world. These challenges stem from the maturing of their economies and the globalization of world markets for goods and services. The lead articles in this issue discuss ways in which some of the region’s strongest economies are changing with the times.

Aasim Husain’s article on Hong Kong discusses how its economic policies and private sector investments have changed over the past 15 years and examines the outlook for this important entrepôt following its recent reversion to China. Michael Walton’s article on the maturation of the East Asian miracle discusses the bottlenecks this region’s rapidly growing economies have encountered during the past several years, how they are coping with them, and their future prospects. Tamim Bayoumi and Gabrielle Lipworth’s article on Japanese foreign direct investment (FDI) and regional trade looks into the marked shifts in Japan’s FDI since the early 1980s and the strong impact these shifts have had on both Japan’s domestic manufacturing base and the pattern of its international trade.

Getting the fundamentals right was an important part of the East Asian miracle story. However, the willingness to experiment and to rapidly adapt policies to changing circumstances was also key to the success of the East Asian economies. Capitalizing on this adaptability will be crucial in helping the East Asian countries meet the challenges facing them in the remainder of this decade and the next.

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