Theme II: Economic Change After Independence

1

Love of money is the root of all evil.
- The New Testament

Lack of money is the root of all evil.
- George Bernard Shaw

[1] Office of the Vice President The Republic of Indonesia - *B.J. Habibie: 72 Days as Vice President*

ai. Changes and Continuity: Agricultural Sector

1. Technological advancements by the green revolution changed traditional means of production to embracing technological aid and improvement that increased the quality and quantity of produce. Gaining a competitive advantage over their neighbours, they were a pillar.
    a. Indonesia's Bimas, a state agricultural programme provided funding and physical inputs (innovations in rice strains, fertiliser, and irrigation techniques) to promote rice production. From 1968-1989, rice production increased by 2.5 times to nearly 30m tonnes. Accounted for 50% of GDP.
    Probe: However, the Agricultural sector while growing, saw a general de-emphasis as in Repelita 4 and 5, growth targets for industry consistently outweighed agriculture and its share of GDP shrank (51% to 16%).
    b. ~~Malaysian yields (3x to 600000 tonnes for rubber and 25x to 5 million tonnes for palm oil) improved over 120% between 1954 and 1970 with the use of technologically advanced farm machines such as tractors, combine harvesters and water pumps as well as high yielding variants of crops. Agricultural exports contributed to 7% of GDP growth~~
    c. The green revolution saw Marcos utilise IR8 (high-yielding variety International Rice Research Institute (IRRI)), chemical fertilizers and irrigation techniques. From 1961 to 1981, rice production doubled to 7.9 million. Philippines was dubbed the "Rice Granary of Asia".
    Micro-comparison: Both countries milked the green revolution full as clear from how rice production was boosted to such an extent that both countries were able to achieve self-sufficiency in rice production. Both Vietnam and Thailand even went to learn rice production techniques from Philippine's IRRI.
2. Change was also plain where governments decided to eventually diversify into other sectors instead of premising their economy solely on the agricultural sector. This signified that the change of the agricultural sector from a sole contributor to a shared one.
    a. Mahathir's 1981 Heavy Industry Corporation of Malaysia (HICOM) saw state led firms like Perwaja Steel led the development of the heavy industry in Malaysia. Manufacturing constituted of 60% of Malaysia's exports as it became one of the world's largest producers of semiconductors. 8% of GDP. Marked the breakaway form the emphasis on agriculture 10 years ago.
    b. De-emphasis on agriculture from Marcos to Aquino and Ramos under Aquino's Comprehensive Agrarian Reform Program (CARP) laid the foundation for the subsequent diversification into EOI by privatising inefficient SOEs like Philippine Airlines and giving foreign investors the right to 100% ownership in Philippine companies.
    Micro-comparison: Unlike Mahathir's economic aims, the Aquino's and Ramos' reforms can also be said to have a secondary purpose: Re-distribute wealth and power to the people that has been centralised among the business elites in SOEs and landowners.

3. Governments were insistent that the agricultural sector remained a nationalised and domestic enterprise with minimal emphasis on profiting from it in the international market, enacting minimal change in both approach and economic worldview, leaving them primal and economically insignificant.
    a. Ne Win's autarkist policies in the "Burmese Way to Socialism" rejected partnerships from IRRI and refused to fund agricultural modernisation. He also forced peasants to grow cotton for use in state factories instead of rice as cash crops. Once "Granary of the East," "Burma became a net importer
    b. Sukarno's Berdikari discouraged the dependency of the agricultural sector on foreign markets while rice and staples were reserved for domestic consumption. The Gotong Royong emphasised slow domestic production instead of enhancing quality and quantity as the state failed to expand pesticide use due to lack of forex.

       Micro-comparison: The underwhelming economic influence of the agriculture sector can be said to be the product of both countries' failure to commercialise cash crops to be sold as exports and instead, overlook their economic value to focus domestic consumption.
4. Countries that decided to embark on an export-oriented economy ended up abandoning the agricultural sector or relying still on labour intensive industry.
    a. Sukarno's 8 Year Development Plan (1961-1969) placed agriculture as a support sector and minimised investments in agriculture innovations and instead, focused on prestige projects and strategic industries such as steel (Cilegon) and Petroleum (Pertamina). Indonesia became a net-importer of rice in 1965 and close to a million people were on starvation diet[2]
    b. Vietnam still embarked on collectivisation during which a vast majority of cooperatives used rudimentary means of production such as ploughs and draught animals as was lagging in mechanising farming, compromising quality and quantity of the products. From 1958-1975, average paddy yield increased by only 3.9%.

       Probe: However, 1986 Doi Moi, although still preserved collectivisation, granted peasants the freedom to manage their farms. Vietnam went from a net food importer into the world's second largest exporter of rice by 2005.

aii. Changes and Continuity: Industrial Sector

1. Flourished as government undertook programs to develop industries to be stable enough to transition the country from ISI to EOI, cementing its role as a significant pillar of the economy.
    a. Mahathir's 1981 Heavy Industry Corporation of Malaysia (HICOM) saw state-led firms like Perwaja Steel lead the development of Malaysia's heavy industry. Manufacturing sector now constituted for 60% of exports (3x increase from 10

---

[2] https://www.insideindonesia.org/editions/edition-114/a-matter-of-life-or-death-for-the-indonesian-nation

years ago) as it becomes one of the world's largest producers of semiconductor. 8% economic growth

Probe: However, Malaysia still relied on primary products even though Mahathir looked to diversify. Palm oil, rubber, and tin remained vital for 22.2% of forex.

b. Sarit's 4th National Economic Development Plan (1977-1981) de-emphasised ISI and started promoting EOI. Industrial areas such as Bangchan Industrial Estate were fully occupied with 51 companies producing a range of export products. By 2000s, manufacturing doubled to 34% of Thai GDP as compared to 50 years ago.

2. Backpedalled as governments abandoned the progress made in industrial sector to focus on the use of manual labour to contribute to the economy instead of mechanisation. Reducing its economic significance to negligible or even nothing at all.
    a. The DRV's 1st 5-Year Plan (1961-1965) gave priority to heavy industry. However, this was found to be impractical due to the limitations of the workforce in terms of available expertise and capital goods needed to premise industrial initiatives due to the Vietnam War. Priority subsequently shifted to agriculture.
    b. Khmer Rogue believed that Cambodia was to be built with agriculture as its base to turn it into an Agrarian Utopia. Pol Pot declared Year Zero, destroying all Cambodian institutions, including factories. He also forced labourers to be farmers and even executed them, completely eradicating Cambodia's industrial base.

    Micro-comparison: Vietnam's digression is an involuntary byproduct of the economic burden due to the Vietnam War while the Khmer Rogue's was a byproduct of purposeful and deluded idealism.
3. Little change nor transformation as governments tended to focus on the country's agriculture sector as the main economic driver. Consequently, there was little to no or ineffective stimulus to develop the industrial sector, leaving it sidestepped and in primal shape.
    a. U Nu's *Pyidawtha* emphasised on leveraging on Burma's primary agricultural exports (Rice and Teak). A large portion of the industry (apart of agriculture supporting ones) ignored. In 1960, industrial sector contribution was 10-12% of Burma's GDP, stagnant since 1948 while Burma became touted as the "Granary of the East".
    b. Even though Siharnouk's Cambodia saw significant development of its industrial base, financed by donor interests (Textiles and Cement by Chinese and Sugar and Tractor by the Czechs), Cambodia's exports still overwhelmingly depended on primary exports, with rice and rubber accounting for more than half total exports. Manufacturing consistently accounted for less than 15% of GDP in the 1960s[3]

[3] https://www.brookings.edu/wp-content/uploads/2016/07/L2C_WP7_Chhair-and-Ung-v2-1.pdf

Micro-comparison: Both countries later went on to undergo ideologically charged and economically disastrous plans by authoritarian dictators. (Burmese Way to Socialism and Year Zero)

4. Governments who professed vaguely socialist principles, but had generally incoherent economic policies marked by xenophobic rhetorics, pursued ideological objectives over sound economic management, undermining the development of the industrial sector by prioritising nationalism instead, causing it to remain stagnant.
    a. Sukarno nationalised over 600 Dutch enterprises and plantations and installed inexperienced Indonesian civil servants in managerial positions. He also rejected foreign expertise and investments much needed by the nascent industry. The manufacturing sector consequently consistently made the smallest contribution despite emphasis due to poor management.
    b. Ne Win's "Burmese Way to Socialism" saw him cut ties (aid, trade and investment) with the world and instead focused heavily on state regulated initiatives such as the Enterprise Nationalisation Law that accelerated nationalisation of all major industries. However, due to lack of forex (trade deficit of 200 million), heavy industries were unable to import parts and machinery they needed, leaving them unable to grow. Burma touted as a "least developed country" by the UN[4]
    Micro-comparison: It can be said that Sukarno's policies rode on the nationalistic momentum from his earlier rise to power, thus it was another way to cement his political legitimacy while Ne Win's was premise on uninformed economic idealism.

aiii. Changes and Continuity: Financial Sector

1. Increasing significance to economic development was plain as more commercial banks were established to encourage consumption as they were facilitated loans to encourage spending and entrepreneurship in the private sector.
    a. The financial sector during Sukarno barely existed due to hyperinflation and constant fiscal deficit. Upon coming to power, Suharto introduced commercial banks (160 by 1968) and non-commercial ones like *Bank Perkreditan Rakyat* (BPR) (Over 300[5]) and Arisan[6] to encourage consumption to offset losses by Sukarno. Reduced interest rates also encouraged borrowing and spending.
    Probe: However, Indonesia's financial sector still subjected to severe restrictions. Beginning in 1969, no new licenses were issued to foreign banks while a 1970 decree prevented all new private banks from opening[7]

---

[4] https://en.wikipedia.org/wiki/Ne_Win#Military_coup_of_1962

[5] Indonesia's rural financial system: the role of the state and private institutions (English). Washington, DC: World Bank. Retrieved from https://documents.worldbank.org/curated/en/450441468774956217l

[6]HAMADA, M. (2003). *Transformation of the Financial Sector in Indonesia.* Institute of Developing Economies (IDE-JETRO) . Retrieved from https://ir.ide.go.jp/records/33206

[7] Ibid 4.

b. Bank of Thailand's provision that an increased percentage (5% in 1975 to 9% in 1977) of total commercial bank deposits can be lend to agriculture directly or through Bank for Agriculture and Agricultural Cooperatives (BAAC). Loans increased from 650 million in 1970 to over 4 billion in 1976, encouraging agricultural activity.[8]

2. Increasing significance as a bulwark of stability to sustained economic development due to stringent regulations and swift responses to economic downturns thus safeguarding countries in times of crisis.
    a. 1984 Banking Act was amended to enhance MAS supervisory powers over banks.
        i. No undesirable concentration of commitment through heavy lending to a few big customers
        ii. Authority to carry out field inspections of banks and review their compulsory annual reports.

    Ensured a corrupt free financial system and that ample reserves and collateral neutralised the treat of NPLs unlike other SEA countries.
    b. Malaysia's Bank Negara (MBN) introduced capital controls that restricted the flow to ringgit overseas and fixed exchange rates to prevent further inflation. This meant that speculators had a reduced supply of ringgit from which to conduct short selling, worsening the crisis.
3. Countries' adamance on autarky meant that their banking institutions were only performing traditional functions which hamstrung the economic potential of these countries.
    a. Ne Win's 1963 Bank Reforms nationalised 24 foreign and private banks into 2. The government was determined to maintain them in their present form as they were already largely successful in fulfilling the needs of trade and broad national objectives (increased number of branches)[9]. Before that, Myanmar's financial sector was touted as "once the envy of Asia"[10]
    b. Sukarno's Nationalised banks inherited much of the personnel and practices from foreign banks (Chartered Bank, etc.). Thus, traditional activities of trade finance and foreign exchange operations continued to dominate banking activity while industrial lending was almost non-existent due to severe inflation, making banking stagnant[11]

---

[8]Messrs C Chung, M. C. (1978). *SELECTED ISSUES IN RURAL DEVELOPMENT.* East Asia Programs Department. World Bank. Retrieved from documents1.worldbank.org

[9]Rudolf Hablutzel, M. H. (n.d.). *REPORT OF ECONOMIC MISSION TO CAMBODIA-1969.*

[10] https://carnegieendowment.org/research/2014/06/banking-on-myanmar-a-strategy-for-financial-sector-reform?lang=en

[11] MIKAWA, K. (2012-2013). *A Historical Analysis on Banking Sector in Sukarno Era: Colonial Banks and Nationalization Policy.* Japan Science and Technology Agency. Research Map. Retrieved from kaken.nii.ac.jp

4. The frenzy for premature financial liberalisation resulted in unprecedented economic growth, belieing a decaying corruption and gross negligence that manifested itself as catastrophic economic downturn during the AFC[12], offsetting long-term prosperity.
    a. ~~1993 Bangkok International Banking Facility (BIBF) served as a conduit for short-term lending rather than fulfilling its regulatory purpose, leading to widespread foreign borrowing.~~
    b. Thailand 1992 Financial reforms to enhance competitiveness and flexibility of the financial sector such as removing ceilings on commercial banks lending rates, bank activity restrictions and allowing underwriting of debt led to proliferation of lending to invest in the infrastructure sector (20% of commercial loans) which led to massive property bubbles (Even 1.5m office spaces became available in the market)
    c. ~~By 1997, every Indonesian tycoon had their own financial institution set up by obtaining credit from state banks using their strong influence and connection to Suharto's government. 50% of bank loans were provided to these tycoons who accu~~
    d. Cronyism and lack of accountability as evident by how in 1996, 16 insolvent banks were forced to shut down but 2 were reopened (Owned by Suharto's half-brother). Bank Summa made 55% of total loans to insiders, flouting the 10% limit but none of its management and shareholders were punished. This widespread corruption led to -13.1% recession, highest amongst all.
    Probe: Habibie closed 66 insolvent banks, and the state took over 12 others while the central bank was given full independence from political interference.

---

[12] https://amro-asia.org/wp-content/uploads/2021/11/Trauma-to-Triumph-Rising-from-the-Ashes-of-the-Asian-Financial-Crisis.pdf
https://deepblue.lib.umich.edu/bitstream/handle/2027.42/77846/wredfern_1.pdf?sequence=1&isAllowed=y
(Sukarno's nationalisation of Dutch Companies)
Potential sources

d. Factors Shaping Economic Change

Key Concepts
1. Economic Growth
    a. Process by which the productive capacity of an economy is increased overtime to produce rising levels of national income and output.
    b. Basis of legitimacy
    c. Sustained through adopting economic policies and diversifying industries to ensure prolong growth.
2. Economic Equity
    a. Measured in how evenly the fruit of economic growth is distributed throughout the country.
    b. Growth and equity must coexist for a nation to have undergone adequate economic transformation rather than wealth being concentrated onto a small elite class.
3. Economic Nationalism
    a. Indigenous wealth and production, reducing the foreign stake within the economy

di. Domestic Economic Conditions

1. Colonia legacies resulted in an uneducated and financially unapt indigenous population, thus concentrating the nation's wealth into foreigners. Pursuit of economic transformation to attain greater indigenous population control resulted in economic nationalism.
    a. Indian and Chinese money lenders dominated the Burmese financial sector. Resenting them, Ne Win introduced his "comprehensive restrictive laws" that forced their exodus. Indigenous Burmese were forced to assume leadership of the Burmese financial sector. **(Nationalism)**
    Probe: The exodus of Indian and Chinese also meant the withdrawal of much needed financial expertise as well as the resultant capital flight
    b. British pursued a policy of divide and rule, resulting in Malays dominating the agriculture sector while the Chinese, the banking one. It's status quo as the "Social Contract" collapsed after the 1969 race riots as the government devised the New Economic Policy that granted affirmative policies to the Buminputeras **(Nationalism and Equity)**
    Probe: The NEP only resulted in 30% of capital owned by Malays, still a stark increase with much more Malay involvement in commerce
    Micro comparison: Comprehensive restrictive laws were crafted with an unsound nationalist ideal in mind, resulting in a disastrous economic

scene. NEP was crafted to appease the angered Malays by enabling more Malay counterparts to

2. Predecessors had left an economy-in-shambles, compelling leaders with a withering domestic economy to seek foreign aid and investment to prop out their economy.
    a. Sukarno's strong anti-west rhetoric led to a 3rd Way Economy that produced a 1500% inflation rate. Suharto's 1967 Foreign Investment Law provided tax concessions and a guarantee against expropriation while his passive foreign policy approach brought in aid from the world bank, enabling heavily invested industries like oil to contribute to Indonesia's 8% economic growth **(Reduce nationalism)**
    Probe: The illusion of Indonesia's success belies a rotten reality of rampant corruption and nepotism which ultimately collapsed Suharto's rule when Indonesia's economy crumbled during the AFC
    b. 80% of Manila and large swaths of Filipino land were destroyed by the war. Having little resources, Philippines signed the "Philippines Rehabilitation Act" which provided 620 million in exchange for ratification of the "Bell Act", enabling the development of Philippine's agricultural export sector. (7% growth in 1947-1951) **(Growth and reduced nationalism)**
    Probe: Although Philippine was able to rebuild her economy, the agreement traded off Philippine's economic sovereignty as it forced her to open trade to the US, undermining economic nationalism

dii. Role of Government

1. Capitalist government crafted state-led industrialisation plans that successfully developed and expanded export industries to become key pillars of the country's economic growth.
    a. PM Mahathir's 1981 Heavy Industries Corporation of Malaysa (HICOM) saw state led firms like Perwaja Steel drove the development of the heavy industry. Malaysia saw its manufacturing industries develop to account for 60% of total exports, being one of the largest exporters of semiconductors and contribute to 8% of GDP growth **(Growth)**
    b. 1977-1981 Thanom's 4th National Economic Development Plan ended encouraging ISI and promoted EOI, creating the Bangchan Industrial Estate, which was fully occupied by 51 companies, producing a range of industrial products. Contributed to 34% of Thai GDP. **(Growth and equity)**
2. Economic Development was dependent on capitalist government boards and agencies to create a conducive environment that was catalytic to encouraging and attracting entrepreneurship and foreign investment to develop the private sector.
    a. 1961 Singapore Economic Development Board established to compensate for the lack of industrial know-hows by providing loans and conducting join ventures with private firms such as the development of the Jurong Industrial Estate to attract over 200 factories. Singapore had a 5.7% economic growth. **(Growth and reduced nationalism)**

    b. Due to the Gulf War and natural disasters, Philippine's growth rate slumped to 1.9% in the 1990s. Fidel Ramos gave foreign investors the right to 100% ownership in Philippine companies to attract foreign capital and transformed the Subic Bay into an enterprise zone with foreign investments. Growth rates approaching 7% **(Growth and reduced nationalism)**
3. Socialist governments also eventually integrated capitalist elements into their economy after decades of poor economic performance due to heavy state intervention. Economic liberalisation resolved of these problems by introducing a profit incentive and enabling the private sector to bloom.
    a. 1986 Vietnam's Doi Moi resembled after Deng's and granted farmers the legal rights to sell the produce in a free market, removed state provision of equipment and forced collectivisation. Restoring the profit motive and enabled Vietnam to re-emerge in 1991 as a major exporter. Enabling a 9.5% GDP growth in the 1990s. **(Equity and growth)**
    b. 1988 Burmese government passed a law that permitted foreign investors to form wholly owned enterprises or joint ventures as well as opened its borders to trade after decades of failed autarky. Led to growth rate of 4-6% in 1990s **(Growth and equity)**
    Probe: However, the State Peace and Development Council, SPDC's brutal human rights violations forced some MNCs such as Coca-Cola and Apple to leave, hampering economic growth.
4. Third Way economy governments professed vaguely socialist principles but had generally incoherent economic policies that were characterised by xenophobic rhetoric, resulting in the pursuit of uninformed ideological objectives rather than sound principles of economic management.
    a. 1957 Sukarno forced the expropriation of 600 Dutch enterprises and plantations, replacing Dutch managers with inexperienced Indonesian civil servants and military officers, rejected foreign expertise and investment that the nascent economy needed and pursued expensive military campaigns in 1961 West Irian and adventures like Konfrontasi. 1500% inflation **(Nationalism and equity, reduced growth)**
    b. Ne Win's "Burmese Way to Socialism" pursued an aggressive autarkist policy, cutting foreign aid, trade and investments while also kicking the Chinese and Indian communities out via his "comprehensive restrictive laws", taking essential capital and expertise with them **(Nationalism and equity, reduced growth)**
    Micro-comparison: Both Sukarno and Ne Win's case bear a remarkable resemblance to each other as they sought to increase indigenous involvement into the economy without even preparation prior and a strong distaste for foreign trade and investment.

diii. Role of Private Businesses

1. Mostly characterized as dominated by ethnic minorities and they wielded significant economic influence as they provide skill, capital, and employment to the country

a. Cukong Capitalists in Suharto's Indonesia supplied capital and business acumen to Indonesia along with the bamboo network in return for protection and insider information. By 1990s, Chinese businessmen controlled nearly 70% of the Indonesian economy with 160/200 top Indonesian largest businesses controlled by Chinese. GDP growth of 7% **(Reduced equity)**

b. Thai Charoen Pokphand (C.P.) was a Chinese conglomerate and notably one of the first businesses to move into Shenzhen SEZ (along with 200 subsidiaries) as part of its internationalisation efforts into Europe (Belgium petrochemical) and America (Telecommunications).[13] Earning many profits, many which were repatriated back to Thailand and invested in different sectors. 9.5% GDP growth **(Equity)**

~~Private businesses maintained by ethnic minorities played a major role in setting the foundation for economic development as the colonial power's affirmative employment and education policies meant that they were financially adept to form the backbone of the economy.~~

2. As governments recognise the limitations of heavy state intervention, they gradually privatise SOEs and government monopolies which were heavily characterised by inefficiency, lack of competition and chronic corruption, enabling their heavier involvement in economic development.
    a. Systematic privatisation of GLCs and SOEs after 1985 recession saw scale back of state control of the economy to encourage more private sector initiatives. Singtel gradually privatised, eventually removing Singtel's monopoly in 1997 to encourage more competition.
    Probe: State still retains a 51% controlling stake in GLCs through Temasek holdings while strategic sectors like transport and media were still owned by the government.
    b. Marcos' circle were given vast economic opportunities despite their lack of business acumen (Such as Marcos' wife who chaired 23 government institutions despite having no experience). Ramos' "Philippine's 2000" saw Ramos dismantled the corrupt monopolies and opening the national economy to greater participation from the people. Near 7% economic growth

3. Private businesses gradually evolved to become an instrument for equity as governments were unable to ignore the eventual mass reaction against non-indigenous control of the economy, culminating in the reestablishment of indigenous to become key players in the economy.
    a. By 1990s, Chinese businessman controlled 70% of the Indonesian economy. Suharto's increased alignment to the Chinese community led to widespread corruption that led to pogroms against the Chinese during the AFC. Culminated in Habibi's economic reforms to remove business monopolies to give more opportunities to the indigenous. **(Nationalism and equity)**

[13] https://en.wikipedia.org/wiki/Charoen_Pokphand

b. Frustration within the Malays at their stagnating economic status along with a possibility that Chinese economic prowess would translate to political power that would undermine the Bumiputera. Culminated in the 1969 racial riots that forced the NEP that gave economic privileges to the Malay businesses. Malay ownership increased from 3% to 20%. **(Nationalism and equity)**
Probe: Although the NEP decreased foreign share by half, much of it was absorbed by non-Malays. NEP fell short of its 30% target.

d.iv External Conditions

1. Politically motivated lending by the US played a critical role in propping up SEA economies as the US sought to contain the spread of communism by ensuring that they were economically and militarily strong to resist communist insurgency and hostility.
    a. Due to Thailand's anti-communist stance and provision of bases during the Vietnam War, it received about $650 million in economic aid and 1 billion in military assistance (nearly 60% of its military budget) and another billion in operations and construction costs. Thailand was able to divert military spending to developing its own economy instead.
    b. 80% of Manila and large swaths of Filipino land were destroyed by the war. Having little resources, Philippines signed the "Philippines Rehabilitation Act" which provided 620 million in exchange for ratification of the "Bell Act", enabling the development of Philippine's agricultural export sector. (7% growth in 1947-1951)
    Probe: Although Philippine was able to rebuild her economy, the agreement traded off Philippine's economic sovereignty as it forced her to open up trade to the US, undermining economic nationalism
2. External conditions in the form of oil crisis meant that countries that were oil producers received an unexpected boom in their economies which helped to further enhance the economic growth due to the rise in prices of this global necessity.
    a. 1973 Oil crisis, Indonesia benefited from both the spike in price and demand for oil as Pertamina produced more than a quarter of Indonesia's oil and owned 7 refineries, 116 tankers and an airline, poised to leverage. Oil boom generated $4.2 billion in revenue, roughly a sixth of Indonesia's GDP.
    b. In contrast, countries like Singapore with no oil resources and heavily dependent on oil to fuel its production suffered through the oil crisis with growth plummeting to just 4%.
3. Governments were eventually forced to rely on external forces during times of crisis as an arm to help the country get back on her feet by providing economic aid.
    a. Sukarno's strong anti-west rhetoric led to a 3rd Way Economy that produced a 1500% inflation rate. Suharto encouraged MNCs to invest while his passive foreign policy approach brought in aid from the world bank, enabling heavily invested industries like oil to contribute to Indonesia's 8% economic growth **(Reduce nationalism)**

Probe: Indonesia's success belies a rotten reality of rampant corruption and nepotism which collapsed Suharto's rule when Indonesia's economy crumbled during the AFC

b. The Thai Bhat plummeted by 60% after it was forced to float. A US 17.2 billion emergency lending programme by the IMF was hastily arranged as well as implemented IMF prescription by shutting down more than half of insolvent financial companies and stringent regulation and more transparency on the financial sector. By late 1998, Thailand returned to growth.
Probe: However, IMF prescription to cut government spending and raising revenue to close deficits meant cutting subsidies and raising taxes. Letting insolvent financial institutions fail also meant that people would lose their life savings.