Not everyone a victim of Indonesia’s financial crisis: Scholar

Veeramalle Anjiah
The Jakarta Post/Paris

The 1997-98 Asian financial crisis, which devastated the “tiger economies” of East and Southeast Asia shocked the region but also created new challenges and opportunities, several European and Asian scholars said in Paris recently.

Southeast Asia’s 1997 financial and economic crisis has had varied and sometimes unexpected and contradictory consequences, with some areas and people suffering enormously, and others appearing to be better off,” Ben White, an expert on Indonesian affairs from the Institute of Social Studies, the Hague, the Netherlands, said in a panel discussion on “Living with Crisis in Southeast Asia”.

The discussion was part of the 4th EUROSEAS (European Association for Southeast Asian Studies) conference, which was held in the French capital from Sept. 1 to Sept. 4. The meeting was jointly organized by the Singapore-based Asia-Europe Foundation (ASEF) and the French Association for Research on Southeast Asia (AFRASE).

Though the discussion was supposed to focus on all of Southeast Asia, almost 80 percent of the panel’s time was devoted to Indonesia — a major victim of the crisis, which is still struggling to overcome the devastation, seven years since the crisis began in 1997.

The crisis in Indonesia — which began as the result of a massive pile up of private debt, which in turn led to the collapse of banks that had over lent — and its impacts cannot be understood in isolation from longer-term processes, White said.

Indonesia owed a total of US$145 billion in private and public debt, which almost exceeded its annual gross domestic product (GDP).

The ways in which people were affected and reacted depended on dimensions of vulnerability and resilience that were the products of longer-term processes — which were at work long before 1997. At the same time, for certain

four periods of economic crisis during the 20th century. The first was the result of the 1930s world recession; the second came with the 1940-1950 Japanese occupation; then the 1960s collapse of guided democracy, and the last, the 1990s Asian financial crisis,” Booth said.

There were some commonalities, according to Booth, in the four periods: every time there was a GDP shrinkage; an El Niño drought preceded the crisis and the regime of the time collapsed.

Booth explained the causes of both the 1930s and 1990s crises and compared government responses — including fiscal, monetary and exchange-rate policies, debt policies, and social safety net policies.

Diah Asitadani from Indonesia explained the positive side of the crisis: the dynamic formation of social groups and the birth of democracy.

“Political fragmentation, which occurred during the crisis, cannot be explained without recognizing the formation of social groups. This is most essential in studying the political climate of post-crisis Indonesia, Diah said.

The reformist National Mandate Party (PAN) and Karolina Supeli’s Suara Ibu Peduli (Voices of Mothers Who Care) were some of the examples mentioned by Diah as new social groups.

Though the 1997 financial and economic crisis may have had roots in the model for development — which was followed for decades prior to it — there should be an explanation as to why Indonesia once considered an “Asian tiger”, with an economy that roared at 7 percent during much of the 1990s, is still unable to recover from the devastating economic, social and political repercussions of the crisis.

Several studies — large and small scale, quantitative and qualitative — have been conducted since the crisis began.

“All these studies provide quite a puzzling picture. The conclusions of many studies are paradoxical, counter-intuitive and often contradictory,” White said.