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# 99 Problems (But A Crisis Ain't One) Political Business and External Vulnerability in Island Southeast Asia

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**99 Problems (But A Crisis Ain't One)**

**Political Business and External Vulnerability in Island Southeast Asia**

Thomas B. Pepinsky*

**Abstract**

This paper examines how political business relations have shaped country vulnerability to financial crises during periods of international financial contagion. While close relations between political and business elites in island Southeast Asia deepened vulnerability during the Asian Financial Crisis, the same does not hold during the global crisis of 2008-09—neither the countries where political business relations have changed (Indonesia) nor the countries where they are the same (Malaysia, the Philippines, and Singapore) have experienced a true economic or financial crisis. Instead, for island Southeast Asia this crisis is merely a trade and investment shock, and a relatively minor one at that. A comparison of the crises of 1997-98 and the non-crises of 2008-09 shows that political business relations only affect external vulnerability insofar as they interact with economic policy settings, regulatory regimes, and the beliefs of investors.

**Keywords:** financial crisis, vulnerability, political business relation, investor beliefs, Southeast Asia

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## 1. Introduction

The Global Economic Crisis of 2008-09 represents a landmark event for the advanced industrial economies. In island Southeast Asia—Indonesia, Malaysia, the Philippines, and Singapore—the Global Economic Crisis (GEC) will be remembered as an external shock that generated a lot of worry but few substantial costs. This is in stark contrast to the crises of 1997-98, which in the region toppled one authoritarian juggernaut (Indonesia), dealt a near-fatal blow to another (Malaysia), and frightened the remaining two countries, both of which had enjoyed a strong growth in previous years. The 1997-98 financial crises in Southeast Asia generated a voluminous literature on their origins and consequences, most of which emphasized how political economy factors played a central role in explaining why the crisis unfolded across the region in the way that it did. Southeast Asia's "non-crisis" of 2008-09 raises the question of whether political and economic reforms after the 1990s crises have shielded island Southeast Asia from the current economic crisis.

The answer to that question is no. Rather, island Southeast Asia has weathered the current crisis primarily because of more subtle changes in exchange rates and domestic regulation alongside broader changes in investor beliefs about the viability of these countries' political and economic systems. In this paper I outline some of the lessons that we can draw from a comparison of these two international financial crises and their effects on island Southeast Asia. My focus is on political business relations and the politics of external vulnerability in these four countries. The central lesson from the two crises is that the pathways from tight political business relations to vulnerability to international contagion during global or regional financial crises—which I gloss here as "external vulnerability"—are subtle and complex. Alone, neither domestic political economy factors nor international economic integration are sufficient to explain the course of these two crises in island Southeast Asia. Further, not even the conjunction of domestic political economy factors and international economic integration explains the course of the two crises. Rather, to understand why the Asian Financial Crisis of 1997-98 was so devastating for Southeast Asia while the GEC was so minor, we must focus on the more subtle interactions of incentive structures, regulatory regimes, and global economic conditions. Broad problems like "corruption" or "crony capitalism" do not create external vulnerability. The conjunction of smaller problems such as exchange rate misalignment along with asset price bubbles and lax prudential regulation create external vulnerability.

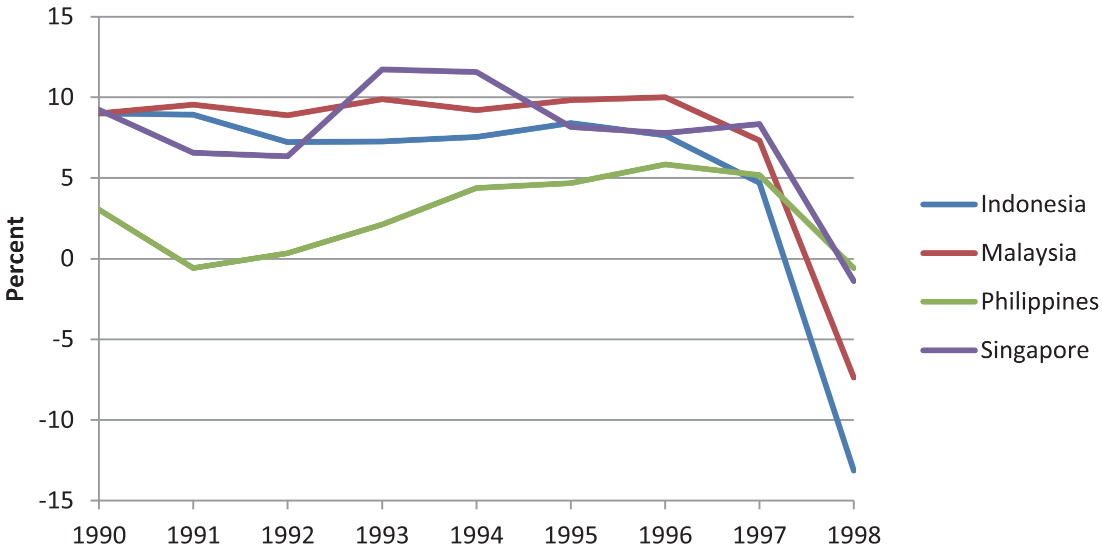
The takeaway point is that whatever pathologies we can identify in the political economies of small, open, developing economies such as those in island Southeast Asia, it is by no means the case that they generate external vulnerability—even in the small, open, developing economies that are often thought to be most vulnerable to volatile international conditions. As the title of this paper indicates, there is no shortage of reasons to worry about the economic prospects of these four countries. Tight political business relations in Indonesia, Malaysia, the Philippines, and arguably even Singapore continue to produce important economic problems. Nowhere in Southeast Asia do political business relations approach a "laissez faire" model; instead, I characterize political business relations in contemporary Indonesia and the Philippines as "rent-seeking," in contemporary Malaysia as "collusive," and in Singapore as "regulatory." In various ways, each of the four island Southeast Asian economies faces serious problems of efficiency, equity, corruption, and cronyism. These raise fundamental questions about the long-term sustainability of these countries' developmental trajectories. Their having withstood the GEC does not deny these problems. But it does indicate that the existence of tight political business interactions does not generate external vulnerability in the ways that a cursory reading of the literature on the 1997-98 crisis might suggest.

In the following section I briefly review the state political business relations in island Southeast Asia prior to 1998. While the links between politicians and business interests were tight throughout the region during this period, political business relations produced very different kinds of external vulnerability in each of the four countries under consideration. I then examine the record of political and economic restructuring in the wake of the crisis, which I rate to have been significant in Indonesia but little more than cosmetic in the other three. From there, I argue that Indonesia's reforms had nothing to do with protecting it from the 2008-09 financial crisis; as there were no significant reforms in the other three countries, such reforms could not have helped them either. I conclude with a commentary on what political economists should infer about the role of political business, cronyism, and related issues in explaining country vulnerability to financial crises.

## 2. Business and politics in the 1990s

Southeast Asia's economic performance in the early- and mid-1990s was no less than spectacular when viewed against previous decades' lackluster performance and the relatively difficult post-1980s adjustments in Africa and Latin America. Singapore, which had already enjoyed its post-independence transformation into a regional manufacturing hub, sought to lay the groundwork for a second economic transformation through innovation and services. Indonesia, Malaysia, and the Philippines had undertaken difficult reforms in the late 1980s in response to the global economic slowdown earlier in that decade. These reforms, coupled with relative political stability and a fundamentally open orientation to the global economy (especially in Indonesia and Malaysia), enabled each to take advantage of the global upswing of the 1990s through the export of commodities and manufactured goods. Figure 1 charts GDP growth in the 1990s along with the crash of 1998 for the four island Southeast Asian economies.

**Figure 1.** GDP growth, 1990-1998




Source: World Bank (2010)

There was no shortage of attempts to link developing Asia's economic success to various paradigms and schools of thought about economic development. For liberals, island Southeast Asia represented the victory of capitalism over the dirigiste policies that were once popular in the region, and of globalization over autarky and national developmentalism (World Bank 1993). For institutionalists, island Southeast Asia confirmed that institutions play an essential role in directing and managing the dislocations inherent in economic transformation in a globalized world (see the discussions in Abrami and Doner 2008: 230-8). For neo-Marxists and other structuralist critics of developing Asia's quasi-developmentalist regimes, what appeared to be the foundation for long-term economic development was little more than capital accumulation by powerful economic actors, which masked serious problems of equity, access, and participation for most citizens (Rodan et al. 2005).

Reality did not quite confirm any of these perspectives. While none of these economies were dirigiste in any meaningful sense of the word, neither did regimes create the sorts of unfettered free markets that classical liberalism might have expected would be necessary to generate sustained economic growth in what had formerly been quite backward regions. Indonesia, Malaysia, and the Philippines were hardly developmental states in the way that Singapore, South Korea, and Taiwan were. And while all countries fell short in important ways in providing access to the fruits of economic development to all, the 1990s did see substantial improvements in material well-being for most citizens of these countries. Importantly, all of this was accomplished under political regimes that fell short of basic standards for democratic quality, from the military-bureaucratic New Order regime in Indonesia to the mobilizational hegemonic party regimes in Malaysia and Singapore to the messy and elite-dominated young democracy of the Philippines.

What is clear is that during this period of rapid economic growth, deep connections between political and business elites flourished. In every country, political elites used economic policy as a tool for consolidating or maintaining political authority. This happened in different ways in different countries, and this has important consequences for the way that the Asian Financial Crisis unfolded across island Southeast Asia. But the commonality across them is that growing economies provided regimes with ready access to cash to fund development schemes (which generated performance legitimacy) and crony enterprises (which generated elite compliance) alike.

In Indonesia, the New Order regime had responded to the oil shocks and general economic slowdown in the 1980s with a round of privatization and deregulation (Soesastro 1989). Combined with the country's relative openness to trade and foreign investment, this provided the foundation for nearly a decade of rapid economic growth. Politically-connected entrepreneurs in both the Chinese Indonesian and indigenous *pribumi* business community were well positioned to capitalize on the new economic opportunities afforded by deregulation and privatization. These opportunities allowed connected figures to nurture their large and diversified business empires that penetrated nearly all sectors of the Indonesian economy. In exchange for favorable regulations, choice tenders, and political protection, entrepreneurs provided the cash and business opportunities that financed the New Order regime, including off-budget activities associated with the military and the bureaucracy as well as Soeharto and his immediate family. This hierarchical model of political business relations can best be described as "predatory." All of this was supported by substantial inflows of foreign capital eager to take advantage of the country's booming economy. Capital inflows were in turn encouraged by a pegged (and overvalued) exchange rate, an open capital account, financial deregulation, and an implicit understanding at home and abroad that the government would maintain these policies indefinitely (Hill 1999).

Malaysia too responded to crises of the 1980s with privatization and deregulation. And like Indonesia, Malaysia had long embraced foreign trade and investment as key engines for growth (some infant-industry protectionism notwithstanding). But Malaysia's economic structure along with its configuration of business interests and political power differed from Indonesia. Economically, Malaysia entered the 1990s with a much more developed financial system, including a stable and relatively liquid equities market. Politically, Malaysia's Barisan Nasional regime relied on the support of the country's indigenous *bumiputera* (primarily Malay) majority, who after decades of economic and political favoritism remained relatively economically disempowered vis-à-vis the country's ethnic Chinese minority. This meant that more so than in Indonesia, Malaysia's political elites distributed the fruits of economic growth broadly among the country's indigenous masses, fostering Malay participation in the equities market in particular but also taking care to nurture the nascent Malay entrepreneurial class (Gomez and Jomo 1999). This more interconnected form of political business relations—without the dominant executive found in Indonesia—can best be described as "collusive." As in Indonesia, favorable policies generated broad support for the regime among its key constituents. Foreign capital attracted to the Malaysia's growing economy and stable political system—again, under a pegged and overvalued exchange rate with an open capital account and a liberalized financial sector—further supported growth in the 1990s.

Indonesia and Malaysia each saw GDP growth far exceed five percent per year throughout the early and mid 1990s (see Figure 1). The Philippines saw much more modest growth until the middle of the decade, and never reached the same dizzying pace seen elsewhere in the region. While there are undoubtedly many factors that help to explain the Philippines' relatively slower growth, from a political economy perspective, the central factor explaining slower growth was the interaction of new and fragile political institutions with an unstable and confusing business environment. Unlike Indonesia and Malaysia, the Philippines saw the end of its authoritarian regime in the 1980s; in the subsequent decade the administrations of Corazon Aquino and Fidel Ramos worked within a new democratic political order. Two legacies of the prior authoritarian period remained, though. One was political instability, visible through several unsuccessful coup attempts, the privatization of security for the country's elites, and sustained infighting among various political factions. The second was the Filipino economy's continued domination by relatively small and insulated group of economic elites (the "oligarchs") whose influence penetrated regulatory institutions, yielding a "rent-seeking" form of political business relations. Together, political instability and "patrimonial plunder" made the Philippines a relatively less attractive foreign investment destination that its neighbors (Hutchcroft 1999). A more restricted capital account and a less overvalued exchange rate reinforced this, especially in comparison to the stable and highly open economies elsewhere in the region.

Political business in Singapore in the 1990s followed a still different trajectory. The Singaporean political system shares a number of features with Malaysia, including a dominant party (the People's Action Party) that has adopted a mobilizational strategy for maintaining power. But cognizant of its shortage of human and natural resources, and sensitive to its strategic location along an important trade route, Singapore's leaders have consistently embraced trade and foreign investment since independence. Doing so has meant capitalizing on the strong legal and administrative institutions that it inherited from the British to provide an institutional environment that foreign companies find attractive in terms of stability, legal certainty, and the ease of doing business. In this way, Singapore parlayed its history as a free trade port into a position as a regional hub for manufacturing, trade, and services. This does not mean that politics and business do not mix in Singapore—quite the opposite, the links between the two are tight, and include many personal links between politicians and business elites (Hamilton-Hart 2000). But legal and regulatory authorities have not been captured by particularistic interests in the way that they have been elsewhere in the region, producing political business relations in Singapore that can be described as "regulatory." Foreign capital flowed into Singapore just as in Indonesia and Malaysia, but this was to take advantage of good economic institutions rather than to capitalize on strong growth and financial deregulation under open capital markets and a pegged exchange rate.

By 1996, the signs of overheating in developing Asia were apparent, if ignored by most market participants and governments alike. Chinn (2000), among others, has found evidence that the rupiah, ringgit, and peso were overvalued, although the extent of this overvaluation was not severe. Foreign debt inflows were large relative to GDP, especially in Indonesia and Malaysia (see Table 1), while inflows of portfolio capital and foreign direct investment reached substantial portions of each country's GDP.

**Table 1.** Selected debt indicators

| Average of yearly net inflows / GDP, 1991-1996 | | | |
|---|---|---|---|
| | *Long-term* | *Short-term* | *Private non-guaranteed* |
| Indonesia | 2.33 | 1.99 | 1.35 |
| Malaysia | 2.65 | 1.98 | 2.37 |
| Philippines | 1.48 | 0.85 | 1.07 |
| Singapore | n/a | n/a | n/a |

Source: author's calculations from World Bank (2010)

**Table 2.** Capital inflows

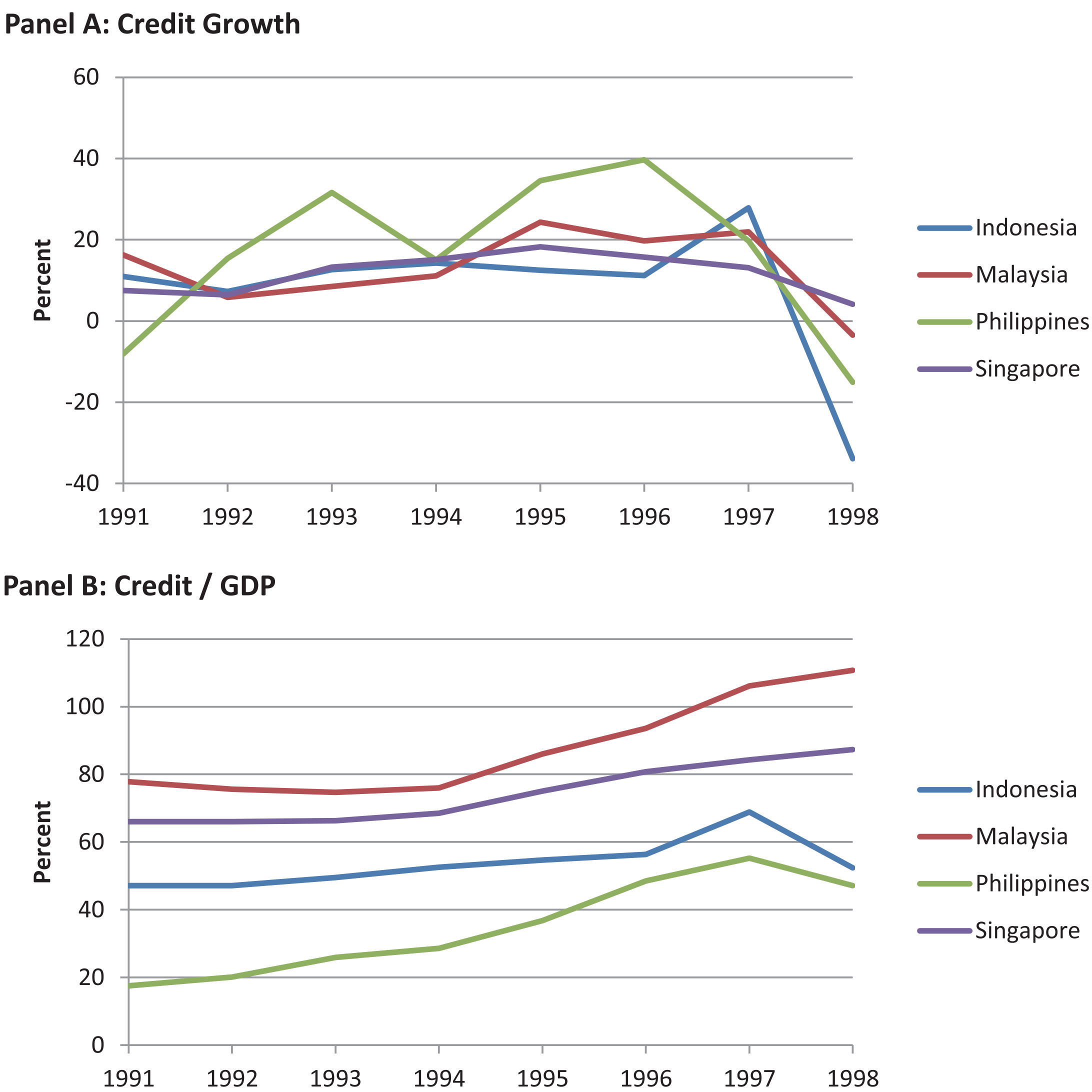
| Average of yearly net inflows / GDP, 1991-1996 | | | |
|---|---|---|---|
| | *Foreign Direct Investment* | *Private excl. FDI* | *Total Private* |
| Indonesia | 1.63 | 2.34 | 3.97 |
| Malaysia | 6.65 | 5.18 | 11.83 |
| Philippines | 1.70 | 2.18 | 3.88 |
| Singapore | 8.83 | -3.02 | 5.87 |

Source: author's calculations from Asian Development Bank (2000)
and International Monetary Fund (2010a)

While inflows of foreign debt and equity investment are themselves not dangerous, the problem for Indonesia, Malaysia, and to a lesser extent the Philippines lay in the way that they were intermediated into the domestic economy. In Malaysia they fed the rapid expansion of the Kuala Lumpur Stock Exchange (KLSE), whose market capitalization exceeded two hundred percent of GDP by the beginning of 1997 as individuals and corporations alike—encouraged by the regime—sought to grab a piece of the country's growth. In Indonesia they coursed through the country's conglomerates and their financial institutions to feed a rapid increase of domestic lending, much of which made little regard to fundamental viability of the ventures being funded so long as they fulfilled political needs. In the Philippines similar patterns prevailed, if to a smaller extent due to the country's more modest performance (Hutchcroft 1999). Figure 2 charts private sector credit growth in the four economies, making clear both the rapid growth in private sector credit and its size relative to GDP prior to 1998. Exchange rates played a key role, as market participants appear to have believed that there existed implicit government guarantees about future exchange rate trajectories. This encouraged market participants to discount exchange rate risk in Indonesia and Malaysia, something which would later prove devastating when the crisis hit. Only in Singapore did prudential authorities manage the inflow of foreign capital in a way that would ultimately prevent a painful financial reversal.

This, then, was the state of affairs in island Southeast Asia in early 1997. Political business relations were close in all four major economies, but they varied in ways that would affect the build-up of external vulnerability. Stable, cooperative political business relations in Indonesia and Malaysia, predatory in the former and collusive in the latter, and enabled by external economic policy settings and a lack of independent regulatory oversight, fed booming economies that attracted large inflows of foreign capital. Stable, cooperative political business relations in Singapore, combined with strong legal and regulatory institutions, led to strong economic growth that also attracted significant capital inflows, but which was far less vulnerable to sudden changes in investor sentiment or to the exchange rate. Unstable politics and elite rent-seeking was the hallmark of political business relations in the Philippines, and led to the capture of regulatory institutions by powerful business interests and discouraged the type of capital inflows seen elsewhere in the region.

**Figure 2.** Private sector credit*




Source: author's calculations from Asian Development Bank (2000).
* credit growth calculated in constant prices.

**3. The Asian financial crisis and post-crisis reforms**

The aforementioned patterns had important implications for these economies' vulnerability to sudden external shocks such as that which accompanied the Thai government's decision to float the baht in June of 1997. The baht float represented the end of the common belief that East Asian currencies were fundamentally sound, most basically in the sense that governments could not be forced to abandon their managed exchange rate regimes. Coming on the heels of the bursting of a property bubble in Thailand, it also encouraged investors both at home and abroad to reevaluate the fundamental viability the pattern of rapid growth fed by capital inflows in the region. Thereafter, investors became concerned with future growth trajectories in developing Asia, and began to pull back from their former eagerness to feed these economies' appetite for foreign capital. By September 1997 the rupiah, ringgit, and peso had been allowed to float. The combination of downward exchange rate pressure and rising concerns about the quality of outstanding loans and investment projects quickly became a self-reinforcing cycle: investors concerned about future exchange rate movements held off from investing or divested altogether, which exposed the fragility of existing financial systems to changes in investor sentiment, which of course further damaged investor sentiment. The subsequent course of the crisis from this point forward is well known and need not concern us here, aside from the observation that the very factors that had previously undergirded rapid economic expansion—in Indonesia and Malaysia especially—now proved to be the very factors that made the crisis so severe.

Indonesia's crisis was the most dramatic, and the one most often marshaled as evidence of the ways in which political business relations can produce external vulnerability (see e.g. Robison and Rosser 1998). The rupiah float in August 1997 exposed the extent to which private foreign borrowing had gravitated towards short maturity structures and failed to take into account foreign exchange risk. So long as the domestic economy continued to grow, and so long as the government would protect the rupiah, borrowers had every incentive to seek cash overseas at favorable terms in order to invest at home, and no incentive to hedge their borrowing against possible currency movements. After the float, borrowers found themselves having to pay back loans that were growing increasingly expensive at the same time that their profit-making opportunities at home were disappearing. Banks and other financial institutions reacted by hoarding what funds they had, which in turn starved the entire economy of working capital. This meant that nearly all sectors of the Indonesian economy, not just those directly exposed to foreign capital inflows, found themselves in crisis.

Politically-connected business interests, who had themselves helped to create the now-collapsed system, placed enormous pressure on the regime to find a policy solution that would bring the crisis to an orderly close. However, the main feasible policy solutions—de-internationalizing the rupiah and closing the capital account, or alternatively raising interest rates and slashing publish expenditures to establish credibility—were viewed as unpalatable by important subgroups within the business community. Indonesian firms with fixed assets (many of which had informal ties with the military or to the first family) sought to reflate the economy under a closed capital account, while largely ethnic Chinese-owned firms with mobile assets scrambled to protect their ability to send cash overseas (Pepinsky 2008a). Fierce battles over adjustment policy within the regime put various factions of the business community in direct competition with one another, which had the consequence of dividing the regime itself. Wild policy swings and Soeharto's perceived inability (or refusal) to comprehend the seriousness of the crisis before him do not help. In the end, it took the ouster of Soeharto, the complete collapse of the financial system, an IMF bailout, and two years of painful adjustment before the country would see growth resume. Few could have imagined that the high-flying New Order economy would crash so hard, so quickly.

In nearby Malaysia the crisis unfolded a bit differently. Unhedged foreign currency borrowing never reached the levels in Malaysia that it did in Indonesia, but in Malaysia's far more developed stock market allowed Malaysian firms to rely on equity financing to a far greater degree than could Indonesian firms. Inflows of private short-term capital, most of which targeted Malaysian equities markets, reached 43% of total capital inflows in 1996 (Tourres 2003: 24). The ringgit float was seen as confirmation that the Malaysian economy's prospects were less promising than previously thought, prompting foreign investors to divest and leading to the collapse of share prices on the KLSE and the rapid growth of non-performing loans in the domestic financial sector. As in Indonesia, this made the crisis a truly national problem, and produced broad pressure on the regime to bring the crisis to an orderly close while avoiding the most painful consequences of the investment slowdown.

Popular outrage at economic dislocation combined with simmering grievances at the regime's authoritarian rule almost spelled the end of Prime Minister Mahathir Mohamad's government. However, a broadly popular adjustment package—which re-pegged the ringgit at a modestly overvalued rate and banned all outflows of short-term capital—allowed the regime the breathing space to engineer a relatively quick and robust recovery. The contrast with Indonesia is instructive (Pepinsky 2009). The Malaysian regime's constituents in the business community were far less divided in terms of asset profiles than were the New Order's supporters. Important fractions of the ethnic Chinese Malaysian business community with mobile assets rejected Mahathir's adjustment measures, but due to their longstanding marginalization from politics, this was politically inconsequential. The Malay masses were likewise largely supportive of the adjustment package that they received, and this afforded the regime some leeway to crack down on the country's first truly pan-ethnic opposition movement in order to prevent regime change (Pepinsky 2008a). Shielded from international markets, political and business elites were able to protect their business interests in a way that preserved the essential logic of Malaysia's political economy.

The Philippines in the 1990s never reached the heights of growth fed by capital inflows seen in Indonesia and Malaysia. The corresponding economic downturn accompanying the 1997-98 crises was therefore simply not as substantial as in either of the two countries (Noland 2000). But the Philippines did face an acute crisis, forcing a peso float and some painful orthodox stabilization measures. MacIntyre (2001) rates decisionmaking in the Philippines to have been more successful than that in Indonesia or Malaysia due to the country's relatively (but not completely) insulated democratic political institutions, which allowed the Ramos administration to cut spending and the BSP to raise interest rates (two policies that were bitterly resisted by key constituencies in both Indonesia and Malaysia). Perhaps due to the fractionalization of the post-Marcos political economy, it is more difficult in this context to speak of meaningful cleavages in the country's business community that shaped the course of the country's adjustment. But as Hicken (2008) observes, crisis management may have been the high point of the Philippines' economic performance since the fall of Marcos. I will return to this point later when returning to the politics of external vulnerability in that country.

Singapore's experience differs altogether from the others. Singapore did register negative GDP growth in 1998, so in that sense it was clearly affected by the Asian Financial Crisis. Exporters to the region as well as the travel and leisure industries, which all depend on strong performance in Singapore's neighbors, suffered the most. But this was a small setback for the region's most developed economy. Prudent regulation of the financial sector prior to the crisis helped to restrain both the excessive growth of domestic credit and its exposure to currency movements, while also keeping domestic banks better capitalized than their neighbors (Ngiam 2001). These basic features of the Singaporean financial system meant that there was little reason to doubt the *long term* viability of the Singaporean economy, even though its short term prospects dimmed along with its neighbors. Politically, the shallow crisis, which the regime could quite credibly blame on factors external to its own control, created few problems for the regime. Still, the Singapore's reliance on overseas workers (who have no political voice) means that the burdens of adjustment to difficult economic circumstances can always be externalized, reducing citizens' own grievances with the regime. This likely helped Singapore to manage the political consequences of the relatively small amount of retrenchment that did take place.

To summarize: the 1997-98 crisis was devastating in Indonesia, serious in Malaysia, challenging in the Philippines, and shallow in Singapore. What of subsequent changes in political business relations in these four countries? The simple answer is that political business relations in Indonesia did change in important ways, but these changes have not redressed most of the fundamental challenges facing that country. In the remaining countries, political business relations do not appear to have changed in any appreciable way at all.

The collapse of the New Order and the return of electoral democracy to Indonesia was a sea change for Indonesia's political economy. At the basic level, many of the formerly high-flying conglomerates suffered heavily during the crisis, although most have been reformed in some fashion. The Soeharto family no longer occupies the heights of the Indonesian economy. There have been some halting attempts to prosecute former corruptors. Bank Indonesia and the Ministry of Finance have plainly improved the country's financial regulatory environment, although from a very low base. But the major difference is not the identity of the main players in the business community (aside from the oldest father figures they are mostly still around), or the fact that they try to direct policy in ways favorable to their long term business interests (naturally they still do), but rather the logic of political business relations in the democratic era. A common refrain among old Indonesia hands in the business world is that under the Soeharto regime at least one knew how to get things done: pay someone at the top of a pretty clear political/economic hierarchy. That old hierarchy has been replaced by a web or network of crony connections, one that is far more unclear, unpredictable, and saddled with individual bottlenecks that can discourage the types of stable political business relationships that flourished under the New Order (Pepinsky 2008b). It is certainly no longer the case that a powerful political executive can demand concessions and patronage from his or her subordinates in the business world. Elections have become witness to lavish spending by various candidates and their business allies seeking to gain political power. The spring 2010 ouster of Finance Minister Sri Mulyani Indrawati is evidence that big business interests can still throw their weight around (Baird and Wihardja 2010). To reiterate, there is no doubt that corruption, collusion, and cronyism continue in Indonesia's democratic era, and that powerful business groups have weathered the crisis remarkably well (Robison and Hadiz 2004). In that sense, political business relations are just as concerning as ever. But they are different. Whether or not that difference is consequential for Indonesia's external vulnerability is a subject to which I return in the next section.

In Malaysia, the Philippines, and Singapore, however, political business relations continue under the same form that they did prior to the crisis (Hicken 2008; Pepinsky 2008b). In Malaysia, this is because the regime was able to adopt policies that protected the existing distribution of political and economic power—that was quite literally the entire point of adopting these policies. This meant that the crisis was not a fundamental break in the Malaysian political economy, for although some key players in the business scene changed (most notably, Anwar Ibrahim and his corporate allies disappeared), the logic of the system remained intact. In the Philippines and Singapore the crisis also did not represent a fundamental break, but this is more obviously the case because the crises were either relatively minor (the Philippines) or almost non-existent (Singapore). Indeed, Singapore's political and business elites continually recall their country's insulation from the Asian Financial Crisis as *prima facie* evidence of the viability of the political-economic system that they have created.

A summary description of changing political business relations in the four countries over appears in Table 3. As the entries in the table make clear, meaningful change in political business relations has only occurred in Indonesia, while in the remaining three countries old patterns continue to prevail.

**Table 3.** Political business relations in Southeast Asia, 1990s and 2000s

| Decade | Indonesia | Malaysia | Philippines | Singapore |
|---|---|---|---|---|
| 1990s | Predatory | Collusive | Rent-Seeking | Regulatory |
| 2000s | Rent-Seeking | Collusive | Rent-Seeking | Regulatory |

I describe political business relations in Indonesia as "predatory" during the 1990s owing to the massive amount of political power under in the New Order executive and the tight links between it and most substantial business enterprises within the country. The implication is not that Soeharto or his family had unlimited power; quite the opposite is true. Rather, it is that to a greater degree than anywhere else in the region, Soeharto was able to prevail upon business connections to act in a manner which was consistent with furthering his regime's political survival. The contrast with Malaysia—whose political business relations I describe as "collusive"—helps to make this point clear. The executive retained substantial involvement in the economy, and politicians' links to the private sector were tight. But the commanding heights of Malaysia's economy were less concentrated in the hands of a small and insulated economic elite than was the case in New Order Indonesia, which gave private enterprise in Malaysia a different kind of political voice.

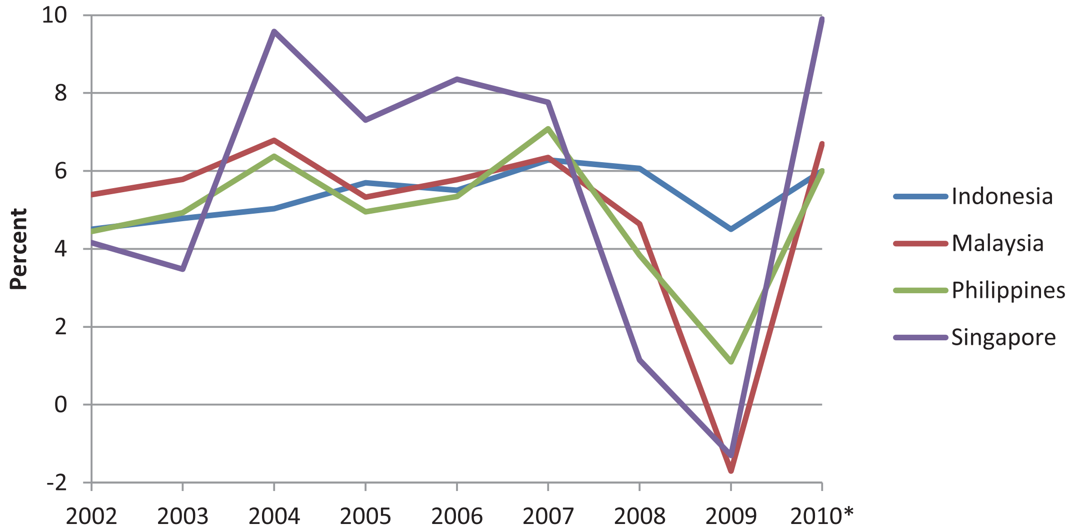
The Philippines and Singapore differ from both of these countries in the 1990s—Singapore because its regulators were then (and today still are) much *more* autonomous than those in Indonesia and Malaysia, and the Philippines because its regulators have always been much *less* so. I describe Singapore's political business relations as "regulatory" because of the clear ability of regulators and financial authorities to identify and implement policies with a minimum of interference from private interests. The other end of the spectrum is the Philippines, where I describe political business relations as "rent-seeking" in the sense that regulatory bodies have proven simply unable to implement effective policies that ran counter to the interests of the oligarchs. This is the outcome, moreover, that has obtained in Indonesia today in the wake of the collapse of the New Order.

To summarize, in none of the four countries is it accurate to describe political business relations as "laissez faire" in the sense of an idealized liberal market economy where private interests have no ability to shape policy. Instead, the political economies of each of these countries feature regular interactions between political and business elites. The nature of these interactions varies, yielding different policy outcomes and different kinds of external vulnerability, as described above. And to be very clear, while there are interesting parallels between the typology in Table 3 and Kang's (2002) typology of state-business relations (both he and I would consider Indonesia in the 1990s to have been "predatory" and the Philippines throughout this period to have been "rent-seeking," and for largely the same reasons), I want to distinguish the descriptive typology I advance here from the causal account that Kang proposes. My goal is not to link a form of corruption to the coherence of the state and of private enterprise, but more modestly to provide a short-hand description of the overall pattern of political business relations that we observe in these countries.

## 4. Surviving the GEC

Fast forward ten years to 2008. Viewed relative to the Asian Financial Crisis, the GEC will register as little more than a blip. The economies of island Southeast Asia did not grow nearly as quickly prior to the crisis, averaging a bit less than five percent growth per year prior from 2002-08 as compared to above six percent from 1991-96. And what growth crunch did occur was on an entirely different scale than the 1997-98 crises (see Figure 3): the two hardest-hit economies, Malaysia and Singapore, registered negative growth of less than two percent in 2009, while Indonesia and the Philippines never trended negative at all, and all four should rebound healthily in 2010.

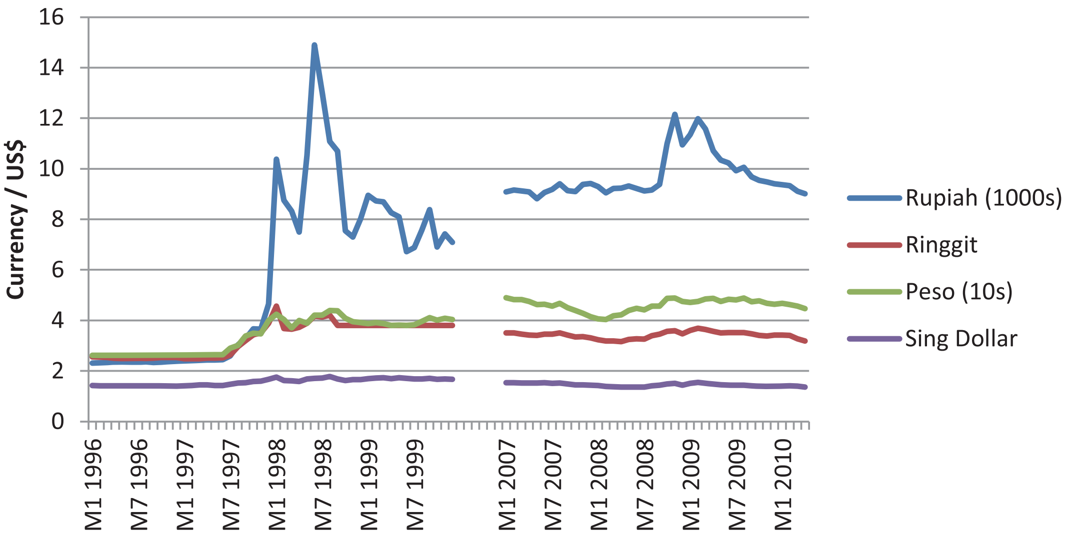
**Figure 3.** GDP Growth, 2002-2010*




Source: World Development Indicators (2010) (2000-08 figures),
International Monetary Fund (2010b) (2009-10 figures)
* 2010 figures are projections based on July 2010 forecasts.

The differences between the Asian Financial Crisis and the GEC in Southeast Asia run deeper than just this simple comparison of growth rates. In 1998 both Indonesia and Malaysia experienced twin currency and banking crises (although Malaysia's authorities would dispute the latter), and in addition, the Philippines experienced a currency crisis. Only Singapore faced neither unsustainable currency pressure nor a banking crisis. In 2008-09, no country experienced either a currency crisis or a banking crisis. Exchange rates vis-à-vis the US dollar in both crisis periods help to demonstrate the substantial differences between these two crises in terms of the countries' external financial relations (see Figure 4).

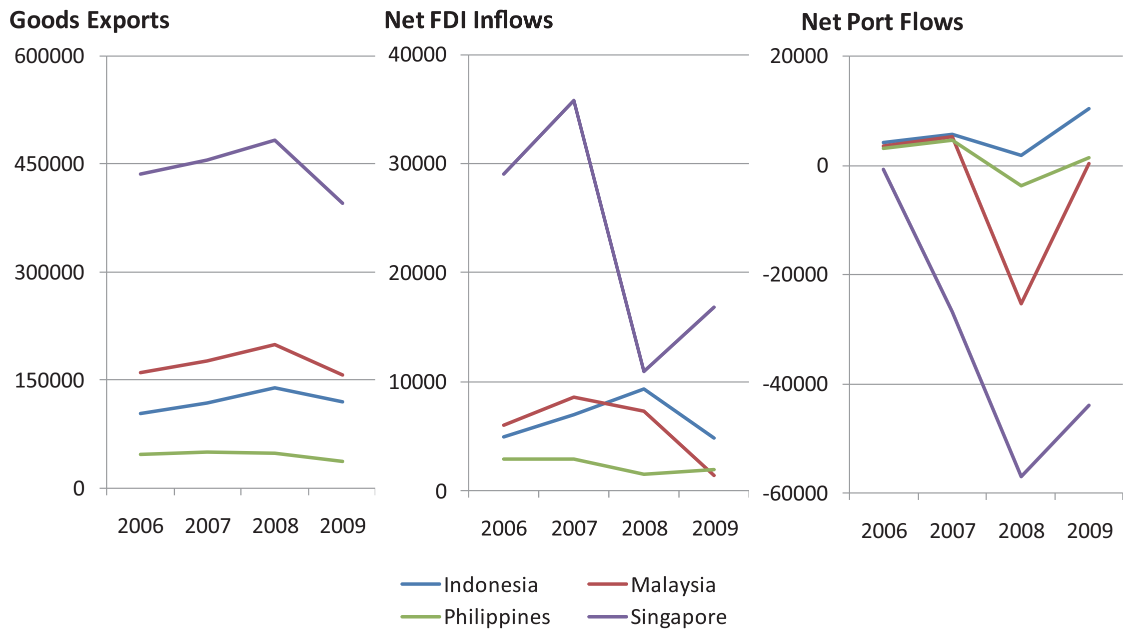
**Figure 4.** Nominal US$ exchange rates, 1996-1999 and 2007-2010




Source: International Monetary Fund (2010a)

Absent a currency crisis or a banking crisis, what then explains lower growth in 2008-09 in island Southeast Asia? The lower growth rates in Indonesia and Philippines, and the relatively shallow contractions in Malaysia and Singapore, can be attributed almost entirely to the collapse of exports to, and investment from, the developed world. It is important to note here that these are factors that are largely outside of the control of governments in Southeast Asia (see Pepinsky forthcoming). Collapsing demand in the United States and Europe for exports from emerging economies simply removed much of the market for exports from island Southeast Asia's economies. Likewise, as foreign investors shifted their investment emphasis to safety and security over profit, capital inflows to island Southeast Asian economies turned negative. Figure 5 charts the downturns in FDI inflows, net portfolio flows, and goods exports experienced by the island Southeast Asian economies in 2008-09.

**Figure 5.** Exports, FDI, and portfolio investment, 2006-09




All figures in millions of US dollars
Sources: author's calculations from Bangko Sentral ng Pilipinas (2010); Bank Indonesia (various issues); Bank Negara Malaysia (2010); Statistics Singapore (2010); UNCTAD (2010)

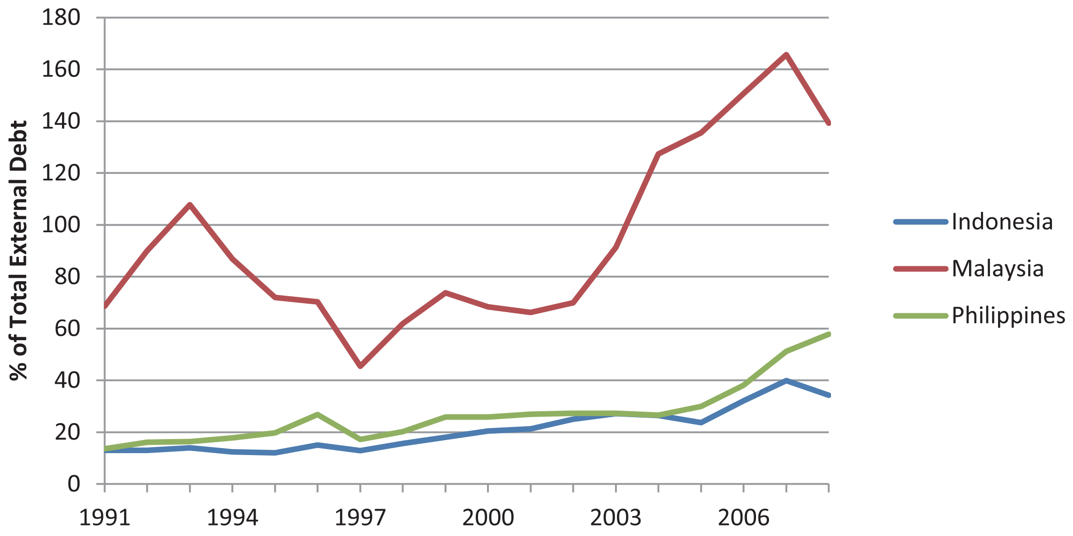
The question that remains is, why did the fall in exports and collapse of foreign investment in these four countries not result in the same sort of currency and financial meltdown in 2008 as had occurred in 1997? After all, the Asian Financial Crisis began as a mere currency shock, and it was only after currency movements and capital outflows exposed the rot at the heart of Indonesia's and Malaysia's economies that shocks degenerated into full-blown crises. In 1997 currency depreciation exposed external vulnerability, which led to capital flight, which in turn fed currency depreciation that exposed external vulnerability still further. Given the right conditions, a reversal of capital inflows and a trade shock could have initiated similar dynamics in 2008-09.

There are several possible reasons why this has not occurred. The first possible reason is that the current economic downturn is generated by "pull" factors in the advanced economies drawing capital out of, and trade away from, these economies. That is, events outside of island Southeast Asia are responsible for the slowdown in growth. We can contrast this with a crisis generated by “push” factors in the emerging economies, as was the case during the Asian Financial Crisis. In that case, at the heart of the crisis were problems in domestic economic management (although this is certainly a point of debate, see Winters 1999). While this distinction is useful for helping to distinguish between two sorts of causes of economic downturns, in numerous circumstances the very absence of capital or trade can its expose external vulnerability, as was the case in Latin America in the 1980s (where oil price shocks and high interest rates led to a series of emerging market crises) and in the Baltics and parts of Eastern Europe in 2008. We might then rephrase the question as, why were there no push factors in 2008-09?

A second answer is that the economies entered the crisis in a better position to insulate themselves from the vagaries of international markets than they did in 1998. In this regard, the evidence is mixed. A strong reserve position, relative to foreign debt, helps authorities to ward off currency pressures, which are often the proximate trigger for what later become systemic financial crises. Figure 6 shows reserves to debt ratios in 2008 were indeed twice those of 1997 in Indonesia and the Philippines, suggesting that a stronger external position may have helped these two economies. But a far stronger reserve position was not sufficient to protect Malaysia in 1997.

These figures indicate that reserve accumulation may have been beneficial for helping to withstand the current crisis, but certainly not sufficient to withstand all crises given a sharp deterioration in investor sentiments.

**Figure 6.** Reserves / total external debt, 1991-2008




Source: World Bank (2010)

A third possibility is that the former crisis countries have undergone a fundamental change in their domestic political economies that has eliminated the root causes of external vulnerability. If this were true, we would expect to see that Indonesia, Malaysia, and perhaps the Philippines had experienced changes in the very basis of political business relations. Table 3 above provides a brief overview of such changes, and the evidence is mixed at best. It is true that Indonesia has experienced just such a transformation. It is also true that Singapore, which in neither period experienced a true financial crisis, has maintained the very same "regulatory" political economic structure that helped it to withstand the Asian Financial Crisis. For now, let us bracket the issue of whether changes in Indonesia's political business relations from "predatory" to "rent-seeking" actually caused it to withstand the Great Meltdown of 2008-09 unscathed. Viewed this way, there is much to learn from the other two cases of Malaysia and the Philippines.

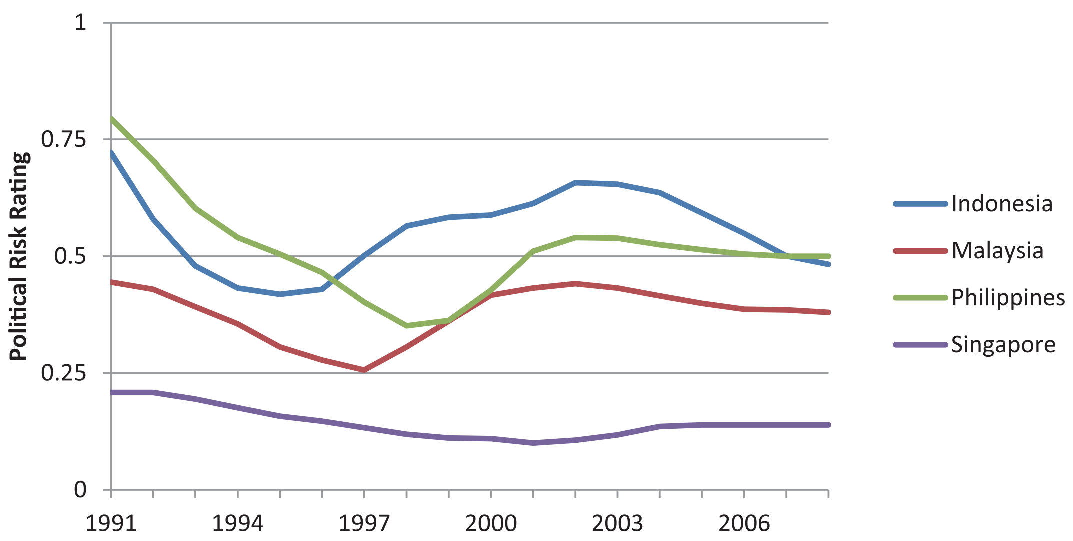
Recall that Malaysia experienced a severe crisis, but not one that produced a dramatic transformation of its "collusive" political economy, while the Philippines experienced a relatively shallow crisis that authorities were able to bring under control with some ease. If a transformation of political business relations is a necessary condition for withstanding the external shock of the Great Meltdown of 2008-09, then we would expect that Malaysia and the Philippines would have fallen victim again to the current crisis. Yet this quite plainly has not occurred. Instead, we see in Malaysia that the same policies of interethnic redistribution that generated close ties between Malay business elites and the county's political elites, and which incentivized its political elites to use promises of economic empowerment to attract support for ordinary Malays, have not generated external vulnerability. This is even more striking given the country's fragile political situation in late 2008 and early 2009, where a newly emboldened pan-ethnic opposition threatened to overturn the country's political and economic system (Singh 2010). Political business relations—even in periods of high political drama—cannot explain both external vulnerability in 1997 and the lack thereof in 2008.

The case of the Philippines, alongside the case of Indonesia, also gives lie to the suggestion that "healthy" political business relations are either necessary or sufficient to withstand external shocks. It should be uncontroversial that the state of political business in Indonesia and the Philippines is far from healthy—"rent-seeking" political business relations correspond to a domestic political economy in which regulators have scant ability to formulate or implement meaningful policies that run counter to the interests of powerful economic elites. Yet we do not observe even a hint of an externally oriented crisis in either country, and in fact, in each country it is precisely those highly problematic internal markets that have provided a cushion against the trade and investment shocks of the current crisis.

One way to visualize these points is to consider investors' perceptions of the extent to which countries' political business relation were "risky," in the sense that they represent a threat to the ability of investors to realize profits from or to count on the safety of their investments. If political business relations, conceived of in broad terms, explain investor sentiments, which in turn explain external vulnerability, we should see expect to see that it is in those countries and periods where investors view political business relations to be most problematic that crises occur.

It is certainly difficult to compare the extent to which this is true across countries or across time, and even more difficult to separate the investment risk due to political business relations from the risk due to other factors. But some suggestive data do exist. The consultancy Political Risk Services provides yearly ratings of "political, economic, and financial risk" for a number of countries (PRS Group 2010). Its political risk ratings capture subjective evaluations of corruption, bureaucratic quality, and the rule of law with respect to investment risk, all of which should clearly reflect the state to which political business relations themselves directly influence external vulnerability. The evolution of these ratings over time for the four economies of island Southeast Asia appears in Figure 7.

**Figure 7.** PRS Political Risk Ratings, 3 Year Rolling Averages, 1991-2008*




Source: author's calculations from PRS Group (2010) and Teorell et al. (2010)
* index inverted so that 0 = least risk, 1 = most risk

Comparing *across countries alone*, there is suggestive evidence that political risk may influence external vulnerability, for Singapore rates as less risky than do the other three economies. But looking *within countries and across time*, that pattern breaks down. Political risk in Indonesia, Malaysia, and the Philippines as ranked by PRS not only fell throughout the 1990s, it was lower in the 1995 for all three countries than it was in 2008. Yet of course we know that politics contributed in a basic way to these economies' vulnerability—or lack thereof—to the Asian Financial Crisis, as discussed in the previous section. Figure 7 accordingly suggests a simple conclusion: if the nature of political business relations in a country is problematic, it is not because it directly generates external vulnerability, but rather because it can at times generate specific pathologies that are themselves the direct causal antecedents of external vulnerability.

This brings us to the fourth possibility for island Southeast Asia's insulation from the current crisis, the one which I consider the most compelling. This possibility is that there is no single root cause of external vulnerability that can be identified within the broad heading of political business relations or related political economy issues. Instead it is the interaction of various specific interrelated factors—among them, incentive structures, regulatory regimes, and global economic conditions—that generate external vulnerability. This, in other words, is a plea for a more careful analysis of the factors that lead from external vulnerability to crises than can be recovered from a focus on the broad headings of corruption, cronyism, or political business relations.

Abstracting away from the particulars of any one case in island Southeast Asia, there were four central factors at play in the Asian Financial Crisis: exchange rate misalignment, asset price bubbles, rapid capital inflows, and lax prudential regulation. These are summarized in Table 4.

**Table 4.** Policies, investors, and external vulnerability

| | | **Indonesia** | **Malaysia** | **Philippines** | **Singapore** |
|---|---|---|---|---|---|
| *Capital Inflows* | *1996* | High | High | Moderate | High |
| | *2007* | Moderate | Moderate | Moderate | High |
| *Financial Regulation* | *1996* | Poor | Fair | Fair | Good |
| | *2007* | Fair | Fair | Fair | Good |
| *Exchange Rate Misalignment* | *1996* | Yes | Yes | Yes | No |
| | *2007* | No | No | No | No |
| *Investor Sentiment* | *1996* | Positive | Positive | Tentative | Positive |
| | *2007* | Tentative | Tentative | Tentative | Positive |
| ***Net External Vulnerability*** | ***1996*** | **High** | **High** | **Medium** | **Low** |
| | ***2007*** | **Low** | **Low** | **Low** | **Low** |

These factors interacted to produce the severe crises in Indonesia and Malaysia. Lower amounts of inflows behind a lower degree of capital openness, and the absence of a clear asset price bubble, shielded the Philippines to a certain degree. Active and careful prudential regulation helped Singapore to avoid a crisis altogether. One might respond that these four conditions were in fact epiphenomenal on one or two deeper political factors—regulatory capacity and state autonomy are two common arguments (e.g. Weiss 1999)—but a comparison with current conditions suggests otherwise.

Looking to island Southeast Asia in January 2008, how did conditions compare to January 1997? Prudential regulation has undoubtedly improved in Indonesia and Malaysia, which each have "endorsed the major international financial standards governing bank regulation," (Hamilton-Hart 2008: 47). But there remain problems at the implementation stage due to the pressure of connected firms to avoid arms-length oversight of their activities: political business relations, in particular as pertains to financial policy, remain collusive in Malaysia and have veered towards rent-seeking in Indonesia. From the perspective of the proximate causes of external vulnerability, more interesting is the fact that although capital openness remains high, prior to 2008 there had been no massive inflow of capital to any of the island Southeast Asian economies that paralleled the early- to mid-1990s. Moreover, asset price bubbles were nowhere in evidence. Exchange rates in 2007 were not obviously ripe targets for speculative attacks, something which was clearly true in both countries (and the Philippines as well) in 1996.

Viewed alongside Singapore and the Philippines, it is probably impossible to boil down the absence of these risk factors in 2008 to a single difference between Indonesia and Malaysia in 1997 and 2008. But if there were such a factor, it is probably the change in investors' beliefs about the propriety of the patterns of political business relations in these two countries. In other words, the same configuration of political business relations in Malaysia that sympathetic observers had imagined to be "just right" have been appraised with far more caution in the wake of the Asian Financial Crisis. In Indonesia, most investors probably do not favor a return to the New Order's political and economic system (although some certainly do), but there is no doubt that Indonesia's political economy is considered by many to be standing in the way of the type of rapid economic growth seen in the 1990s. Investors' opinions about Indonesia are therefore best described as "tentative" whereas they were once clearly "positive." In the Philippines, the same political business relations that discouraged massive capital inflows in the 1990s continued to do so in the 2000s. The increase in perceptions of political risk in Indonesia, Malaysia, and the Philippines that appears in Figure 7 following the crisis indicates the changes in investor sentiment about the propriety of political business relations. The Malaysian case is most instructive, for perceptions of political risk increased *even though nothing else about the country's collusive political economy changed*. Singapore's insulation from the Asian Financial Crisis, which resulted in no appreciable change in political risk as measured in Figure 7, explains its continued strong performance since then.

In sum, the sole obvious difference between Indonesia and Malaysia in 1997 and 2008 is in *beliefs* about their domestic political economies—today, they are *believed to be* less like Singapore, and more like the Philippines, than they were in the 1990s. Investor beliefs play a central role in explaining rapid economic overexpansion of the type seen in Indonesia and

Malaysia in the 1990s. This overexpansion then interacts with and reinforces the very pathologies inherent in the system, which in Indonesia and Malaysia were problems of regulation, exchange rate settings, and asset price bubbles. As the Philippines demonstrated in 1998, one way to avoid a crisis is to avoid the boom preceding it. The experiences of all four island Southeast Asian economies in 2008-09 are a contemporary parallel.

**5. Political business and external vulnerability**

At this point we can draw together the various strands of the argument that I have advanced in this paper. Three island Southeast Asian countries suffered from crises in 1997-98, whereas none of them did in 2008. In Indonesia and Malaysia, the 1997 crises were severe, whereas the crisis in the Philippines was painful. In all three countries, there were clear indications that various aspects of these countries' domestic political economies were instrumental in explaining both why the crisis took place and why it became as severe as it did.

However, the experience of the GEC calls into question the relationship between political business and external vulnerability during periods of global or regional financial distress. Instead, the course of the current crisis in island Southeast Asia has been determined primarily by the extent of trade and investment ties to the industrial economies. This is a trade and investment shock, nothing more. The puzzle is that this is just a trade and investment shock amidst a period of unprecedented global financial turmoil. History shows that any sort of economic shock might have degenerated into a generalized financial panic, and that domestic politics usually affects how this happens. This can be the case in predatory systems such as that of New Order Indonesia, in collusive systems such as Malaysia, and in rent-seeking systems such the Philippines. But absent the very precise technical conditions found during the Asian Financial Crisis—rapid capital inflows, asset price bubbles, and misaligned managed exchange rates—none of these "unhealthy" political business relations created the sorts of external vulnerability seen in the late 1990s. Indonesia's predatory political business relations have become more like the Philippines' rent-seeking political business relations, but that change is not responsible for Indonesia's relative insulation from the crisis. Malaysia's collusive political business relations have not changed, so they cannot explain both Malaysia's vulnerability to the earlier crisis and its insulation from the current one.

There is a plausible argument that rigorous prudential regulation in Singapore explains why it was vulnerable to neither the Asian Financial Crisis or to the Great Meltdown of 2008-09. It would be convenient if we could attribute the absence of crises in island Southeast Asia today to increases in regulatory oversight or state capacity in the former crisis countries too. It is true that financial regulation in Indonesia today is indisputably better than it used to be,[1] and Malaysia's regulators have been keen to avoid repeating the earlier crisis. But in neither case can we argue that prudential oversight has "contained" political business. Rather, the very existence of the earlier crises in island Southeast Asia has produced important changes in how these countries interact with the global economy. With investors chastened by the collapse of 1997-98, there was no massive inflow of mobile foreign capital to any of the economies in island Southeast Asia prior to 2008. Actors at home and abroad no longer had unrealistic expectations about future exchange rate movements. In a world in which investors are skeptical about the prospects for sustained and rapid economic growth under the sorts of political-economic systems found in Indonesia, Malaysia, and the Philippines, the precipitating conditions for the type of cross-border financial contagion seen in 1997-98 will be absent.

There are theoretical and practical implications to the experiences of island Southeast Asia in 2008-09. Theoretically, the issue is how to understand when and how political business relations generate vulnerability to international financial contagion. Responding to the many arguments that moral hazard originating in active political interference in the economy caused

[1] I thank Yuri Sato for emphasizing this point.

the Asian Financial Crisis, Ha-Joon Chang (2000) observed that cronyism did not appear to be deteriorating prior to the crisis in the 1990s. Nor did changes in the extent and nature of cronyism in Thailand and South Korea have any obvious relationship to the onset of the crisis. These facts make it hard to sustain the belief that cronyism, which he calls a "permanent feature of these countries," could have explained the crisis in and of itself. Indeed, the massive expansion prior to the crisis "seems to be good proof that irrational euphoria can take hold during a financial mania" (Chang 2000: 780). This is not to deny that cronyism mattered in 1997, but that its direct effects on external vulnerability are subtle and conditional on how cronyism interacts with economic policies and international conditions.

The implications of this discussion are similar. We should be not attribute the absence of the crisis in Southeast Asia during the current period of international financial to some sort of change in political business relations, and improvement of financial regulation or state capacity, or any similarly broad political economy factor. There has been nothing even close to approaching a convergence of political business relations in Indonesia, Malaysia, or the Philippines on what we might call the "Singapore model" of a regulatory state. The implication is that when understanding the general question of how political business relations generate external vulnerability, we must attend, first, to the specific mechanisms that link private interests to public policies. From there, we must understand the relationship between economic policies and cross-border economic linkages. There is precious little analytical purchase in the broad question of whether corrupt or crony-dominated economies are more likely on average to fall victim to international financial crises.

Practically, we would like to offer some reassurance to Indonesian, Malaysian, and Filipino policymakers that they have done things that help them to avoid crises. We would like to tell policymakers elsewhere that the Indonesian, Malaysian, and Filipino governments have lessons that they may apply to their own countries. But the record of non-crises in Southeast Asia during 2008-09 does not offer much beyond what we already knew from 1997-98. At the heart of the matter is how countries manage their financial integration with the global economy. We learned in 1997-98 that Ronald McKinnon's (1993) admonition that financial liberalization should follow the establishment of robust markets and regulatory systems, that that capital account liberalization should only follow after financial liberalization was complete, was all too painfully true. The Asian Financial Crisis showed the consequences of massive capital inflows under managed exchange rates that fed asset price bubbles in a politically-manipulated domestic market for credit. Indonesia, Malaysia, and the Philippines have not solved the problems that political business relations created earlier, they have avoided the symptoms of unhealthy financial market expansion partially because political business relations are today perceived to be so problematic.

And finally, I should observe that throughout this discussion I have set the bar very low for defining success. In essence, I have argued that the conjunction of changing investor perceptions of the viability of domestic political-economic systems and different policy settings that followed the crisis have protected the island Southeast Asian economies from experiencing *this crisis right now*. But other crises loom in island Southeast Asia. Indonesia and the Philippines are experiencing what might be considered a "slow crisis" of democratic underperformance in economies plagued by corruption, cronyism, and bureaucratic incompetence. Malaysia is confronting the challenge of transforming its economy to higher value-added production and services while protecting the perquisites of power and favoritism that undergird the country's political economy. Even Singapore struggles to create the conditions where innovation—which its leaders have identified as the future of Singaporean growth—can flourish; it also faces a generation of Singaporeans who are simply less loyal to the PAP's vision of what Singapore is than their grandparents were. These are problems that speak to the viability of long-run development trajectories rather than to vulnerability to short-term financial volatility.

The long-term growth prospects for all four economies here will depend on their ability to escape what has been termed the "middle income trap" (see Doner this volume; Gill and Kharas 2007). Doing so will require the development of flexible yet capacious economic institutions that can identify globally-competitive sectors and industries with growth potential. To do this successfully, policymakers must be insulated from the constraints of short-termism or political interference. Nothing about the current political and economic institutions in Indonesia and the Philippines seems appropriate for those tasks. Malaysia has developed a range of institutions that are in principle well-suited for active and effective industrial policy, but the political constraints identified above still abound. Singapore is a high-income country and so the middle income trap does not truly apply to it. Yet it is not clear how the region's most advanced economy struggles will be able to turn the corner from trade, processing, and services to build an economy based on knowledge and innovation. This difference between island Southeast Asia's short-term success in managing the crisis of 2008-09 and the long-term uncertainty in nurturing sustained economic growth is striking, and no government in the region views the absence of a crisis today as enough to make up for the bigger challenges that these economies face.

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**Abstract (in Japanese)**

要約

本ワーキング・ペーパーは、国際金融危機が伝播した時期に、政治とビジネスの関係が、どのように各国の金融危機に対する脆弱性を生み出したのかを分析するものである。東南アジアの島嶼国における、政治とビジネスのエリート間の親密な関係は、アジア金融危機の際には脆弱性を深める原因となったが、2008-09 年の世界金融危機においては、同様のことは生じなかった。政治・ビジネス関係の転換が生じたインドネシアであれ、その関係に変化の見られなかったマレーシア、フィリピン、シンガポールであれ、真の経済危機若しくは金融危機は経験しなかったのである。むしろ東南アジアの島嶼国にとって、2008-09 年の世界金融危機は貿易と投資面でのショックに過ぎず、相対的に小さな危機であった。1997-98 年の危機の発生と 2008-09 年の危機の不在との比較が示しているのは、政治・ビジネス関係というものは、それが経済政策の環境、規制制度、投資家のマインドとの間で相互に関連する場合に限って、対外的な脆弱性に影響を与えるに過ぎないということである。