

H2 History (Paper 2)

Theme 2: Economic Development after Independence

Argument	Burma	Vietnam	The Philippines	Indonesia	Thailand	Malaysia	Singapore
Context							
Foreign domination of economic resources	Foreign firms <ul style="list-style-type: none"> East Asiatic Company of Burma (rice millers) John Dickenson & Company (paper distributors) Steel Brothers (rice, oil, timber, shipping) 		1946 Philippine Rehabilitation Act <ul style="list-style-type: none"> Provided \$620m in aid 1948 <ul style="list-style-type: none"> Filipino participation in import trade hovered around 20% 	Dutch plantations and firms <ul style="list-style-type: none"> 300 Dutch plantations and 300 firms in other areas (e.g. mining, trade, finance, utilities) would later have to be expropriated by the government 	Presence of local capital <ul style="list-style-type: none"> Active Chinese business class, e.g. Nai Lert (cars), Nai Boonrawd (brewery), Nai Kokliang (cigarettes) 1929: over 20,000 rice traders and 12,000 timber traders 	1971 <ul style="list-style-type: none"> 63% of corporate wealth was foreign-owned, 35% to other Malaysians (largely Chinese), and 2% to Malays 	
Political instability	1980s: 8888 Protests <ul style="list-style-type: none"> Led to Western sanctions 	Stable <ul style="list-style-type: none"> No change of government since independence 	1983: Aquino's assassination <ul style="list-style-type: none"> Triggered capital flight, which was catastrophic given dependency on foreign loans 	Stable <ul style="list-style-type: none"> 30 years of Suharto rule 	1973-76: Political chaos <ul style="list-style-type: none"> Led to widespread capital flight 	Stable <ul style="list-style-type: none"> No change of government since independence 	Stable <ul style="list-style-type: none"> No change of government since independence
Physical destruction of infrastructure	WWII <ul style="list-style-type: none"> Lost all its oil refineries, 90% of its boats and 70% of its roads 1950: GDP was a mere 1/3 of pre-war levels, with agricultural production only at 65% 	1964-75: 2nd Indochinese War <ul style="list-style-type: none"> 7.5m tonnes of bombs were dropped, double that of WWII Most bridges on the Hanoi-Langson and Hanoi-Vinh lines were blown up 29/30 provincial capitals were damaged, with 9 completely destroyed 	WWII <ul style="list-style-type: none"> 80% of Manila was destroyed 				
Agrarian economic endowment	Rice <ul style="list-style-type: none"> Total exports reached \$173m before the war 	Rice, rubber, coffee <ul style="list-style-type: none"> South Vietnam had fertile farmlands and a conducive climate 	Sugar, vegetable oil, fruits / nuts <ul style="list-style-type: none"> Early industrial manufacturing centred around the processing of export crops, e.g. sugar milling, vegetable oil production, cigar making 	Plywood, rubber	Rice, teak, rubber, tin	Rubber, oil palm, tea, pineapples <ul style="list-style-type: none"> 1957: 85% of export earnings derived from tin and rubber 	Already export-oriented <ul style="list-style-type: none"> 1950s: Exports were 127% of GDP 1947: 31% services, 23% commerce, 17% manufacturing, 8% agriculture
Natural resources	Teak, oil, gems, silver <ul style="list-style-type: none"> Shan state: abundant teak, oil, gems and silver 	Coal, gold, zinc, iron, tin <ul style="list-style-type: none"> Concentrated in the North 		Oil <ul style="list-style-type: none"> Indonesia was an oil exporter 	Tin, rubber	Tin, rubber <ul style="list-style-type: none"> 1957: 85% of export earnings derived from tin and rubber 	None
Lack of skilled workforce	Limited education <ul style="list-style-type: none"> Education was restricted to the elite, who were only offered low-ranking civil service positions 	Brain drain <ul style="list-style-type: none"> By 1982: A further 1m refugees had fled South Vietnam after the communist victory, including professions, intellectuals and technicians 					
International shocks			Oil crisis <ul style="list-style-type: none"> 1972-80: Oil prices surged 	Oil crisis <ul style="list-style-type: none"> 1972-80: Oil prices surged 			1980s: Low petroleum prices <ul style="list-style-type: none"> Hurt the shiprepairing and

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			10-fold from \$3 a barrel to \$30 <ul style="list-style-type: none"> High dependence on energy imports slowed growth Commodity collapse <ul style="list-style-type: none"> 1974-78: Sugar prices fell by 90% High dependence on commodity exports rendered the country hit by declining prices 	10-fold from \$3 a barrel to \$30 <ul style="list-style-type: none"> Benefitted Indonesia as an oil exporter 			shipbuilding industries, which comprised 25% of the economy <ul style="list-style-type: none"> 1985: Singapore slid into a recession
Cold War influence		Weakening Soviet aid <ul style="list-style-type: none"> Soviet economic aid averaged \$1bn, lower than the promised \$2.7bn Sino-Soviet Split <ul style="list-style-type: none"> 1978: China cancelled all projects and withdrew all technicians after Vietnam joined Moscow's Council for Mutual Economic Assistance (CMEA) 1979 Vietnamese invasion of Cambodia <ul style="list-style-type: none"> Led to embargoes imposed by the US and its allies 		Non-Aligned Movement <ul style="list-style-type: none"> Initial receipt of \$1bn in military aid and \$215m in economic aid from the Soviet Union disappeared after Sukarno established himself as a leader of the Non-Aligned Movement 	1950-75: US aid <ul style="list-style-type: none"> Thailand received \$650m in economic aid and \$1bn in military aid, on top of spending from American servicemen stationed there 		
Strategies							
Centralised economic planning	1947: Economic Planning Board <ul style="list-style-type: none"> Planned rural reforms 	1955: National Planning Board <ul style="list-style-type: none"> Five Year Plans from 1961 onwards 		1969: Repelita Plans	1959: National Economic and Social Development Board		1961-64 First Development Plan
Nationalisation	1951: Defence Services Institute <ul style="list-style-type: none"> DSI formed the Five Star Line (freight lines and trucking) Burma National Housing and Construction Company (public roads) Rangoon Electric Works (electrical equipment) Continental Trading House (fisheries) 1963 Enterprise Nationalisation Law <ul style="list-style-type: none"> Stipulated that all major industries would be nationalised by June Banks nationalised in Feb, with consumer industries in Aug 	1978: Major private enterprises placed under state control <ul style="list-style-type: none"> "Youth squads" were sent out at night to confiscate all goods on business premises Only retail trade remained in private hands <hr/> <ul style="list-style-type: none"> 1980: Utilisation of industrial capacity was below 50% 		Dutch plantations and firms <ul style="list-style-type: none"> 300 Dutch plantations and 300 firms in other areas (e.g. mining, trade, finance, utilities) would later have to be expropriated by the government Article 33 of the Constitution <ul style="list-style-type: none"> Strategic industries will remain under state control, e.g. Pertamina for oil, ship and aircraft industries <hr/> <ul style="list-style-type: none"> 1975: State firms produced 75% of cement, half of paper products and machinery, and 40% of food manufacturing 	By 1945: 30 state enterprises were started <ul style="list-style-type: none"> Siam Steam Navigation Company bought over by the government Thai Rice Company handled 70-80% of rice exports 	1970s: Nationalisation of foreign firms <ul style="list-style-type: none"> PNB purchased controlling interests in the Guthrie Corporation London Tin became Malaysian Mining Corporation 1974: Petronas nationalised the oil industry 	1960s: Shipyards <ul style="list-style-type: none"> Jurong Shipyard Keppel Shipyard 1969: Neptune Orient Lines 1969: Singapore Petroleum Company 1972: Singapore Airlines

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	<ul style="list-style-type: none"> All rice sold to Trade Corporation No. 1, and all imports and distribution handled by 24 The People's Stores <p>1965 Law to Invest Powers to Construct the Socialist Economy</p> <ul style="list-style-type: none"> Legalised state control of all economic resources and activities An extreme version of Indonesia's Article 33 that only guaranteed government intervention in strategic industries <p>1965</p> <ul style="list-style-type: none"> State controlled 60% of manufacturing and 90% of legal trade 						
Collectivisation	<p>1963 Tenancy Law</p> <ul style="list-style-type: none"> Agrarian Committees reallocated land Peasants had to meet production quotas and deadlines, selling their produce to the state at fixed prices State dictated what peasants could grow in some areas <hr/> <ul style="list-style-type: none"> 1962-73: Rice exports fell from 1.5m tonnes to 200,000 tonnes Once the world's largest oil exporter and the "granary of the East", Burma became a net importer of oil and rice 	<p>1965: 90% of peasant households were organised into collective farms</p> <ul style="list-style-type: none"> State prices and therefore overall wages were low, hurting motivation <hr/> <ul style="list-style-type: none"> Comparatively, "five percent plots", privately-owned by households, produced 2-3x the yields per hectare of state-run collective farms and up to 75% of peasants' incomes <p>1978: New Management System</p> <ul style="list-style-type: none"> Work exchange teams were initially formed (peasants retained land but entered into production contracts with the government), before large-scale collectivisation was pursued Eventually, all private agricultural equipment and livestock was seized <hr/> <ul style="list-style-type: none"> 1976-79: Rice production fell by 20% nationally (to 9.8m tonnes) and 60% in the Mekong Delta (to 398,000 tonnes) <ul style="list-style-type: none"> As a result, rice was rationed at lowest wartime levels 					

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		<ul style="list-style-type: none"> Even in 1986, rice output was far below that of 1942 By early 1980s: 10,000 out of 13,000 collectives in the South had collapsed 					
Anti-foreign nationalism	<p>1958-60: DSI imposed high taxes on — and subsequently bought over — foreign firms</p> <ul style="list-style-type: none"> East Asiatic Company of Burma (rice millers) John Dickenson & Company (paper distributors) Steel Brothers (rice, oil, timber, shipping) <p>Comprehensive restrictive laws</p> <ul style="list-style-type: none"> Chinese squeezed out of the country 1963-67: 100,000 Chinese left <i>Can talk about ENL and LIPSCÉ</i> <p>1960s: Repatriation of Indians</p> <ul style="list-style-type: none"> 1960s: Indians had been forcibly repatriated from Burma, with an exodus of 300,000 Indians in 1964 		<p>1954 Anti-Chinese Retail Trade Nationalisation Act</p> <ul style="list-style-type: none"> Forced the Chinese out of corn and rice trading <p>1958 Congress Bill</p> <ul style="list-style-type: none"> Mandated that important industries were 60% Filipino owned <hr/> <ul style="list-style-type: none"> 1948-65: Filipino participation in import trade increased by 3-fold to 70% 	<p>1957 onwards: Sukarno's expropriation of foreign firms</p> <ul style="list-style-type: none"> 300 Dutch plantations and 300 firms in other areas (e.g. mining, trade, finance, utilities) were expropriated by the government 	<p>1952 Directive</p> <ul style="list-style-type: none"> Chinese to establish centralised associations for gold trading, jewellery trading and banking to control Chinese activities <p>From 1947: Western companies threatened with closure and competition</p> <ul style="list-style-type: none"> E.g. Shell <hr/> <ul style="list-style-type: none"> 1964-72: Foreign capital comprised only 12% of total capital 1979: 60% of 500 largest firms were fully Thai owned 	<p>1971-90 New Economic Policy</p> <ul style="list-style-type: none"> 63% of corporate wealth was foreign-owned, 35% to other Malaysians (largely Chinese), and 2% to Malays 1970: 75% of households below the poverty line were Malay Sought to increase local and Malay share of economy Enforced under 1975 Industrial Coordination Act, which screened firms for NEP characteristics before registration <hr/> <ul style="list-style-type: none"> Foreign ownership in economy fell from 63% to 33% <p>1970s: Nationalisation of foreign firms</p> <ul style="list-style-type: none"> PNB purchased controlling interests in the Guthrie Corporation London Tin became Malaysian Mining Corporation 1974: Petronas nationalised the oil industry 	
Protection of nascent industries						<p>1958 Pioneer Industries Programme</p> <ul style="list-style-type: none"> 1959-71: Number of firms granted pioneer status grew 14-fold to 246 <hr/> <ul style="list-style-type: none"> 1959-71: Consumer goods rose from 21.9% to 31.2% of industrial output 	<p>1959 Pioneer Industries Ordinance</p> <ul style="list-style-type: none"> Exempted pioneer product manufacturers from taxes for a stipulated period <p>1959 Industrial Expansion Ordinance</p> <ul style="list-style-type: none"> Offered income tax relief
Infrastructural development and support				<p>Bulog</p> <ul style="list-style-type: none"> Bulog coordinated rice procurement, distribution and pricing <p>Sekneg</p> <ul style="list-style-type: none"> State Secretariat (Sekneg) allocated construction contracts 	<p>1959: Board of Investment</p> <ul style="list-style-type: none"> Created to promote investment <p>1959: Industrial Finance Corporation of Thailand (IFCT)</p> <ul style="list-style-type: none"> Provided loans for expansion of private industry 	<p>1971 onwards: Federal Land Development Authority (FELDA)</p> <ul style="list-style-type: none"> Came up with land clearing and allocation schemes for the Malays <p>1971 onwards: Rubber Industry Smallholders Development Authority (RISDA)</p>	<p>1961: Economic Development Board (EDB)</p> <ul style="list-style-type: none"> Served as a "one-stop investment agency"; provided financial support and advice and developed industrial estates <p>1960s: Jurong Island</p>

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				<p>Bimas</p> <ul style="list-style-type: none"> Bimas, a state agricultural programme, provided credit and physical inputs (e.g. new seeds) to promote rice production <hr/> <ul style="list-style-type: none"> 1968-89: Rice production increased 2.5x from 12m to 29m tonnes Mid-1980s: Indonesia had become self-sufficient in rice 		<ul style="list-style-type: none"> Helped to finance better-yielding rubber crops for the Malays <p>PERNAS and PNB</p> <ul style="list-style-type: none"> Supplied bumiputera ventures with interest-free finance <p>1981: Heavy Industry Corporation of Malaysia</p> <ul style="list-style-type: none"> Invested to bumiputera ownership in ventures like Kedah Cement, Perwaja Steel and Proton <p>1993: Malaysian Technology Development Corporation (MTDC)</p> <ul style="list-style-type: none"> Invested in 8 local firms within the year 	<ul style="list-style-type: none"> First factory was National Iron and Steel Mills (later NatSteel) 200 factories by late 1960s <p>Statutory boards</p> <ul style="list-style-type: none"> 1968: Jurong Town Corporation (JTC) 1972: National Productivity Board (NPB) 1983: Trade Development Board (TDB) 1986: Small Enterprise Bureau (SEB) By 1990: 70 statutory boards
Rural or agricultural policies	<p><i>Collectivisation, of course!</i></p> <p>Land redistribution</p> <ul style="list-style-type: none"> Aimed to redistribute 10m acres of land by 1955 <hr/> <ul style="list-style-type: none"> 1958: only 1.4m acres of the 10m acres was distributed, with many plots too small to be productive <p>Agricultural credit</p> <ul style="list-style-type: none"> 1962-73: Agricultural credit increased 3.5x to 167m kyat, with loans provided based on need rather than productivity <hr/> <ul style="list-style-type: none"> But 1962-73: Rice exports fell from 1.5m tonnes to 200,000 tonnes Once the world's largest oil exporter and the "granary of the East", Burma became a net importer of oil and rice 		<p>1955 Philippine Land Reform Act</p> <ul style="list-style-type: none"> Allowed the government to seize private land for redistribution <hr/> <ul style="list-style-type: none"> Largely blocked by the ilustrado-dominated Congress <p>1963 Agricultural Land Reform Code</p> <ul style="list-style-type: none"> Established the Land Bank of the Philippines to facilitate the purchase and resale of land <hr/> <ul style="list-style-type: none"> Largely blocked by the ilustrado-dominated Congress <p>1960s: IR8</p> <ul style="list-style-type: none"> Mid-1960s: International Rice Research Institute (IRRI) created a high-yielding rice variety named IR8 <hr/> <ul style="list-style-type: none"> 1972: Filipino economy self-sufficient in rice 1961-81: Rice production doubled to 7.9m tonnes <p>1972 Presidential Decree No. 27</p> <ul style="list-style-type: none"> Seized landholdings over 7 hectares to sell to tenant 	<p>Bimas</p> <ul style="list-style-type: none"> Bimas, a state agricultural programme, provided credit and physical inputs (e.g. new seeds) to promote rice production <hr/> <ul style="list-style-type: none"> 1968-89: Rice production increased 2.5x from 12m to 29m tonnes Mid-1980s: Indonesia had become self-sufficient in rice <p>1980s: Deprioritisation of agriculture</p> <ul style="list-style-type: none"> In Repelita IV (1984-89) and V (1989-94), growth targets for industry consistently outweighed agriculture <hr/> <ul style="list-style-type: none"> 1965-96: Agricultural share of economy shrank from 51% to 16% 	<p>1957-73: Sarit and Thanom's agricultural promotion</p> <ul style="list-style-type: none"> Constructed road networks and large-scale irrigation projects to increase productivity and the cultivation of new areas Encouraged use of tractors, fertilisers and new crops, e.g. maize, cassava <hr/> <ul style="list-style-type: none"> 1947-69: Expanded irrigated land from 600,000 hectares to 2.2m 1968: Export value of other crops surpassed rice 	<p>1971 onwards: Federal Land Development Authority (FELDA)</p> <ul style="list-style-type: none"> Came up with land clearing and allocation schemes for the Malays <p>1971 onwards: Rubber Industry Smallholders Development Authority (RISDA)</p> <ul style="list-style-type: none"> Helped to finance better-yielding rubber crops for the Malays 	

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			farmers <ul style="list-style-type: none"> Blocked by Marcos' landowning political allies, and used primarily to punish opponents, e.g. Aquinos 				
Export promotion	1988 Foreign Investment Law <ul style="list-style-type: none"> Allowed wholly foreign-owned enterprises Offered tax breaks and duty exemptions to attract FDI <ul style="list-style-type: none"> By 1993: 28 US firms and 80 Thai firms investing in the country 1990 "Open-Door Policy" <ul style="list-style-type: none"> Promoted unrestricted cross-border trade <ul style="list-style-type: none"> 1985-2003: Trade volume ballooned 6.8x 1997: Joined ASEAN BLIT 1990: Union of Myanmar Economic Holdings Company Ltd (UMEHC) <ul style="list-style-type: none"> To be the controlling partner in all joint ventures with foreign firms 1997: Only 5% of large firms were privately owned, with no large state enterprise privatised By 1994: Banned the export of 28 goods <ul style="list-style-type: none"> E.g. teak, rice, oil, gems These constituted the bulk of what Burma produced and traded! 	1981 onwards: Four major cities were permitted to set up import-export (IMEX) corporations 1987 Foreign Investment Law <ul style="list-style-type: none"> Allowed foreign investors to operate through joint enterprises and foreign-owned companies Guarantees against nationalisation were provided for 20 years 1991: \$173m invested across 34 projects by Vietnam's neighbours 1986-96: Economic growth doubled from 3% to 6% in 1990, before reaching heights of 9.5% in 1995 and 1996 (the highest in the world!) But 1997: State enterprises still accounted for 50% of the country's economic output 1995: Joined ASEAN		1967 Foreign Investment Law <ul style="list-style-type: none"> Provided foreign investors with tax concessions and a guarantee against expropriation October 1988 Reform Package <ul style="list-style-type: none"> Loosened banking regulations In two years, over 40 new private banks were given licenses 	1960 Promotion of Investment Act <ul style="list-style-type: none"> Guaranteed private enterprises protection against state competition and nationalisation, alongside tax holidays, repatriation of profits etc. 1985: Abolition of export taxes 1985: Bank of Thailand <ul style="list-style-type: none"> Established special credit facilities for exporters 1986-89: Thailand attracted an average of \$900m in FDI, rising to \$2bn in 1990-96 	1968 Investment Incentives Act <ul style="list-style-type: none"> Provided income tax relief for investment promotion 1971 Free Trade Zone Act <ul style="list-style-type: none"> Removed tariffs to firms that exported >80% of outputs 1986 Promotion of Investments Act <ul style="list-style-type: none"> Granted incentives to foreign capital in R&D 	1976 Export Credit Insurance Scheme <ul style="list-style-type: none"> Covered against risks for exporters 1976 Small Industries Finance Scheme <ul style="list-style-type: none"> Provided credit for smaller industries
Financial policies for export promotion					1980s: Devaluation of the baht <ul style="list-style-type: none"> 1981: Further devalued amidst strengthening USD Late 1980s: Increased share of USD in the basket to take advantage of depreciating USD after the Plaza Accords 	1980s: Devaluation of the ringgit <ul style="list-style-type: none"> Periodically devalued by Mahathir to attract FDI 	
Privatisation and deregulation	1988 Foreign Investment Law <ul style="list-style-type: none"> Allowed wholly 	1981 onwards: Four major cities were permitted to set up			1988: NESDB <ul style="list-style-type: none"> Relieved of its role as 	1983: Malaysia Inc <ul style="list-style-type: none"> 1980-85: Public enterprises 	1986 Public Sector Divestment Committee

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	<p>foreign-owned enterprises</p> <ul style="list-style-type: none"> Offered tax breaks and duty exemptions to attract FDI <hr/> <ul style="list-style-type: none"> By 1993: 28 US firms and 80 Thai firms investing in the country 	<p>Import-export (IMEX) corporations</p> <p>1987 Foreign Investment Law</p> <ul style="list-style-type: none"> Allowed foreign investors to operate through joint enterprises and foreign-owned companies Guarantees against nationalisation were provided for 20 years <hr/> <ul style="list-style-type: none"> 1991: \$173m invested across 34 projects by Vietnam's neighbours 1986-96: Economic growth doubled from 3% to 6% in 1990, before reaching heights of 9.5% in 1995 and 1996 (the highest in the world!) <u>But</u> 1997: State enterprises still accounted for 50% of the country's economic output <p>1981 Directive 100</p> <ul style="list-style-type: none"> Allowed households to cultivate their own plots in lieu of collective labour, and sell excess surplus on the free market <hr/> <ul style="list-style-type: none"> 1983: Agricultural production had a surplus for export <p>1988 Resolution 10</p> <ul style="list-style-type: none"> Farmers were guaranteed a 10 to 15-year tenure, with the expectation that it could be henceforth owned and inherited Requirement for collective labour was removed Equipment could be purchased from private suppliers State production quotas vanished, with produce sold on the free market <hr/> <ul style="list-style-type: none"> 1988-92: Rice exports doubled from 0.9m tonnes to 1.95m tonnes Vietnam became the world's third-largest rice exporter 			<p>supervisor for major government investment projects</p>	<p>accounted for 64.3% of public sector deficit</p> <ul style="list-style-type: none"> By 1992: 13 state enterprises privatised 	<ul style="list-style-type: none"> Privatisation of SIA, SBS, SGH by 1992
Diversification						1990: Action Plan for Industrial	1983: Singapore Technologies

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						Technology Development <ul style="list-style-type: none"> Projected the development of high-technology industries and human resources 1993: Malaysian Technology Development Corporation (MTDC) <ul style="list-style-type: none"> Invested in 8 local firms within the year 1996: Multimedia Super Corridor Project <ul style="list-style-type: none"> Sought to build a knowledge-based economy 	Corporation (STC) <ul style="list-style-type: none"> Sought to promote advanced technologies 1986: Total Business Centre Vision <ul style="list-style-type: none"> Singapore would provide a range of corporate services to companies headquartered here <hr/> <ul style="list-style-type: none"> Since 1986: More than 60 MNCs have set up headquarters here, including firms in the electronics, construction, transportation and pharmaceutical sectors
Regionalisation							Johor Riau Growth Triangle Suzhou Industrial Park 1989-90: Total FDI from Singapore nearly doubled from \$8.7bn to \$16.9bn
Foreign borrowing			1970s-80s <ul style="list-style-type: none"> 1972-83: \$2.2bn debt ballooned to \$25bn Debt service ratio exceeded 20% 1986: Poor use of borrowed funds left the Philippines with \$27bn of debt Debt repayment took up 10% of GDP during Aquino's term 1983 <ul style="list-style-type: none"> Had to seek 90-day moratorium on external debt repayments with the IMF 	1980s <ul style="list-style-type: none"> 1980: Foreign loans constituted 42% of Indonesia's state development budget 1989: Indonesia had Asia's largest debt at \$58bn 	1973-86 <ul style="list-style-type: none"> External foreign debt grew from virtually zero to 38% of GDP 		
Foreign aid	1972-78 <ul style="list-style-type: none"> Foreign aid and loans reached \$460m, up from \$76m 1978-86 <ul style="list-style-type: none"> Annual loans averaged \$350m 	1954-68 <ul style="list-style-type: none"> 1968 CIA estimate: \$3.2bn in aid from communist allies since 1954 1993 <ul style="list-style-type: none"> 1993: 23 donor states and agencies pledged \$1.86bn in loans 	1946 Philippine Rehabilitation Act <ul style="list-style-type: none"> Provided \$620m in aid 	1967: Inter-Governmental Group on Indonesia <ul style="list-style-type: none"> 14 nations (including the US and Japan) and international organisations formed the Inter-Governmental Group on Indonesia (IGGI), a major funnel for aid 1985-86: \$2.5bn in aid 	1950-75: US aid <ul style="list-style-type: none"> Thailand received \$650m in economic aid and \$1bn in military aid, on top of spending from American servicemen stationed there 		
Foreign advice			1970s-80s: World Bank <ul style="list-style-type: none"> Consultative Group formed under the World Bank to discuss needed capital 	1970s-80s: IMF <ul style="list-style-type: none"> IMF played a central advisory role in Indonesia's financial reorganisation 			1955: International Bank for Reconstruction and Development (IBRD) Report <ul style="list-style-type: none"> Stressed the importance of

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			inflows				expanding the industrial sector <ul style="list-style-type: none"> Government would facilitate infrastructural development and attract foreign investment 1959: Lyle Report <ul style="list-style-type: none"> Catalysed Pioneer Industries Ordinance and Industrial Expansion Ordinance 1961: Winsemius Report <ul style="list-style-type: none"> Catalysed Development Plan 1961-1964 and establishment of EDB
Ethnic communities			Chinese <ul style="list-style-type: none"> 1.3% of Chinese owned 50-60% of economy 	Chinese <ul style="list-style-type: none"> 1980s: 3.8% of Chinese controlled 73% of the economy Chinese Indonesian capital accounted for 75% of private sector investments in the 1970s Indigenous <ul style="list-style-type: none"> 1960s: 70% of rural labour force 	Pre-WWII Chinese <ul style="list-style-type: none"> Pre-WWII: Active Chinese business class, e.g. Nai Lert (cars), Nai Boonrawd (brewery), Nai Kokliang (cigarettes) Post-WWII Chinese <ul style="list-style-type: none"> 1980s: 10% of Chinese owned 81% of economy Only 3 of the 70 leading business groups were non-Chinese Sophonphanic family founded the Bangkok Bank, financing over 42% of total exports Indigenous <ul style="list-style-type: none"> 1960s: 80% of rural labour force 	Chinese <ul style="list-style-type: none"> Malaysian Chinese owned 85% of private-sector capital 	
Economic insularity*	Reduction of exports and trade <ul style="list-style-type: none"> 1962-72: Overseas trade fell by 63% 1980-87: Annual growth of exports fell to -4.7% 1950s-90s: Exports declined from 21% of GDP to 1.3% 			Sukarno's rejection of foreign aid <ul style="list-style-type: none"> 1964: Told the US ambassador to 'go to hell with your aid' Initial receipt of \$1bn in military aid and \$215m in economic aid from the Soviet Union disappeared after Sukarno established himself as a leader of the Non-Aligned Movement and the PKI took China's side in the Sino-Soviet split <hr/> <ul style="list-style-type: none"> 1957-65: GNP per capita declined 1959-66: Value of exports fell by 25% from \$931m to 			

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				\$685m <ul style="list-style-type: none"> 1965: 600% inflation 			
Outcomes							
Overall 5.8% growth across the region, compared to 3.5% growth across the rest of the world!							
Overall growth	4.3	—	3.9	5.7	6.8	6.7	8.3
1960s growth	3.2	—	4.9	4.2	8.2	6.5	10.0
1970s growth	4.7	—	5.9	7.9	6.9	7.9	9.0
1980s growth	1.4	GDP per capita: \$230	1.8	6.4	7.9	6.0	7.4
1990s growth	7.4	8.2	2.9	4.3	4.4	6.6	7.0
1970 AII/S	38 / 12 / 10		28 / 30 / 23	51 / 13 / 36 (1965)	30 / 26 / 18	32 / 25 / 12	2 / 36 / 21
1980 AII/S	48 / 12 / 10		23 / 37 / 22	24 / 42 / 34 (1980)	25 / 30 / 20	23 / 36 / 22	1 / 39 / 29
1990 AII/S	57 / 11 / 8		22 / 35 / 22	16 / 43 / 41 (1996)	13 / 37 / 27	19 / 42 / 24	0 / 35 / 27
1975 Pri Ind. / E.	47 (1980)			98	76	69	50
1994 Pri. Ind. / E.	57 (2000)			47	27	25	16
Other growth indicators		1990-95 <ul style="list-style-type: none"> 1990-95: Industrial output increased by close to 15%, agricultural output by 6% and international trade by 1000% 		1970-97 <ul style="list-style-type: none"> Poverty rate slashed from 60% to 11% 	1990-95 <ul style="list-style-type: none"> Remarkable 18.6% export growth rate 	1990-95 <ul style="list-style-type: none"> Remarkable 20% export growth rate 	
Equity	1972 <ul style="list-style-type: none"> Top quartile only made 5x as much as the bottom quartile 	1992 <ul style="list-style-type: none"> Gini coefficient was 0.35, which is considered very low 1990s <ul style="list-style-type: none"> 1998: Poverty in the southeast fell to 11.1%, while it remained at 60% in the north 1996-99: Income gap between wealthiest and poorest decile widened from 10.6x to 12x 	1990s <ul style="list-style-type: none"> Top 10% owned 40% of national income 	1970-93 <ul style="list-style-type: none"> Urban incomes went from 42% higher than rural incomes to 92% higher 	1965-2000 <ul style="list-style-type: none"> Gini coefficient rose from 0.41 to 0.52 2002 <ul style="list-style-type: none"> Rural poverty remains 4x of the urban rate 	1971-90: New Economic Policy <ul style="list-style-type: none"> Bumiputera ownership grew from 2% to 20% Bumiputera employment in agriculture fell from 66% to 29% 	1990 MOF Census <ul style="list-style-type: none"> 20% of households have monthly incomes less than \$700, while the top 10% of households have monthly incomes of \$9700 and above
Nationalism			1948-65 <ul style="list-style-type: none"> Filipino participation in import trade increased by 3-fold to 70% 		1964-72 <ul style="list-style-type: none"> Foreign capital comprised only 12% of total capital 1979 <ul style="list-style-type: none"> 60% of 500 largest firms were fully Thai owned 	1971-90: New Economic Policy <ul style="list-style-type: none"> Foreign ownership in economy fell from 63% to 33% 	
Excessive cronyism			Cojuangco <ul style="list-style-type: none"> 1992: Cojuangco family's 	Eka Tjipta Widjaja <ul style="list-style-type: none"> Eka Tjipta Widjaja's Sinar 	Sophonphanic family <ul style="list-style-type: none"> Founded the Bangkok Bank. 		

Argument	Burma	Vietnam	The Philippines	Indonesia	Thailand	Malaysia	Singapore
			<p>Philippine Long Distance Telephone (PLDT) company owned 90% of telephone lines, and even despite the entry of 13 competitors (e.g. Ayala), it still remains ahead</p> <p>Benedicto</p> <ul style="list-style-type: none"> Benedicto installed as the head of Philippine Sugar Commission Benedicto received 14 billion pesos in bailouts after sugar prices collapsed <p>Lucio Tan</p> <ul style="list-style-type: none"> Lucio Tan purchased Philippine Airlines – privatisation only enabled elites to accumulate wealth 	<p>Mas Group expanded from edible oils to pulp and paper</p> <p>William Soerjadijaja</p> <ul style="list-style-type: none"> William Soerjadijaja's Astra Group diversified into banking and real estate In the automobile industry, Astra and Indomobil domination and high tariffs of 100-300% on imports limited the growth of engines <p>Sudono Salim / Liem Sioe Leong</p> <ul style="list-style-type: none"> 1969: Bulog appointed Bogsari (owned by the government, Sudono Salim and Suharto's step-brother) as the sole flour miller 1984: Sudono Salim received a monopoly for imports of cold-rolled steel, adding 25-45% to the cost of steel sheets <p>Bob Hasan</p> <ul style="list-style-type: none"> "Timber King" 1988: Bulog awarded soymeal monopoly to PT Sarpindo, owned by Tommy Suharto and Bob Hasan Appointment to Trade Minister in 1998 	<p>financing over 42% of total exports</p> <ul style="list-style-type: none"> Occupied directorships on the Industrial Finance Corporation of Thailand <p>Pornprapha</p> <ul style="list-style-type: none"> Siam Motors 		
Narrow industrial base			<p>2000</p> <ul style="list-style-type: none"> 2000: 3 main export commodities constituted 64.7% of total exports 	<p>1980s</p> <ul style="list-style-type: none"> 1980s: 70-80% of export revenues came from primary exports, predominantly from petroleum, plywood and rubber 1980: Oil revenues contributed to 70% of export earnings 			<p>1986: Total Business Centre</p> <ul style="list-style-type: none"> Since 1986: More than 60 MNCs have set up headquarters here, including firms in the electronics, construction, transportation and pharmaceutical sectors

Economic Exposure

Argument	Thailand	Indonesia	Malaysia	The Philippines	Singapore	Burma	Vietnam
Trade exposure					Mid-1990s: ASEAN trade <ul style="list-style-type: none"> ASEAN accounted for more than 25% of Singapore's exports 	By 1994: Banned 28 exports <ul style="list-style-type: none"> E.g. teak, rice, oil, gems These constituted the bulk of what Burma produced and traded! 	1995: Trade volume was \$11bn <ul style="list-style-type: none"> Less than 10% of Thailand's and 5% of Singapore's
Financial Weaknesses							
Unregulated financial liberalisation	1990: Acceptance of IMF's Article VIII <ul style="list-style-type: none"> Removed all controls on forex transactions 1993: Bangkok International Banking Facility (BIBF) <ul style="list-style-type: none"> Served as a conduit for short-term lending rather than fulfilling its regulatory purpose 42 licenses for forex activities were granted Thai banks were allowed to keep bad debt for 12 months without reporting 	October 1988 Reform Package <ul style="list-style-type: none"> Loosened requirements for banking licenses In two years, over 40 new private banks were given licenses 1988-94: Number of banks doubled from 124 to 244 BUPN <ul style="list-style-type: none"> Government body to collect overdue debts, but failed to monitor the provision of credit Liem's Bank Central Asia was owed 60% of its loan portfolio by other Liem companies, debt that was unlikely to be repaid 	1989 Banking and Financial Institutions Act <ul style="list-style-type: none"> Compelled Malaysian financial institutions to show the central bank BNM that they had sound financial practices and sufficient reserves Required BNM permission for foreign borrowing Published annual reports disclosing the level of non-performing loans 	1996: Boasted the lowest leverage ratio of 6.9 <ul style="list-style-type: none"> Compared to the double-digit leverage of Thailand, Indonesia and Malaysia 1997: 45% of all liabilities were to Philippine nationals <ul style="list-style-type: none"> Compared to Thailand's 1% Since 1980s: Only 4 foreign banks and 1 local bank entered the market	Since 1975: Reserve and liquid asset requirements <ul style="list-style-type: none"> 6% reserves requirement for banks Liquid asset requirements of 18% and 10% for banks and finance companies respectively 		
High domestic interest rates	Interest rates on dollar loans were 4-6% lower than baht loans <ul style="list-style-type: none"> 1997: Only 1% of loans were owed to domestic nationals 						
Fixed exchange rates	Since 1984: Pegged to a basket of currencies, including a large share of USD						
Indebtedness / %	53	57	40	50	8		
ST loans / %	66	59	56	<20			
1991-93 stock market increases / %	56	37	50	58	63*		
Stock market bubbles	1997 <ul style="list-style-type: none"> Trading in the shares of Finance One, Thailand's largest finance company, was suspended amid fears of default 		1997 <ul style="list-style-type: none"> Overvalued stock market at 300% of GDP, making it the third-largest in Asia 				
Property bubbles	1996 <ul style="list-style-type: none"> 8-20% of all commercial loans in Thailand went to the property sector 	1994-97 <ul style="list-style-type: none"> Property loans grew by 35%, comprising 20% of all loans 	1997 <ul style="list-style-type: none"> Property loans accounted for 45-55% of all loans 1998	1997 <ul style="list-style-type: none"> Real estate loans were limited to 20% of the bank's portfolio and 60% of the property value 	1996 <ul style="list-style-type: none"> Decisively cooled property demand by introducing a 30-month deadline for property developers to 		

Argument	Thailand	Indonesia	Malaysia	The Philippines	Singapore	Burma	Vietnam
	1996-97 <ul style="list-style-type: none">1.5m sqm of office space became available on the Bangkok market 1997: Somprasong Land <ul style="list-style-type: none">Property giant Somprasong Land defaulted on interest payments for a \$3.1bn loan		<ul style="list-style-type: none">Total office space was expected to rise by 55%		complete construction, alongside a new stamp duty for those who sold property within 3 years of purchase		
Economic Weaknesses							
Overprotection	1985 <ul style="list-style-type: none">Effective rate of protection for Thai manufacturing was 52%Twice that of Malaysia and the Philippines 1987-96 <ul style="list-style-type: none">Thai firms' productivity fell by 50% Mid-1990s <ul style="list-style-type: none">70% increase in real wages	1997: Astra and Indomobil <ul style="list-style-type: none">In the automobile industry, Astra and Indomobil domination and high tariffs of 100-300% on imports limited the growth of engines					
Current account position	-7.9	-3.3	-4.9	-4.7	15.7		
Governance Weaknesses							
Bailouts	1983-86 <ul style="list-style-type: none">When three leading Thai banks ran into trouble, the government supplied over 12bn baht 1996: Bangkok Bank of Commerce <ul style="list-style-type: none">Received 120bn baht in bailouts as Saxena had ties with the "Group of 16"This is in spite of the fact that it had engaged in fraudulent behaviour, making bad loans to Chat Thai politicians 1997: Bank of Thailand provided over 1 trillion baht in bailouts		Mid 1980s <ul style="list-style-type: none">3 Malaysian banks deemed too weak were forced to reduce scale and capital				
Lack of accountability	1996: Bangkok Bank of Commerce <ul style="list-style-type: none">Received 120bn baht in bailouts as Saxena had ties with the "Group of 16"This is in spite of the fact	1992: Bank Summa <ul style="list-style-type: none">Even though Bank Summa made 55% of total loans to insiders, flouting the 10% limit on related party lending, none of its management and					

Argument	Thailand	Indonesia	Malaysia	The Philippines	Singapore	Burma	Vietnam
	that it had engaged in fraudulent behaviour, making bad loans to Chat Thai politicians	shareholders were punished 1994: Bapindo <ul style="list-style-type: none">State bank Bapindo sustained losses as it made large loans to the Golden Key Group despite Eddy Tansil, a principal shareholder, having no experience in petrochemicalsNo punishment					
1998 Corruption Report	1.61			2.40			
External Events							
Appreciation of the USD	1996-97: USD gained 35% relative to the Japanese yen <ul style="list-style-type: none">Bank of Thailand had spent \$20bn defending the baht in the first half of 1997						
Rise of competitors	1993: Formation of NAFTA <ul style="list-style-type: none">Reduced barriers to trade in North America made Southeast Asian exports less competitive 1994: Devaluation of the Chinese Yuan made Chinese exports more competitive <ul style="list-style-type: none">Tax rebates were also offered for exporters, further strengthening Chinese competitiveness 1995: Weakening of the Japanese economy made Japanese exports more competitive						
Speculation	George Soros <ul style="list-style-type: none">Soros spent \$1bn shorting the baht, forcing the Bank of Thailand to spend \$20bn defending the baht in the first half of 1997Mahathir singled out George Soros as a key speculator that attacked the ringgit						
Responses							
Constrained by vested interests	<i>Six-party coalition government!</i> Chart Pattana opposition <ul style="list-style-type: none">Mar 1997: FM Amnuay identified 10 weak firms for capital base strengthening, but Chart Pattana politicians collapsed the plan since they had vested interestsJune 1997: New FM Thanong attempted to suspend 16 finance companies, but Chart Pattana politicians once again resisted the plan Failed petrol tax <ul style="list-style-type: none">Thanong attempted to impose a petrol tax demanded by IMF austerity measures, but this was	<i>Suharto's cronyism!</i> Flipflop on infrastructural projects <ul style="list-style-type: none">Originally postponed large-scale infrastructural projects totalling 39 trillion rupiah, but gave the green light to eight of these projects in November Reopening of banks <ul style="list-style-type: none">16 banks were originally closed, but the two owned by his family were soon reopenedBambang Suharto sued the government for closing his bank and transferred the assets to another bank 1998 Budget					

Argument	Thailand	Indonesia	Malaysia	The Philippines	Singapore	Burma	Vietnam
	<ul style="list-style-type: none"> resisted and overturned FM Thanong resigned, and PM Chavalit followed in November Thailand went through 4 FMs in 6 months during the crisis 	<ul style="list-style-type: none"> Made no mention of plans to combat cronyism, indicating that Suharto was not serious about reform <p>1998 Cabinet</p> <ul style="list-style-type: none"> Filled by cronies and family, with Tutut the Minister for Social Affairs while Bob Hasan was the Minister for Trade 					
Pre-emptive response			<p>Aug 1997: Bank Negara Malaysia gave up defending the ringgit abruptly</p> <ul style="list-style-type: none"> Compare to Singapore's managed depreciation! Credit ratings fell from investment grade to junk KLSE and the ringgit lost more than 50% of their values 	<p>May-June 1997: Preemptive rate hikes</p> <ul style="list-style-type: none"> Raised interest rates by 1.75% and 2% to cool the overheating economy, taking early action to avert crisis <p>11 July 1997: Early pivot away from defending the peg</p> <ul style="list-style-type: none"> Gave up defending the peso early, after devoting \$2bn out of its \$11bn in reserves This came only 9 days after Thailand abandoned its peg 	<p>Managed depreciation</p> <ul style="list-style-type: none"> MAS permitted a managed depreciation of the SGD by 20%, ensuring its financial stability while preserving reserves 		
Damage mitigation / stabilising policies			<p>Sept 1998: Capital controls</p> <ul style="list-style-type: none"> Fixed the exchange rate at RM3.80 to 1 USD, preventing short-selling RM500 and 1000 notes were removed from circulation All Malaysian overseas investments of RM10,000 or more needed approval Travellers into and out of Malaysia were not allowed to carry more than RM1000 Trading curbs on the 100 component stocks of the KL Composite Index 		<p>Liberalised financial sector</p> <ul style="list-style-type: none"> Halved the minimum cash balance for banks from 6% to 3% to allow them greater flexibility <p>\$10.5bn cost cutting package</p> <ul style="list-style-type: none"> Reduced employer contribution to CPF from 20% to 10% Introduced a monthly variable component to wages to enhance employer flexibility with wage bills 40% property tax rebate and 10% corporate tax rebate introduced to boost respective sectors 		
Financial restructuring	<p>Oct 1997 Aid Package</p> <ul style="list-style-type: none"> Financial Sector Restructuring Authority was established <p>Chuan Leekpai's reforms</p> <ul style="list-style-type: none"> 56 of 91 insolvent finance companies were shuttered 	<p>Jan 1998: Presidential Decree No. 27</p> <ul style="list-style-type: none"> Established the Indonesian Bank Restructuring Agency <p>Habibie's reforms</p> <ul style="list-style-type: none"> 1999: State closed 66 insolvent banks and took 	<p>Regulations against non-performing loans</p> <ul style="list-style-type: none"> Government investment arm Danaharta bought non-performing loans Apr 1999: Banks were not permitted to lend to controlling stakeholders 				

Argument	Thailand	Indonesia	Malaysia	The Philippines	Singapore	Burma	Vietnam
	<ul style="list-style-type: none">4 banks were taken over by the governmentBankruptcy legislation was amended to make it easier to liquidate companiesForced banks to make full disclosure of bad loans	<ul style="list-style-type: none">over 12 others1999: Bank Indonesia, the central bank, was given full independence from political interference <p>Dec 1999: Financial Sector Policy Committee</p> <ul style="list-style-type: none">Designed to lead Indonesia's financial restructuring efforts					
IMF measures	<p>Oct 1997 Aid Package</p> <ul style="list-style-type: none">IMF aid package worth \$17bn was agreed uponFinancial Sector Restructuring Authority was establishedBut high interest rates prescribed to stem capital flight put greater financial pressure on banks already on the brink of insolvency, increasing the risk of defaultIMF package seen as aid to the rich	<p>Oct 1997 Aid Package</p> <ul style="list-style-type: none">IMF aid package worth \$37bn was agreed uponBut removed subsidies on key goods like fuel and electricity, exacerbating social unrest and political instabilityBut high interest rates prescribed to stem capital flight put greater financial pressure on banks already on the brink of insolvency, increasing the risk of default <ul style="list-style-type: none">1998: Rupiah reached its lowest rate in July <p>Feb 2000 Aid Package</p> <ul style="list-style-type: none">New agreement with the IMF to provide \$5bn in capital	<p>1999: IMF flipflop</p> <ul style="list-style-type: none">IMF commended Malaysia for its implementation of capital controls, a move it condemned a year earlier	<p>Mar 1998</p> <ul style="list-style-type: none">IMF aid package worth \$1.3bn was agreed uponBut high interest rates prescribed to stem capital flight put greater financial pressure on banks already on the brink of insolvency, increasing the risk of default <hr/> <ul style="list-style-type: none">1998: Peso reached its lowest rate in September			
Consequences							
Quarters in recession	6	5	5	3	2	0	0
1998 GDP growth	-7.6	-13.1	-7.4	-0.5	-2.2	5.8	5.8
Jul-Jan currency depreciation	-55	-84	-45	-39	-19		
Stock market collapse	-76 (Bangkok SET)	-65 (Jakarta SE Composite)	-79 (KL Composite)	-67 (SE Composite)	-62 (Straits Times Index)		
Capital flight	1997-98: \$200bn in capital flight, amounting to 18% of their total GDP						
Increasing inequality	<p>1996-98</p> <ul style="list-style-type: none">Household expenditure for rural populations fell by 3%, while urban expenditures increased by 3.8%			<p>1996-98</p> <ul style="list-style-type: none">Richest decile's income share increased by 3.6%, while the poorest 5 deciles' share declined by 2.3%			
Uneven impact	<p>1996-98</p> <ul style="list-style-type: none">In central Thailand, rural incomes grew by 13% while	<p>1998</p> <ul style="list-style-type: none">While household expenditure fell 30% and					

Argument	Thailand	Indonesia	Malaysia	The Philippines	Singapore	Burma	Vietnam
	urban incomes fell by 10%	42% in Jakarta and West Java respectively, it only fell 10% in rural Sumatra					
1998 Agricultural growth	3.1	1.7					
1996-98 Construction employment	-34	-16	-13	-8			
1996-98 Unemployment	+3.3	+2.4	+4.2	+5.9	-0.7		
Poverty	1996-2000 <ul style="list-style-type: none"> Poverty rates climbed from 35% to 42% 	1998 <ul style="list-style-type: none"> Poverty rates climbed from 10% to 14% 1998 <ul style="list-style-type: none"> Half the population fell below the poverty line, with per capita GNP shrinking from \$1200 to \$450 					
Education cuts	1998 <ul style="list-style-type: none"> Education budgets declined 6% in accordance with IMF guidelines 	1998 <ul style="list-style-type: none"> Dropout rates for male youth increased by 46%, or 80% in the poorest quartile 		1997-99 <ul style="list-style-type: none"> Secondary school enrolment fell by 7.9% 			
Crime	1998 <ul style="list-style-type: none"> Crime rates increased 25.7% relative to 1997, including murder and theft 	May 1998 Pogroms <ul style="list-style-type: none"> Tens of thousands of Chinese fled Indonesia Over a thousand were killed 1998 Looting <ul style="list-style-type: none"> Coffee plants in East Java were looted, leading to a 20% decrease in revenue 					
Social instability	Oct 21 Demonstrations <ul style="list-style-type: none"> Thousands of white-collar workers gathered outside Parliament House Only demobilised after a public call from the King for restraint 	May 1998 Pogroms <ul style="list-style-type: none"> Tens of thousands of Chinese fled Indonesia Over a thousand were killed May 1998: Trisakti University protests <ul style="list-style-type: none"> Trisakti University protests violently suppressed, killing 4 students Resultant rioting in Jakarta left 500 dead Outer Islands tensions <ul style="list-style-type: none"> 1999: Conflict broke out between Christian and Muslim communities in the Maluku islands 					

Argument	Thailand	Indonesia	Malaysia	The Philippines	Singapore	Burma	Vietnam
		<ul style="list-style-type: none">1999: Dayaks and Malays attacked ethnic Madurese migrants in West Kalimantan					
Political upheaval	<p>Oct 1997: FM Thanong resigned</p> <ul style="list-style-type: none">Thailand went through 4 FMs in 6 months during the crisis <p>Nov 1997: PM Chavalit resigned</p>	<p>May 1998: Suharto resigned</p> <ul style="list-style-type: none">Trisakti University protests violently suppressed, killing 4 studentsResultant rioting in Jakarta left 500 deadSuharto resigned, despite signalling his intention to run for President 4 months prior!	<p>1998: Anwar vs Mahathir</p> <ul style="list-style-type: none">Anwar and his supporters decried corruption, cronyism and nepotism under Mahathir's ruleAnwar advocated an acceptance of IMF loans with attached conditions of austerity, while Mahathir found IMF loans unpalatableSept 1998: Mahathir fired Anwar and expelled him from UMNO, having him arrested for corruption and sodomyAnwar's supporters formed the Reformasi movement1999: Anwar's wife founded the National Justice Party, forming the coalition Barisan Alternatif with other opposition parties to challenge Mahathir in the elections	<p>1998 Elections</p> <ul style="list-style-type: none">Estrada peacefully succeeded Ramos without incident	<p>2001 Elections</p> <ul style="list-style-type: none">PAP secured 75% of the vote, up from 65% 4 years earlier		
Recovery							
Return to strong positive growth	<p>1999</p> <ul style="list-style-type: none">4% GDP growth	<p>2000</p> <ul style="list-style-type: none">4.9% GDP growth	<p>1999</p> <ul style="list-style-type: none">6.1% GDP growth	<p>1999</p> <ul style="list-style-type: none">3.3% GDP growth	<p>1999</p> <ul style="list-style-type: none">5.4% GDP growth		
Stock market recovery			<p>2007</p> <ul style="list-style-type: none">Reached 1997 levels only in 2007				
Stopped drawing on IMF loans	<p>Sept 1999</p> <ul style="list-style-type: none">Used only \$14bn out of the offered \$17bn in aid	<p>2004</p> <ul style="list-style-type: none">Indicates the prolonged nature of the economic crisis					
Legacy							
Financial restructuring	<p>Oct 1997 Aid Package</p> <ul style="list-style-type: none">Financial Sector Restructuring Authority was established <p>Chuan Leekpai's reforms</p> <ul style="list-style-type: none">56 of 91 insolvent finance companies were shuttered4 banks were taken over by the governmentBankruptcy legislation was amended to make it easier to liquidate companies	<p>Jan 1998: Presidential Decree No. 27</p> <ul style="list-style-type: none">Established the Indonesian Bank Restructuring Agency <p>Habibie's reforms</p> <ul style="list-style-type: none">1999: State closed 66 insolvent banks and took over 12 others1999: Bank Indonesia, the central bank, was given full independence from political interference	<p>Regulations against non-performing loans</p> <ul style="list-style-type: none">Government investment arm Danaharta bought non-performing loansApr 1999: Banks were not permitted to lend to controlling stakeholders				

Indonesia	Malaysia	The Philippines	Singapore
<p>Industrial Sector Policy</p> <p>to lead Indonesia's restructuring efforts</p>			
<p>ns for the MPR</p> <p>Referendum</p> <p>n was held for granting them ce eventually in</p> <p>Elections</p> <p>ould be freely</p> <p>military in</p>			
<p>ISU)</p> <p>g</p>			