

Asian Capitalism

1. Nippon
2. The Republic of Korea
3. Taiwan, Hong Kong, and Singapore
4. Indonesia
5. The Asian Financial Crisis

Japan (*Nippon*) Land of the Rising Sun



- ✦ Constitutional monarchy (Emperor Akihito).
- ✦ Parliamentary system dominated by LDP in bicameral Diet (*Kokkai*), with Junichiro Koizumi the prime minister since 2001.
- ✦ 127 million people on five main islands and 3000 smaller ones – an area smaller than California and more mountainous.
- ✦ World's 2nd largest economy, GDP ~\$4 trillion depending on exchange rates.
- ✦ World's 3rd largest exporter.

Some comparative data:

- PPP per-capita roughly 75% of U.S. level (was 85% in 1991), but income sometimes higher at official exchange rates.
- Life expectancy m/f = 78/85 years (~Sweden).
- Education: 3.6% of GDP (was 5.8 in 1980), 14 yrs average.
- Inequality: GINI=37.9, 10/10=21.7/4.8.
- Economic freedom index = 7.9 (U.S.=8.7).
- Perceived corruption index = 7.1 (U.S. = 7.6).
- Exports+Imports ~ 20% of GDP.
- Central Government budget ~ 38% of GDP.
- Very large budget deficits, high debt ratio.
- Maximum tax rate ~ 50% (was 93% before 1984).
- Unemployment rate 2005 ~ 4.4% (having fallen since 2003)
- Inflation rates 1997-2002 ~ -1.4%

Early History

- By legend, Japan was founded in 600 BC by the Emperor Jimmu, a direct descendant of the sun goddess and the ancestor of the present ruling imperial family. Native religion is Shintoism.
- Heavily influenced by China – Influences like Chan Buddhism, Confucianism, and Chinese characters became *Zen*, *bushido*, and *kanji*.
- Yamato dynasty the nominal rulers, but real power was usually held by *shoguns* (military governors)
- Tokugawa shogunate (1603-1868):
 - Portuguese traders and Jesuit missionaries in 1500s initially threatened to dominate Japan, but were expelled by the Tokugawa shoguns; afterwards, foreign trade was limited to a small island outside the harbor at Nagasaki. Other foreign contact was forbidden (*sakoku*).
 - Tokugawa Japan was stable, isolated, agricultural (rice-based), reasonably prosperous, traditional, militaristic, and feudal.
- Commodore Perry and his "black ships" arrived in 1854:
 - Convention of Kanagawa led to opening of Japan.

Restoration of the Meiji Emperor

- Fears of foreign domination led to a *ronin* rebellion against the Shogun.
- Massive social change: elimination of guilds and legal classes, freedom of occupational choice, adoption of western educational systems and technology.
- Redistribution of land: half the government's budget went to paying off the former *Daimyo* lords and *samurai* warriors → a new capitalist class.
- Development of the structure of a capitalist economy through government intervention: banks, state-owned enterprises, subsidies and government loans, and the Bank of Japan.
- Growth of *Zaibatsu* financial cliques:
 - Interdependent suppliers, banks, and trading companies.
 - Interlinked family ownership.
 - Four major Zaibatsu controlled 40% of equity in 1945.
- Japan became an exporter to the west in many labor-intensive manufactures, such as textiles.

Japan at War

- Japan's military also became more modern:
 - 1895 naval defeat of China – Treaty of Shimonoseki granting control of Taiwan and Ryuku islands.
 - 1905 defeat of Russia over control of Korea, Chinese Manchuria.
 - Annexation of Korea in 1910 with secret U.S. approval.
- In the first world war, Japan sided with Allies:
 - Treaty of Versailles (1919) gave German concessions in China to Japan.
- Japan became increasingly democratic in 1920s, but military took control by the 1930s:
 - Assassinations of politicians by officers intimidated the Diet.
 - Japan invaded Manchuria in 1931 → created Manchukuo.
 - Japan's signed "anti-Comintern pact" with Germany in 1936.
 - Japan invaded China in 1937 → Rape of Nanjing, "kill all, burn all" in countryside.
 - Japan invaded British colonies and concessions in 1939.
 - Promotion of "East Asia Co-prosperity Sphere." Some sympathized.
 - U.S. Blockade of Japan → Oil in Indonesia, military/industrial threat.
- Attack on the U.S. at Pearl Harbor on Dec. 7, 1941.

Occupation

- U.S. forces occupied Japan through 1952, most of the time under the command of General Douglas MacArthur.
- Conflicting policies between Truman Administration and MacArthur.
 - Democratization, decentralization, and demilitarization:
 - labor unions were legalized
 - land was again redistributed
 - military officials were purged from the government and some were tried for war crimes
 - minor parties were legalized (even socialist and communist parties)
 - *Zaibatsu* were broken up
 - The Emperor Hirohito remained in power, but forced to renounce his divinity.
 - Traditional elites continued to dominate in both business and in politics: *Zaibatsu* recreated as *Keiretsu*.
 - Punishing vs. rebuilding conflict.
- Korean War 1950-1953:
 - Big demand boost + change in U.S. priorities.

After Occupation:

- By 1954, Japanese GDP to recover its prewar levels.
- In 1955, the leading conservative parties merged to form the Liberal Democratic Party.
- Iron Triangle: LDP politicians, big business leaders (*Zaikai*), and government agency technocrats (esp. in MoF and MITI). Practice of *amakudari*.
- Unions large and contentious in 1950s, but now mild and relatively small. *Shunto* (Spring offensive) becoming less relevant.
- Interventionist approach to finance and trade.
- U.S. initially very condescending, but tolerated policies promoting exports and restricting imports (subsidies, low exchange rate) during Cold War.
- Relatively minimal welfare state.

Keiretsu – looser groupings of firms formed from the old *Zaibatsu* – based around a trading company and a main bank. Competitive oligopolies. Sony as an exception.

- Main bank system:
 - Convoy of risk sharing and mutual support
 - Intertwined ownership
 - Reliance on short-term debt
 - Implicit deposit guarantees under Ministry of Finance
 - Bank of Japan monetary policy also under MoF
 - Low interest rates, rationing to keiretsu.
- Three treasures: lifetime employment system, seniority pay, enterprise unions. Also bonuses, long hours, and two-class system with subcontractors.
- Industrial policy under Ministry of International Trade and Industry, subsidies, tax breaks, choosing winners, import substitution, export promotion. Some indicative planning under Economic Planning Agency.
- High savings rates, in part due to minimal consumer credit and weak social security system.
- Little reliance on foreign savings (equity, DFI, or lending).
- After 1971, continued appreciation of the Yen.

Japan's Real per-Capita Growth

1820-1870 – 0.1% average in the late Tokugawa.

1870-1910 – 1.3% average during the Meiji Restoration -- among the fastest growing economies during the period.

1910-1950 – 1.0% average (in spite of 10% decline in 1930-31 and 53% decline from 1940-1945).

1950-1970 – 8.4%, recovery and beyond. Largely fueled by rapid capital investment combined with high technology.

1970-1990 – 3.4%, slowing but still rapid growth after OPEC oil embargo and world recessions. By 1991, Japanese per-capita income was seven times greater than the 1940 peak – an average growth rate of 4%.

1990-2004 – 1.0%, cycles of stagnation and recession.

The Bubble Economy

- Unbalanced financial liberalization in late 1970s and 1980s gave banks more portfolio options, but regulatory framework was based on the past regime.
- Optimism of "Japan as Number One." Japan came to dominate many high-tech sectors, and ran up large reserves of foreign exchange.
- Large trade surpluses offset by (or caused by) by large foreign savings outflow.
- Appreciation of Dollar due to high real interest rates led to the Plaza Accord in 1985, and a sell-off of dollars.
- After Louvre Accord and complaints by exporters, accommodative monetary policy in the second half of the 1980s.
- Low interest rates, rising asset prices:
 - Housing/income ratio in 1983 equals 670% of 1950 level (7.9 in Tokyo). From 1985-1989 it tripled again.
 - Nikkei index rose to 38,000 in 1989 (14,000 in 1992).
 - Interdependence between land prices, equity prices, and lending demand and supply.

Burst of the Bubble

- The Bank of Japan raised the discount rate in May 1989, and continued with tight monetary policy through 1994:
 - Interest rates rose.
 - asset prices collapsed.
- Banking crisis:
 - The unwillingness of regulatory authorities to allow bankruptcy to remove inefficient capital from the market.
 - Insolvent banks kept lending to insolvent firms and hoped for the best.
- When the Bank of Japan finally changed policy, it did not provide sufficiently stimulative policy.
- Political crisis – LDP lost power in 1993, Hosokawa stepped down in 1994, rapid turnover in weak coalition governments.
- Continued support for LDP due to local spending on construction and other pork, but rising government debt ratio (150% of GDP by 2002).
- Price deflation – rising money demand and slow growth in money supply, expectation of currency appreciation, zero interest rate policy (real rate = nominal rate – deflation rate).

An End to Japanese Growth?

- Most Japanese do not see this as a crisis.
- Still a wealthy, high-tech society.
- Large exporting firms able to "opt out" by going to international markets.
- Worries include an aging population, with women increasingly opting out of both parenthood and the workforce.
- Reform since 1997 is significant but still lagging behind and insufficient.
- A recent upturn leads to hopes of recovery (finally), and the past year's growth is very strong, but many economists are not yet confident of this continuing.

The Four Dragons:

- South Korea
- Hong Kong
- Singapore
- Taiwan

ASEAN NICs:

- Indonesia (Thailand, Malaysia, Philippines, not covered)



GDP and Growth in Asian Capitalism

2005 CIA World Factbook

	USA	Japan	ROK	HK	Sing.	Taiwan	Thai.	Indo.
GDP (billion OER)	\$12,490	\$4,664	\$801	\$173	\$111	\$323	\$184	\$270
Relative to US	100%	37%	6%	1%	1%	3%	1%	2%
Relative (PPP)	100%	32%	8%	2%	1%	5%	4%	7%
Per-capita PPP	\$41,800	\$31,500	\$20,400	\$32,900	\$28,100	\$27,600	\$8,300	\$3,600
Relative to US	100%	75%	49%	79%	67%	66%	20%	9%
OER/PPP	100%	117%	80%	76%	88%	51%	34%	31%
GDP Growth	3.5%	2.7%	3.9%	7.3%	6.4%	3.8%	4.5%	5.6%
Per-capita Growth	2.6%	2.7%	3.5%	6.7%	5.0%	3.2%	3.8%	1.6%
Population (millions)	300	127	49	6.9	4.5	23	65	245

Other Performance Measures

2005 data	USA	Japan	ROK	HK	Sing.	Taiwan	Thai.	Indo.
Unemp.	5.1%	4.4%	3.7%	5.5%	3.1%	4.1%	1.8%	11.8%
Inflation	3.2%	-0.3%	2.8%	0.9%	0.4%	2.3%	4.5%	10.5%
GINI Coefficient	45.0	37.9	35.8	43.4	42.5	32.6	51.1	34.3
10/10	31/1.8	22/4.8	25/2.9	-	-	41/6.7	32/2.8	29/3.6
Ratio	17.2	4.6	8.6	-	-	6.1	11.4	8.1
Investment (Implied ROR)	17%	23%	29%	21%	22%	20%	29%	22%
Life Expectancy (Male)	75	78	74	79	79	75	70	67
Female	81	85	81	85	84	80	75	72

Size of Government?

- Private sector dominant in all these economies.
- Japan, Singapore have highest public debt, Japan's keeps growing.

Public Finance

	US	Japan	ROK	HK	Sing.	Taiwan	Thai.	Indo.
Central Government Expenditure Share	19.7%*	38.1%	23.6%	18.7%	16.4%	15.6%	17.3%	21.4%
Surplus (Deficit) / GDP	-2.8%	-7.4%	0.7%	-0.6%	0.5%	-2.7%	-0.7%	-1.3%
Debt/GDP	65%	158%	20%	2%	103%	34%	50%	48%
Implied Growth of Debt Ratio	1.22	1.74	-0.96	3.96	-0.07	2.06	0.29	0.47

South Korea

- Korea the "hermit kingdom" in the 1800s.
- Colony of Japan, 1905-1945.
- Yalta Agreement split Korea at 38th Parallel; Soviets installed KIM Il-Sung in the north, Americans installed Syngman RHEE in South.
- Korean War (1950-1953) involved U.S. and China, ended in ceasefire but no peace treaty. Over 3 million people died.
- South Korea: 49 million people in an area the size of Indiana.
- North Korea has 22 million people in a 25% bigger area – more later.



South Korea (Republic of Korea)

- In 1950s, land reform, import substitution, and little economic growth. Rhee government was corrupt and lacked popular support. South Korea was one of the world's poorest countries.
- Student demonstrations in 1960 led Rhee to resign.
- General PARK Chung-hee took power in military coup, 1961-79:
 - Authoritarian and interventionist government, including price controls.
 - Reduction of budget deficits, price level stabilization.
 - Pro-business outlook, subsidized large conglomerates (Chaebol) through preferential access to state-owned banking.
 - Export promotion, exchange rate unification and devaluation. Industrial policy to encourage Chaebol to specialize in and export higher-tech products.
 - Indicative planning: Economic Planning Board had effective control over government budgets, five-year plans, actual performance usually exceeded plans.

South Korean Economy after Park

- Minimal labor protection, weak (and sometimes angry) unions.
- Export orientation through subsidies and other intervention, trade ratio now 60%.
- Huge **Chaebol** conglomerates with access to state-owned banking, government subsidies:
 - Hyundai, Samsung, Goldstar, Daewoo, Kia, et cetera.
 - Nine largest chaebol accounted for 15% of GDP and 13% of exports in 1975, but 67% of GDP and 54% of exports in 1984.
 - Goldstar merged with Lucky Group in 1995, and became LG.
 - Hanbo group, and then Kia, 7th largest Chaebol, went bankrupt in 1997.
 - Daewoo was bought by GM in 2001.
 - Currently, five major Chaebols are Samsung, Hyundai, LG, SK and Hanjin (*thanks to Sook Jeong for this*).
- Korea relied on foreign borrowing through the 1980s, but grew enough to repay.
- Asian financial crisis of 1997 → weak banks, excessive foreign borrowing, and capital flight led to big devaluation of the Won. IMF provided largest bailout and imposed policies to raise interest rates, shut down inefficient firms and banks.

Korea's Rapid Growth

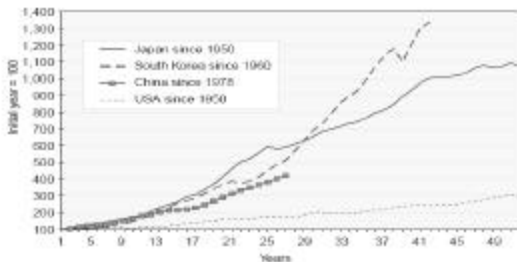


Figure 11.2 Rising per-capita GDP in China, Japan, Korea and the US (each relative to base year).

Political change



- President Park assassinated in 1979 by North Korean agents.
- Another coup by General CHUN Doo-hwan, followed by Kwangju massacre.
- Demonstrations in 1987 led to free elections and restoration of democratic government. First election won by General ROH Tae-woo against KIM Young-sam (1992) and KIM Dae-jung (1997).
- Current president is ROH Moo-hyun, prime minister is HAN Myeong-sook. Unicameral assembly (Kukhoe).
- Corruption problems have undermined each administration.

Hong Kong



- Small, tropical, and very hilly Chinese island and peninsula.
- Seven million people, about 6,100 people per square km.
- Excellent harbor, close proximity to Guangzhou (Canton) and Macau.
- Hong Kong Island and Kowloon ceded to U.K. after Opium Wars. In 1898, New Territories ceded with 99-year lease.
- British legal system and police, low corruption. Democratic institutions are new and relatively limited.

Hong Kong's Economy

- British entrepôt until 1950s, relocation of Shanghai capitalists.
- Cheap labor due to Cantonese immigration after Chinese revolution.
- Crown government was non-interventionist and generally laissez-faire – even when UK was creating a welfare state: low taxes and pro-business (e.g., Jardine-Matheson and other trading companies), though government did spend heavily on public housing and services.
- Asian Financial Center: Relatively efficient and free stock market, Hong Kong Dollar controlled by private banks. Monetary crisis in 1983 forced intervention, and HKD is pegged to --and entirely backed -- by USD (this is called a currency board).
- From 1950s-1970s, Hong Kong was virtually the sole port of trade with mainland China.
- After China's Opening to the West, the China trade boomed:
 - China the largest import market, U.S. and Japan the largest export markets. Trade ratio of almost 300%, much of it re-exports.
 - HK firms became major investors in Southern China (e.g., Shenzhen in Guangdong province).

Recession and deflation since 1997

- 1984 Agreement to return HK to China at end of lease in 1997:
 - Guarantees that currency, economic policies, and legal structures would remain until 2043. Disputes over political rights.
 - Concerns about takeover led to capital flight, emigration.
 - HK is now Chinese Special Administrative Region (SAR).
 - Chief Executive elected by PRC-dominated committee. TUNG Chee Hwa was the first CE, but was forced by demonstrations to resign. New CE is Donald Tsang.
 - Legislative Council (Legco) half-appointed, half-elected.
- Chinese takeover increased uncertainty over HK's future.
- Asian financial crisis coincidental. AFC led to an unsuccessful attack on the currency, high interest rates, slowing regional trade, and a drop in equity values.
- Rise of Shanghai is taking trade away from Hong Kong.
- Fixed exchange rates against US Dollar and Chinese Yuan have led to price deflation.
- Two recessions, 1997-2003, now a strong recovery.

Singapore



- Small island off tip of Malay peninsula, independent since 1965.
- Population of 4 million, same density as Hong Kong.
- Crown colony until 1959, Federation of Malaysia 1963-65, harsh breakup.
- LEE Kwan-yew of PAP established an authoritarian (but mostly democratic) anti-communist government.
- Current P.M. is S.R. Ramanathan, GOH Chok Tong and Lee remain senior ministers.

Singapore's economy

- Quasi-authoritarian, political stability. Strikes outlawed, management given full authority in labor market. Laws very strict.
- After 1967, incentives for foreign investment. Heavy reliance on FDI (U.S. the #1 investor), and some argue that it is biased against local entrepreneurs. Foreign firms dominate manufacturing.
- Strong export orientation (trade ratio over 300%), with history of government subsidies.
- High savings rate led to rapid capital investment:
 - No "pay-as-you-go" social security.
 - Central provident fund mandates savings.



More on government's role in the economy

- Much government intervention, but not a welfare state.
- Monetary policy – currency board system, 1967- 82; not wholly abandoned, inflation low and currency stable.
- Government provides investment, and is a significant stockholder, but stock markets are not well developed.
- Government subsidizes education, maternity by educated women, et cetera.
- Policies allowing guest workers from Malaysia, Indonesia.
- Efficient, well-paid civil service.
- Singapore ranked very high (9.3) in economic freedom, and very honest (9.2) on corruption index.

Taiwan (Republic of China) a.k.a. Chinese Taipei

- 23 million people on a sub-tropical island the size of West Virginia.
- Colonized by Chinese (Fujian) in 15th-17th Centuries.
- Redoubt of Ming Dynasty loyalists after 1644. Annexed by Manchu Qing Dynasty in 1683.
- Japanese colony, 1895-1945.
- Redoubt of Chinese Nationalists (Kuomintang, or KMT) under Generalissimo CHIANG Kai-shek in 1949, after defeat by Chinese communists under Chairman MAO Zedong. Protected by U.S. 7th Fleet after 1950.
- Nationalist Party ruled Taiwanese under martial law until 1980s, and claimed to be the official government of all China – though international recognition was switched to the mainland in the 1970s.



Taiwan's Turnaround

- Under Japanese, economic development of agricultural breadbasket included education in Japanese, irrigation systems, extension programs, roads and transportation.
- Land Reform (1949-53): "Land to the tiller" program with government assistance, rent reduction, sale of public (formerly Japanese) land. Agricultural output grew rapidly, and a new capitalist class created.
- Strategy of decentralized development (inherited infrastructure, plus transportation and electrification), and balanced rural development.
- State ownership of a majority of industry in 1950s, with high capital investment but low productivity.
 - Allowed to wither as small family-owned firms grew.
- Trade policy: import substitution policy through 1958, switched to export promotion and outward orientation. Smaller firms very successful in producing for U.S. market.
- Large sums spent on education, study abroad.

Taiwan, continued

- Foreign investment encouraged – largely from U.S. and Japan. FDI, not debt.
- Banking: state-owned until 1990s:
 - Banks biased towards larger firms, smaller firms rely on curb market.
 - Conservative lending policies: post-dated checks, fungible collateral, relatively stable.
 - Financial privatization, liberalization in 1980s, 1990s.
 - High savings rate: > 25% after 1970.
- Democratization in 1980s-1990s under CHIANG Ching-Kuo, National Assembly dismantled. Current president CHEN Shui-Bian, P.M. SU Tseng-Chang, elected Legislative Yuan.
- Government not recognized by most countries, but accession to WTO with China permitted.
- Continuing conflict with China over possible independence. Still claimed by China, which threatens war.

Comparative Per-capita Growth Rates

1990 PPP Dollars (Maddison)

	1950- 1960	1960- 1975	1975- 1990	1990- 1997	1997- 2001	2001 Per-capita Income
Japan	7.6%	7.2%	3.4%	1.5%	-0.1%	20,683
South Korea	3.7%	7.3%	7.0%	5.9%	3.1%	14,673
Hong Kong	3.5%	5.5%	6.3%	3.0%	-0.3%	21,259
Singapore	0.4%	7.1%	5.5%	5.5%	0.1%	21,011
Taiwan	4.9%	6.7%	6.3%	5.7%	2.7%	16,214
USA	1.7%	2.4%	2.4%	1.5%	2.0%	27,948
W. Europe	4.2%	3.2%	2.2%	1.2%	2.2%	20,024
World	2.8%	2.6%	1.5%	1.3%	1.7%	6,049

Asian Financial Crisis

- **The Asian Economic Miracle** – high savings rates, export orientation, government encouragement of markets and private investment, rapid growth.
- Foreign funds poured into East Asia, offsetting rising trade deficits (as economies grew, so did imports).
- Rising stock markets, property values, caused by growth optimism and excessive lending.
 - Thailand – heavy foreign borrowing by Thai banks in dollars to make domestic loans.
 - South Korea – had been heavy foreign borrower, then repaid, and was then borrowing again.

Four inter-related crises

- **Banking Crisis** – poorly regulated banks were making loans that were too risky, and could only be repaid if economy kept up fast growth.
- **Rising Foreign Debt** – short-term, denominated in dollars, lent back out in domestic currency.
- **Financial Bubbles in Stocks, Real Estate** – biggest fool theory, lack of transparency made it worse. Led to more bad loans, more foreign borrowing and equity investment.
- **Balance of Payments Crisis** – fixed exchange rates require central banks to buy or sell Forex reserves. If central banks lend government money by buying government bonds (which in turn back up the money they issue), they may not have enough foreign currency to meet a run on the currency. Credibility issue – if people think bank will run out of Forex, they will start selling their currency.

How the AFC happened

- Japan in late 1980s: financial bubble, banking crisis – no foreign debt or balance of payments crises.
- In 1996-97, Asian growth slowed, foreign investment slowed, balance of payments turned negative, investors began to worry about banks and currency stability. Japanese banks started lending less to others.
- In Summer, 1997, Bank of Thailand repeatedly reassured investors it would not devalue Bhat, but then ran out of Forex and was forced to devalue. Foreign exchange speculators were blamed, but Thai investors were also moving their money out too.
- In Korea, large Chaebol declared bankruptcy, and investors noticed that banking was weak and Korea had more short-term debt to repay than was possible. Eventually IMF would loan Korea \$50 billion to cover it.
- Crisis spread – investors began noticing similar problems elsewhere. Indonesia, Philippines, even Hong Kong and Argentina (which had currency boards), Brazil, and (in 1998) Russia.
- Not all countries had same problems: Taiwan had stronger banking. Hong Kong, Singapore had adequate Forex reserves, no short-term debt problem, stronger banks, and smaller bubbles, but speculators still attacked currencies, forcing them to sell off reserves and causing recession.

Indonesia



- Island nation: Java, Borneo, Sumatra, Bali, Celebes, Irian Jaya (New Guinea) largest populations.
- Fourth most populous nation, mostly muslim.
- Dutch colony. Occupied by Japanese, independence in 1949.
- Currently a democratically elected republic under President Susilo Bambang YUDHOYONO.

Indonesia's economy

- After independence, Sukarno's "Guided Economy" – nationalization of industry, expelling the Dutch.
- High inflation, impoverishment, fears of communist takeover.
- 1965 Coup: near civil war, anti-Chinese murders. General Suharto's "New Order."
- Economic restructuring under "Berkeley Mafia."
- Price supports in agriculture → self-sufficiency.
- Bureaucratic capitalism → monopoly profits.
- Strong economic role of military.
- State banking liberalized in 1970s.
- Free international capital movements.
- Privatization + Regulation, then Deregulation in 1983.
- Strong growth from 1965-1997.

Indonesia, continued

- Pertamina scandal: corruption, mismanagement.
- Asian Financial Crisis hit Indonesia hardest:
 - Crony capitalism through banks – many bad bank loans, much foreign borrowing.
 - Rupiah declined by 85% of its value.
 - Commercial banks collapsed, loss of foreign investment.
 - Suharto government fell after 1997, replaced by Habibie, then Wahid, then Megawati Sukamoputri.
- Rise of Economic Nationalism – protectionism vs. market reformers.
- Economy now growing again, but inflation and unemployment remain high.
