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ASEAN's newer member countries in two financial crises: Impact, response and lessons

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December 2021

Working Papers in Trade and Development

No. 2021/27

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ASEAN's Newer Member Countries in Two Financial Crises: Impact, Response and Lessons*

Jayant Menon

Abstract

ASEAN has been through two major financial crises in the last quarter century: the 1997-98 Asian Financial Crisis (AFC) and the 2008-09 Global Financial Crisis (GFC). Although there is a voluminous literature covering the original five members, it has largely ignored the newer members – Brunei Darussalam, Cambodia, Lao PDR, Myanmar and Vietnam (BCLMV). For the first time, a systematic analysis of the experience of the newer members of ASEAN relating to the AFC and the GFC focusing on impact, policy response and lessons is provided. Their participation in regional financial cooperation initiatives in helping prevent or mitigate the impact of future crises, and how these initiatives need to be enhanced to better serve them is also considered.

Keywords: Asian Financial Crisis; Global Financial Crisis; ASEAN; Brunei Darussalam; Cambodia; Lao PDR; Myanmar; Vietnam.

JEL Classification: G01; F15; F32; F33; F34

* This paper was prepared for a book commemorating the 10th year anniversary of the ASEAN+3 Macroeconomic Research Office (AMRO) in Singapore. I am particularly grateful to Diwa Guinigundo and Masahiro Kawai for extensive written comments. I also received very useful comments and suggestions from Hoe Ee Khor and Thiam Hee Ng. Anna Cassandra Melendez provided excellent research assistance. Any remaining errors are my own.

ASEAN's Newer Member Countries in Two Financial Crises: Impact, Response and Lessons

Jayant Menon

I. Introduction

Apart from the coronavirus (COVID-19) pandemic that hit in 2020 and is currently ongoing, the Association of Southeast Asian Nations (ASEAN) region has been through two major crises in the last quarter century that have had major economic and financial effects: the 1997-98 Asian Financial Crisis (AFC) and the 2008-09 Global Financial Crisis (GFC).

The AFC is often identified with the ASEAN region, although its effects extended beyond it. The impact of the AFC varied across ASEAN, with the newer members less affected than the original ones. This chapter focusses on the experience of these five newer members - Brunei Darussalam, Cambodia, Lao PDR, Myanmar and Viet Nam, or BCLMV - with the AFC and the GFC. The literature has largely ignored the experience of these newer members, with respect to both the AFC and the GFC, and this paper aims to fill this gap.

BCLMV are a diverse grouping but are discussed together because of one important commonality: they represent the ASEAN member countries that were indirectly as well as least affected by the AFC[1]. This is also true of the GFC, but the indirect channel of transmission of this crisis applies to all ASEAN members. BCLMV could be thought of as crisis-affected rather than crisis-hit countries because they suffered less and only from contagion that swept through the region and beyond.

For the first time, a systematic analysis of the experience of the newer members of ASEAN relating to the AFC and the GFC focusing on impact, policy response and lessons is provided. Their participation in regional financial cooperation initiatives in helping prevent or mitigate the impact of future crises, and how these need to be enhanced to better serve BCLMV is also considered.

[1] Even among the original members of ASEAN, there are significant differences in impact from the AFC. For instance, Philippines and Singapore were less affected than Thailand, Indonesia or Malaysia.

The remainder of the chapter is in 5 sections. In Section 2, an overview of BCLMV economies and the two crises to lay the groundwork for the ensuing analysis is provided. In Section 3, the impact of the AFC on each of the five countries and how they responded, while drawing out similarities and differences are examonede Section 4 looks at the same but in relation to the GFC. Lessons from the crises, resulting regional financial cooperation initiatives and ways in which they can be enhanced to better serve BCLMV are the subject of Section 5. A final section concludes.

II. The AFC, GFC and BCLMV: An Overview

A good way to introduce BCLMV is to start with ASEAN and their points of entry into it. ASEAN was established in 1967 by the signing of the Bangkok Declaration by the five original members, namely Indonesia, Malaysia, Philippines, Singapore and Thailand. Although these five countries are referred to as the founding fathers, ASEAN was always open to expanding its membership and finally did so in 1984 with the accession of Brunei. More than a decade would pass before ASEAN would expand further, and this occurred when Viet Nam joined in 1995. Although the AFC is deemed to have started on 2 July 1997, it did not stop the accession of Lao PDR and Myanmar later that month. Cambodia was supposed to also join at this time, but an internal political rift delayed their accession by almost two years, and they were finally accepted on 30 April 1999. The original membership had doubled to ten with the accession of these five countries over a fifteen-year period.[2]

The AFC began as a currency crisis in Thailand on 2 July 1997 when the Thai baht came under severe selling pressure and the Bank of Thailand was forced to abandon the peg to a basket of currencies dominated by the US dollar, leading to a massive, immediate depreciation. It set off a series of currency devaluations and massive flights of capital, initially affecting Malaysia, Indonesia, Singapore, Philippines, and South Korea.[3] It later spread to Hong Kong and China, and even Russia and Brazil. Many other countries in the region and beyond were affected, although ASEAN continues to be identified as the focal point of the crisis until today.

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[2] ASEAN's membership could extend further if it accepts Timor Leste's application to become its 11th member.
[3] In the first six months of the crisis, the value of the Indonesian rupiah was down by 80 percent, the Thai baht by more than 50 percent, the South Korean won by nearly 50 percent, and the Malaysian ringgit by 45 percent. Collectively, the economies most affected saw a drop in capital inflows of more than $100 billion in the first year of the crisis.

Unlike most economic and financial crises emanated in developing countries[4], the GFC of 2008-09 started in the United States (US) and affected the world economy. Excessive risk-taking behavior combined with the bursting of the US housing bubble caused values of securities tied to US real estate to fall sharply, damaging financial institutions globally. It led initially to the bankruptcy of Lehman Brothers on September 15, 2008, and an international banking crisis ensued. It produced the Great Recession, the worst economic downturn since the Great Depression. The worst impact was felt in the US and other developed countries such as members of the European Union (EU), although the developing countries were not spared. Although all ASEAN countries this time were only indirectly affected, the impact was felt in varying degrees among members.

As noted earlier, BCLMV are a diverse group. The theoretical grouping includes one high-income country (Brunei) and four transitional economies, of which one has joined the high human development index (HDI) group (Viet Nam)[5] and the remaining three are still classified as Less-Developed Countries (LDCs, Cambodia, Lao PDR and Myanmar). CLMV are still largely agrarian economies, despite structural transformations that have resulted in the share of agriculture and related industries in GDP consistently declining over the years (Table 1). Even in 2018, the rural sector continued to employ more than half of the labor force in Lao PDR and Myanmar, and a third in Cambodia and Viet Nam.

Table 1 about here

The structural transformation in CLMV has been driven by economic and financial reforms that have supported growth through increases in trade (Figure 1) and Foreign Direct Investment (FDI) (Figure 2a and 2b). This has resulted in remarkable achievements in the social sphere, especially in terms of poverty reduction (Table 2). While poverty headcount ratios (either $1.90 per day or national poverty line estimates) were above 50% in the early nineties in CLMV, they had fallen sharply to below 20% by 2018. Financial systems had also been very weak prior to the AFC, but matured in the decade leading up to the GFC, and has continued deepening since (Table 3).

Figure 1 around here

Figure 2a around here

Figure 2b around here

[4] See, for instance, Edwards (2007); Bird and Mosley (2004).

[5] The HDI ranks economies based on a weighted average measuring life expectancy, education, per capita income, gender gap, and poverty. Viet Nam passed the threshold of 0.7 in 2019 to join the high HDI group.

One of the consequences of a weak financial system is dollarization or the multiple currency phenomenon, whereby the US dollar and/or the currency of other countries serve the function of money in the domestic economy. Dollarization or the multiple currency phenomenon was present in varying degrees in CLMV during the AFC and GFC, although more pernicious during the former. Cambodia is highly dollarized and both US dollars and Thai baht serve as money in Lao PDR (see Menon 2008a; 2008b). Viet Nam and Myanmar had lower degrees of dollarization but had highly managed exchange rates. Brunei has a Currency Board Arrangement whereby its currency is pegged to the Singapore dollar through a Currency Interchangeability Arrangement. These differences in monetary and exchange rate and control arrangements affected the ability of BCLMV to respond to crises through the conduct of monetary stabilization policies.

Table 2 around here

Table 3 around here

III. The Asian Financial Crisis

A. BCLMV Regional Overview

When the AFC hit in 1997, the financial systems of BCLMV were fairly underdeveloped and not well-linked to global financial markets (Table 3). Therefore, there were limited channels through which the worst effects of the regional crisis could be transmitted domestically. The so-called double mismatch problem, involving long-term borrowings in foreign currency being financed by short-term domestic currency loans, did not exist in these countries either, due to nascent domestic financial systems. BCLMV also did not experience the rapid and disruptive flight of volatile, short-term capital that crippled other Asian countries because the amount of portfolio capital in these countries were non-existent or small, since they did not have stock or debt securities markets at the time (ADB, 2010; Okonjo-Iweala et al., 1999; Jeasakul et al., 2014).

On the positive side, the large rural sectors that characterized the developing nature of CLMV served as a cushion against the worst effects of the AFC. Although the share of the agricultural sector in GDP in CLMV continues to decline, it was still quite high when the AFC hit, ranging between 40% to 60% in CLM and 25% in Viet Nam (Table 1). The share of the labor force employed in agriculture was much higher than its share in GDP, signifying its even greater importance. Agriculture employed about 80 percent of the labor force in Cambodia and Lao PDR, and more than 60% in Myanmar and Viet Nam,

just before the AFC hit. A large agricultural sector provides a buffer during external crises because demand for output is generally inelastic and a significant share of demand is domestic.

However, the crisis hit at a time when CLMV were slowly becoming linked to the region through trade (Figure 1) and FDI (Figure 2a). This growth in trade and FDI helped fuel years of sustained development in CLMV. However, growing interconnectedness also made them increasingly reliant on economic growth and stability elsewhere in the region, and therefore more vulnerable to external shocks. The AFC also hit CLMV while these countries were in the process of undertaking market-oriented reforms. With many reforms unfinished or delayed, CLMV came into the crisis with weak macroeconomic fundamentals and long-standing structural vulnerabilities (Okonjo-Iweala et al., 1999).

The temptation to retreat behind borders and raise tariff and non-tariff barriers (NTBs) to protect domestic output and employment is heightened during times of economic crisis. Some of the Mekong countries succumbed to this temptation by raising temporary tariffs and other NTBs, although there was no major shift in the overall thrust of their policies to continue liberalizing and reforming their economies. Most of the protection measures were removed soon after the effects of the AFC had dissipated.

The borders of the countries in the Mekong region are porous, with large numbers of workers crossing them regularly, sometimes on a daily basis. Pre-AFC, there were a significant number of people from CLMV working in crisis-hit countries, especially Thailand. The economic downturn in these countries affected migrant workers more than domestic workers. The contractual arrangements applying to legal migrant workers made them easier to retrench. Policy changes in response to rising unemployment in Thailand and other crisis-hit countries resulted in a reduction in the number of legal migrant workers they were willing to accept during the crisis.

A significant proportion of workers from Cambodia, Lao PDR and Myanmar are believed to be working in Thailand illegally. The crisis resulted in an intensification of efforts to crackdown on illegal migrant workers. For instance, Thailand announced in February 1998 that it would repatriate 300,000 illegal workers from Myanmar and Cambodia over a six-month period.[6] Other ASEAN countries such as Malaysia and Singapore also tightened restrictions on legal migration or intensified efforts to curtail illegal migrant workers. Both legal and illegal migrant workers were forced to return home, to local conditions that were worse than when they left. This resulted in the replacement of a valuable flow of remittances with an increase in the pool of the locally unemployed. The

[6] Reported in "Repatriation of Burmese workers blasted", Bangkok Post, 16/2/1998, page 1.

reported fall in remittances may also be underestimated to the extent that illegal or unrecorded migrant workers were forced to return home.

In the case of CLMV, the impact on their real economies was aggravated by a weakened capacity to implement countercyclical macroeconomic policy. At least some of the tools of macroeconomic stabilization were either blunt or unavailable in these countries. Varying degrees of dollarization and the multiple currency phenomenon in Cambodia and Lao PDR in particular, but also Myanmar and Viet Nam, and the Currency Board Arrangement in Brunei Darussalam, complicated the conduct of monetary policy.

The monetary and exchange rate conditions in these countries made it difficult for their real exchange rates to adjust quickly or adequately to exogenous shocks, and therefore to work as stabilizers in moving their respective economies back towards pre-shock conditions. That is, in these economies, nominal exchange rate changes could not play much of a role in delivering the required real exchange rate adjustments, and the burden of adjustment fell on factor prices instead (Menon 2012).

For instance, the real exchange rate depreciation required to correct growing current account deficits had to involve changes to factor prices, especially wages, and this was often slow, if not difficult to implement. Even in Brunei, the currency peg to the Singapore dollar limited discretionary adjustments to the nominal exchange rate, although the depreciation of the Singapore dollar during the AFC flowed through domestically, and indirectly assisted in the adjustment.

Limited fiscal headroom due to difficulties in collecting taxes constrained the ability of fiscal policy to play a significant role in limiting the growth slowdown. On top of this, mistakes were also made where inappropriate policy responses were pursued, sometimes aggravating the situation and adding to economic and social costs.

B. BCLMV Country Experiences

Brunei Darussalam

Brunei entered the AFC in a somewhat good position, with the economy growing by around 3% (Figure 3a) on the back of strong construction and services, benign inflation, and a healthy current account surplus. Although the AFC affected the economy in 1998, oil and gas export revenues and an increase in net foreign assets largely insulated the economy, with the Brunei Investment Agency providing a buffer that cushioned the immediate impact of the shock. Brunei had a relatively liberal trade policy regime following its membership of the General Agreement on Tariffs and Trade (GATT) in

1993. This combined with the currency peg to the Singapore dollar helped provide stability.

Nonetheless, the AFC led to a further decline in economic activity, particularly in construction, with Brunei being the only country among the BCLMV to suffer a recession. Although government had initially planned to reduce public expenditures before the crisis hit, authorities decided to forgo this in favor of increased spending to help fuel the sluggish economy (IMF 1999a).

Figure 3a around here

Cambodia

Between 1990-1996, Cambodia's economy was growing at an average of 5.4% a year (Figure 3a), supported by strong growth in trade and investment.

The AFC led to slower economic growth, a depreciation in the riel, and an increase in inflation. However, severity of the crisis' effect was relatively muted compared to other countries. This was due to several factors. First, Cambodia's exports were not significantly affected by the crisis (Figure 1). Cambodia's main exports were garments, and these were mainly exported outside the region to markets in the EU and the US. With tariff-free access under the Generalized System of Preferences (GSP), these exports were relatively unaffected and remained buoyant despite the AFC. The booming garments sector allowed Cambodia to increase its reserves to 2.5 months of imports in the midst of the crisis (Okonjo-Iweala et al., 1999).

On the import side, there was concern that the sharp depreciation of the Thai baht in particular had left domestic producers of a number of import-competing goods with a significant competitive disadvantage. In an attempt to offset this, tariffs were raised on 12 products that were perceived to face strong import competition from Thailand in particular (Table 4). For two of these products, tariffs were increased from 15 to 35 percent, while for the rest they were more doubled from 7 to 15 percent.[7]

Table 4 around here

The AFC, however, revealed certain vulnerabilities in the Cambodian economy, particularly its limited capacity to use fiscal policy in response to external shocks. Because the economy is highly dollarized, limiting the use of monetary policy, the government had to rely on fiscal policy to maintain macroeconomic stability. At the time, Cambodia's fiscal position was constrained by weak revenue collection, overspending on the military budget, and a lack of foreign budgetary support, matters made worse by domestic political uncertainty. Faced with these challenges, government had no choice

[7] Since Cambodia did not join the World Trade Organization (WTO) until 2004, the raising of tariffs in this manner did not incur any legal repercussions.

but to cut spending in order to achieve fiscal balance. This led to a reduction in spending on civilian operations (including health and education) and maintenance outlays (IMF 1999b).

Cambodia also went through a period of political turmoil that coincided with the onset of the AFC. The fighting between troops loyal to joint Prime Ministers Hun Sen and Ranaridh, which eventually led to the collapse of the coalition government, started on 5 July 1997, only 3 days after the baht collapsed and signaled the start of the AFC. A long period of uncertainty ensued, lasting more than a year, before a new government was formed in November 1998. It was only at this point that public confidence started to slowly return. Economic activity, particularly in tourism and retail trade, took a bit longer and started to pick up only in late 1998 (IMF 1999b). The overlap or coincidence of an independent political crisis and a financial crisis in the neighborhood made it difficult to disentangle or isolate their respective effects on the economy.

Lao PDR

Lao PDR enjoyed a period of fast growth and low inflation from the late 1980s up until 1997, the result of several market-oriented economic reforms encompassing taxation, trade and investment liberalization, and privatization of state enterprises. In 1997, however, reform efforts started to stall and government began loosening monetary and fiscal policies. This set the stage for a deterioration in macroeconomic conditions that was made worse by the impact of the AFC (IMF 1999c; 1999d). In this sense, the AFC did not cause but accelerated an ongoing trend of economic instability.

Prior to the AFC, the Lao PDR economy was growing at an average rate of 6.4% a year between 1990 and 1996 (Figure 3a). This growth slowed to 5.5% in 1997 and 1998, marking the sharpest decline in growth amongst the newer member countries of ASEAN. Although garments exports helped shore up manufacturing---garments manufacturing actually grew in 1998 with the reinstatement of the EU's GSP---construction declined significantly as investments projects stalled (IMF, 1999d). The AFC's impact on the Thai economy delayed investments in hydropower in Lao PDR, leading to a decline in FDI inflows. The AFC led to a decline in FDI from $104 million in 1997 to roughly $60 million a year in 1998 and 1999 (IMF, 1999c).

The Lao PDR government introduced a number of policies relating to the monetary conditions in the country in 1997, although not all were in response to the AFC. In June 1997, just before the onset of the AFC, the Bank of Lao PDR moved to enforce the decree that stipulates that only the local currency, kip, could be used as a medium of

exchange in domestic transactions.[8] Although increased policing of the use of the kip increased its use in domestic transactions, it did not stop the use of baht or US dollars. The enforcement measures were designed to curb the depreciation of the kip due to black market speculation, but instead of stemming its depreciation, it accelerated it. Indeed, the kip was perhaps the only currency to have fallen in value against the baht during a time when the baht was depreciating against almost every other currency during the early phase of the AFC (Figure 4).

Figure 4 around here

The lack of monetary instruments in the form of kip-denominated interest-bearing assets prevents the Bank of Lao PDR from effectively conducting open market operations to control the money supply. Therefore, the government had to employ other tools to try and implement its monetary policy. To offset the anticipated growth slowdown emanating from the AFC, the government tried to pursue an expansionary monetary policy by abandoning bank credit ceilings, a policy which was sustained through to 1998. This led to a rapid growth in broad money and an expansion in credit to both the private and public sector (see IMF, 1999d).

Meanwhile, weak fiscal management and the failure to follow-through on key revenue reforms led to large public deficits in 1997 and 1998. The government sought to plug this deficit through substantial central bank financing. However, with the economy highly dollarized, under monetized, and largely dependent on Thailand, this fiscal expansion led to triple-digit inflation and further depreciation in the kip (IMF 1999c; 1999d). Consumer price inflation reached 90% in 1998 and peaked at almost 130% in 1999 (Figure 5).

Figure 5 around here

From late 1998 to early 1999, government tried to tighten monetary and fiscal policies in an attempt to stabilize the macroeconomy, but these efforts were difficult to implement and not sustained. Instead, foreign exchange and price pressures were largely addressed through administrative measures which were ultimately also ineffective. By the third quarter of 1999, renewed efforts at tightening started to finally bear fruit, halting a further depreciation in the currency and easing inflation somewhat (IMF 1999c; 1999d).

Myanmar

Myanmar enjoyed solid economic growth in the years prior to the AFC, although this performance paled in comparison to Cambodia, Lao PDR, and Viet Nam (Figure 3a).

[8] This move was essentially an enforcement measure, as Decree No. 53, dated September 7, 1990, has always made it illegal to employ foreign currencies in domestic transactions.

While CLV were already several years into implementation of market-oriented reforms, Myanmar remained a closed and highly controlled economy; many barriers to trade, investment, and currency exchange remained in place. Myanmar's macroeconomic fundamentals were also less sound compared to its neighbors. Net international foreign exchange reserves were low, leading to frequent shortages, and more than a third of international debt was in arrears (IMF 1999e).

Despite starting from a somewhat weaker macroeconomic position, Myanmar appeared to have weathered the AFC better than most other countries. The relatively free market exchange rate depreciated rapidly against the dollar after the Thai baht was floated (Figure 4), triggering a rise in inflation (Figure 5). By the last quarter of 1998, however, the exchange rate started to strengthen, and inflation began to ease (IMF 1999e). Non-gas exports remained buoyant despite the crisis, helping to offset the loss of expected revenues from gas exports due to lower energy demand from Thailand. Although new FDI commitments fell to zero in 1998/1999, FDI inflows from previous commitments held up (Figure 2a). Worker's remittances from abroad also continued, as did tourism receipts despite a slow-down in the growth of tourism arrivals (Figure 6).

Myanmar was able to avoid the worst effects of the AFC due mainly to its continued insularity. For instance, exports were less than 15 percent as a share of GDP in 1995 and remains low until today (18 percent in 2018). On top of this, Myanmar employed additional protectionist measures to insulate itself further, such as tightening import controls and revoking foreign exchange licenses of private banks to reduce the demand for foreign exchange (IMF 1999e). While this inward-looking approach prevented Myanmar from participating more fully in the social and economic progress that CLV enjoyed cboth before and after the AFC, it did significantly limit negative contagion from the AFC permeating its economy.

Viet Nam

Viet Nam's trade and investment linkages within the region were the strongest among BCLMV. The AFC therefore led to a sharp fall in economic activity, with real GDP growth declining from almost 10% between 1995 and 1996 to 7% between 1997 and 1998 (Figure 3a).

As with other countries, however, this drop in economic activity was not purely a result of the AFC. Viet Nam was already at a disadvantaged position when the AFC hit, and as such suffered the greatest damage among the newer member countries of ASEAN. FDI was a major driver of Viet Nam's growth leading up to the crisis, but these inflows were largely channeled to the non-tradeable sector and inefficient import-substituting industries. In addition, most FDI projects had to be done through joint projects with

state-owned enterprises (SOEs). The inability of these industries to absorb the large inflow of FDI was already leading to excess capacity when the AFC hit. When the sudden drop in FDI in 1997 revealed major weaknesses in these industries (Figure 2a), the government responded by further increasing protection through use of quotas and licensing. Government also continued to support SOEs through provision of bank credit (IMF 1999f and 2000), ultimately leading to a build-up of inflationary pressures (Figure 5).

The slowdown in growth, expansion in credit, and worsening financial position of SOEs placed added pressure on the banking system that was already grappling with a weak capital base, low profitability, and mounting non-performing loans (NPLs; IMF 1999f). Although the economy began showing signs of recovery by mid-1999, this was largely driven by strong exports and increases in rice production. FDI, domestic demand, and imports remained sluggish, however. Both monetary and fiscal policy were relaxed in 1999 to help spur recovery. Reforms covering trade, private investment, foreign exchange, banking, and SOEs also picked up momentum in order to support recovery.

IV. Global Financial Crisis

A. BCLMV Regional Overview

The transition towards a more market-based economy in CLMV gathered pace during the decade between the AFC and the GFC. Trade and investment liberalization were aggressively pursued, as part of commitments to the ASEAN Free Trade Area (AFTA), as were other reforms in the real and financial sectors, producing high rates of economic growth (Figure 2b). CLMV grew by more than 7% on average between 2000-2007, while ASEAN as a whole grew at about 5.5%. Brunei was the worst performing economy in ASEAN, however, managing only 2.2% during this period. By the time the GFC erupted in 2008, BCLMV had become more deeply connected with global markets as well. Because of this, and as small, open economies, they were quite susceptible to the vagaries of the GFC, and more so than when the AFC hit (ADB 2010). Brunei fell into a recession, Cambodia's growth fell to zero, and growth in Viet Nam and Myanmar slowed significantly.

Trade was the main transmission channel, with exports contracting as demand in advanced economies receded (Figure 1). The crisis also dampened tourism and reduced remittances, although remittances remained buoyant and made up for the contraction in exports in some countries. The financial shocks were transmitted through greater volatility in the capital and foreign exchange markets; a contraction in credit,

investment, and official aid; and a sharp fall in asset values. Nonetheless, the monetary and financial systems of BCLMV remained largely stable and resilient (Parulian, 2009; ADB 2010). Exposure to toxic subprime assets was limited, for Asia as a whole. The ADB (2010) estimated that the region's direct exposure to these assets was a mere 0.09%. Deleveraging and capital outflows had a bigger impact on the economies, but these outflows eventually recovered as advanced economies cut interest rates and the US pursued aggressive monetary easing (ADB 2009).

Figure 6 around here

Although the GFC inflicted damage on BCLMV economies, the effects were somewhat milder and recovery was faster for most countries when compared to the AFC. This was mainly because the starting conditions in these countries were better this time around. Across BCLMV, domestic fundamentals were stronger and prudent economic management in the years leading up to the GFC helped mitigate the effects of the crisis. Current account positions in CLV were generally stronger leading up to the GFC (Figure 7b) compared to the AFC (Figure 7a). Less intervention to support domestic currency values in foreign exchange markets also resulted in greater accumulation of foreign exchange reserves. With the exception of Viet Nam, credit expansion was moderate, and inflation was benign. Fiscal conditions were also good, with countries enjoying modest deficits and debt burdens leading up to the GFC (Jeasakul et al., 2014; Park et al., 2013). For these reasons, BCLMV had more space and better macroeconomic conditions and instruments to implement countercyclical monetary and fiscal policies to mitigate the impact of the GFC compared to the AFC.

Figure 7a around here

Figure 7b around here

B. BCLMV Country Experiences

Brunei Darussalam

As with the AFC, Brunei was the only country amongst the newer members of ASEAN to have suffered a recession as a result of the GFC. Although growth had started to slow prior to the onset of the GFC, it turned negative and averaged -1.9 percent in 2008 and 2009 (Figure 3b). This was mainly driven by weaker energy demand from traditional markets and maintenance related stoppages led to a fall in the production of oil and gas and liquified natural gas output. The fall in energy prices resulted in a significant deterioration in Brunei's terms of trade (Figure 8). Weaker trade, tourism and manufacturing slowed growth in the non-energy sector as well. Lower economic activity also dulled demand for imports (ADB 2011).

Figure 8 around here

Large structural liquidity, adequate capital, and limited exposure to toxic assets kept the financial sector stable, while the continuation of price controls and the decline in global commodities prices helped temper inflation. The market value of assets managed by the Brunei Investment Agency was affected by the GFC but eventually rebounded. The peg to the Singapore dollar and the Currency Interchangeability Arrangement continued to keep the currency stable (IMF 2010a).

Government responded to the GFC by reducing the corporate income tax and increasing the implementation capacity and speed of development projects. Financial regulators also worked with banks to develop a financial sector emergency plan and introduce a blanket deposit guarantee along with other countries in the region (IMF 2010a).

Cambodia

Prior to the GFC, Cambodia was experiencing a decade of high growth, with real GDP growing by an average of 9.6% between 2000-2007 (Figure 3b). Cambodia's growth fell to 6.4% in 2008 and then collapsed to almost zero in 2009 as demand for exports slowed in the US as well as the EU. These were the traditional markets for its exports of garments, textiles, and footwear, which together accounted for most of its exports. Of all the newer members of ASEAN, Cambodia was the country with strongest trade ties with the US, with about half of its exports destined there just prior to the GFC. The US and the EU accounted for about two-thirds of its exports at the time, consisting mostly of garments traded under GSP privileges. This geographical distribution of trade played out as a major negative factor during the GFC, as the US and the EU were the worst hit countries. FDI inflows also contracted (Figure 2b), as did tourism receipts, *albeit* to a lesser extent (Figure 6).

The government sought to cushion the GFC's impact by raising minimum wages and accelerating development spending, causing an increase in the overall fiscal deficit. These were mainly financed through concessional loans and grants, although domestic financing also increased and reached almost 2% of GDP. In addition, the National Bank of Cambodia (NBC) eased reserve requirements from 16% to 12% and introduced an overdraft facility. However, as with the AFC, the government's response was hampered by the limited fiscal revenue base and the high degree of dollarization (IMF 2010b). Cambodia's economy began bouncing back by 2010. By end 2010, exports and FDI inflows had increased by about 20% and 50% (Figure 2b) respectively, while tourist arrivals and tourism receipts rose by about 16% and 14.5%, respectively (Figure 6).

GDP growth bounced back to 6% in 2010, and then 7.1% in 2011, which was about the average growth rate for the remainder of the ensuing decade.

Lao PDR

Like Cambodia, the GFC affected Lao PDR's exports, FDI inflows, and tourism arrivals and receipts. However, Lao PDR managed to weather the GFC relatively well. Although its growth slowed down in 2008, this growth was still one of the highest in Southeast Asia during the GFC (Figure 3b). This was due mainly to ongoing projects in the mining and hydropower sector and accommodative monetary and fiscal policies, which helped boost construction activity and stimulated domestic demand and imports (ADB 2011). Mining and hydropower projects have long gestation periods, and are less likely to be greatly affected by a temporary event such as the GFC. Furthermore, both the price and sales of the output of hydropower projects were pre-determined by long-term, binding power purchase agreements (mostly with Thailand), and therefore were relatively immune from the impact of the GFC. These special features of the Lao economy created a buffer that insulated it from some of the effects of the GFC.

Accommodative policies put pressure on both the balance of payments and the fiscal deficit, but macroeconomic fundamentals remained largely sound (Figure 7b). Lao PDR also did a better job of containing inflation during the GFC compared to the AFC (Figure 5).

By 2010, growth returned to pre-crisis levels, led by strong growth in industry at 16%. Tourism rebounded increasing by about 25%, allowing the hotel and restaurant industry to grow by 6% (Figure 6). Services as a whole grew by 5% (ADB 2011).

Myanmar

The GFC's impact on Myanmar was mainly transmitted through the economic slowdowns in neighboring countries with which it had some trade and investment linkages. This, together with the collapse in commodity prices (Figure 8) and the impact of Cyclone Nargis, led to a reduction in GDP growth to its lowest level since the AFC in 2008 (Figure 3b). The slowdown in Thailand led to a decline in natural gas production and exports, while private consumption was hit due to lower remittances from workers in Thailand, Malaysia, and Singapore. By 2009, growth had recovered on the back of improved performance in the agriculture, mining, manufacturing, and the transport and communications subsectors. Demand for exports rose as recovery took hold in

Myanmar's neighbors. The government managed to contain inflation by financing part of its fiscal deficit through Treasury bond issues instead of fully relying on money creation (ADB 2010; 2011).

Viet Nam

Conditions in Viet Nam in the run-up to the GFC were somewhat similar to conditions prior to the AFC. After years of impressive growth fueled by massive FDI inflows, the Vietnamese economy was showing signs of overheating in 2007 (Menon, 2009). Aggregate demand pressures, coupled with rising commodity prices caused inflation to rise to double digits (Figure 5). Both the fiscal and current account deficits were on the rise as well (Figure 7b). Early in 2008, the State Bank of Viet Nam (SBV) began taking steps to stabilize the economy, and the economy entered a contractionary phase in the first half of 2008 (IMF 2008; Nguyen and Pham 2011).

The onset of the GFC weakened exports, FDI, remittances, and domestic demand. The trade to GDP ratio was the highest amongst BCLMV but fell from 157% in 2008 to 136% in 2009 (Figure 1). This sharp drop was due to the fact that its main export markets were badly hit by the GFC, namely the US, the EU and Japan. Imports of intermediate goods also fell sharply, reflecting Vietnam's growing importance in global supply chains.

Growing risk aversion led to massive portfolio investment outflows, and the Viet Nam stock index fell about two thirds in 2008, accompanied by further depreciation in the dong (IMF 2008). The GFC also exposed vulnerabilities in the banking system, which had high loan-to-deposit ratios (Table 3) and which relied considerably on short-term interbank funding.

To mitigate the impact of the GFC, accommodative fiscal and monetary policies were pursued. An economic stimulus plan was launched, with a wide range of incentives aimed at supporting exporters (Nguyen and Pham, 2011). The SBV lowered policy rates and reduced reserve requirements. The SBV also devalued the dong and widened the dong-US trading band to relieve currency pressures.

Exports began rebounding in 2009, driven by textiles, footwear, and electronics and computers. FDI, remittances, and tourism receipts also began to recover (Figures 2b and 6). The SBV started withdrawing monetary stimulus beginning late 2009, and most fiscal stimulus measures expired by late 2009 (ADB 2011).

V. Lessons for Policy and Regional Financial Cooperation

A. Lessons for Policy

Overall, it appears that the AFC had a slightly greater impact on BCLMV than the GFC. This is also related to the fact that the effects were slightly longer lived, or the recovery not as rapid, with the AFC compared to the GFC. But there are several qualifications that need to be made.

First, there were differences in the effects of each crisis across the countries in the group. For instance, Cambodia was clearly more severely affected by the GFC than the AFC, even though the AFC coincided with an independently occurring political crisis at home. On the other hand, Lao PDR appears more severely affected by the AFC as its macroeconomic problems had started before the AFC. While the AFC clearly accelerated and compounded these problems, not all the observed effects can be attributed to the AFC alone. It is also difficult to accurately attribute effects to the AFC or GFC in the other countries as well, since they were all only indirectly affected by both crises. With these caveats in mind, however, there are still some lessons that can be drawn from the experience from these crises.

Despite the impact of the GFC being more pronounced due to greater integration both regionally and globally, this should not be a basis to slow or fear the reforms that supported such integration. There are a number of reasons for this. To begin with, the remarkable achievements in improving economic and social conditions, especially for the poor, were not seriously affected by the GFC. This was largely because these countries were better equipped to deal with the GFC, as a result of the very same reforms that increased their exposure to the contagion. The reforms had produced more robust economic and financial systems, with more effective macroeconomic policy instruments. The GFC did not last as long as the AFC because it was not misdiagnosed, and so appropriate remedial measures were applied and done so aggressively in the US and Europe (Grenville, 2013). This limited the long-term consequences, or economic scarring, from the crisis.

If the BCLMV were better prepared to deal with a crisis when the GFC hit, why was the recovery from the GFC only marginally faster than that from the AFC? The fact that recovery speeds were not very different had more to do with the nature of the two crises than preparedness or ability to deal with them. Unlike the GFC, which resulted in a

global recession, the growth slowdowns associated with the AFC were mostly regional, confined mainly to Southeast and East Asia. Therefore, crisis-hit countries were able to export their way out of recession, aided by buoyant global demand and highly competitive exchange rates as a result of massive currency depreciations. Just as the negative contagion slowed down growth in BCLMV, so did positive contagion when the rapid recovery set in amongst their neighbours. BCLMV were able to ride the so-called V-shaped recovery taking place all around them, and quickly regained the growth momentum which they had before the AFC hit. Neither the original members of ASEAN nor the newer ones could export their way out of the GFC because it was a global slowdown that affected most of their export markets.

In both cases, however, the fact that BCLMV, like the original ASEAN members, resisted the temptation to turn inward or raise significant protective barriers created conditions to support recovery. Had these countries succumbed to the protection temptation, then both the speed and the nature of the recovery may have been very different, and could have resulted in long-term consequences that may have delayed their transition towards market-based economies.

B. Lessons for Regional Financial Cooperation

The AFC prompted the region's policymakers to realize the importance of economic and financial cooperation, given the region's deepening economic interdependence. Following the crisis, ASEAN and the "Plus Three" countries – China, Korea and Japan - embarked on various initiatives to manage such interdependence and achieve stable economic growth.

In the monetary and financial area, three key initiatives were undertaken by the finance ministers of ASEAN+3 to promote regional financial cooperation:

- Introduction of a regional economic review and policy dialogue process (ASEAN+3 ERPD);
- Establishment of a regional reserve pooling arrangement (Chiang Mai Initiative, CMI); and
- Development of local-currency bond markets (Asian Bond Markets Initiative, ABMI).

All three are inter-related, and serve, in varying degrees, to prevent the recurrence of financial crises. The ASEAN+3 ERPD and the CMI were both launched by the ASEAN+3 Finance Ministers in May 2000. More than the ABMI, the CMI and the ERPD

were created to prevent the recurrence of regional financial crises and to contain such crises effectively, if and when they occur.

The ERPD is designed to assist in the prevention of financial crises through the early detection of irregularities and vulnerabilities and the swift implementation of remedial policy actions. The mechanism is intended to facilitate information sharing, exchanges of views, and collaboration on financial, monetary, and fiscal issues of common interest.[9] Although the ERPD is only one of several surveillance mechanisms created in the wake of the AFC, it soon became the core mechanism for regional economic surveillance, due to its linkage to the CMI (Kawai and Houser, 2008). The ERPD has worked relatively well but could be improved to better serve its members, especially the newer members.

CLMV are arguably more susceptible to domestic or external shocks as they continue their transition to becoming more mature market economies, with the side note that Brunei is often subject to terms of trade shocks given its heavy reliance on oil exports. For the ERPD to be more effective, its formal processes must move away from the current focus on information exchange, to include stronger peer review and due diligence functions. Peer review will allow member countries to identify domestic policies that can impinge on regional economic stability, as well as enable them to persuade poorly performing countries to take corrective policy measures. ASEAN+3 can use peer review not only to conduct country-by-country examinations, but also to assess cross-country thematic issues or broader issues of regional cooperation.

How has this played out in practice? The ERPD has to move away from what critics have referred to as a “beauty contest”, where discussions are highly guarded and tend to highlight positive developments while ignoring or even suppressing vulnerabilities or other negative aspects. It is only when there is sufficient trust among members that the peer review process is able to mature into an open and frank discussion of risks and vulnerabilities so that the ERPD can be of maximum value to BCLMV and other members.

Disenchantment with the IMF programs in crisis-hit countries following the AFC was a key driver in developing the CMI to provide an alternative in the form of a regional financial safety net. The CMI’s first major test came in September 2008 when the GFC struck. Members of the CMI that required liquidity support did not turn to it, but instead

[9] The ERPD process encompasses the following five aspects: (i) assessing global, regional, and national economic conditions; (ii) monitoring regional capital flows and currency markets; (iii) analyzing macroeconomic and financial risks; (iv) strengthening banking and financial system conditions; and (v) providing an Asian voice in the reform of the international financial system.

rushed to secure bilateral swaps with, or financial support from, the US, China, Japan, Australia, regional development banks, and other multilaterals. The regional financial safety net appeared to have failed its members.

This brought about various changes, including: (i) multilateralization of the CMI to become the CMIM in 2009, with the many swap lines now governed by a single agreement; (ii) a doubling of its size to US$240 billion, and an increase in the so-called non-linked share , or the share available without an IMF program to 30%; and (iii) the setting up of an independent surveillance unit, the ASEAN+3 Macroeconomic Research Office (AMRO), in 2011. Several other developments took place over the years, increasing its size further and strengthening AMRO and its surveillance role, but will these be enough to ensure that the CMIM will be called upon when the next crisis strikes? This is a key question, and is particularly relevant to BCLMV, whose abilities to access alternative sources of liquidity during an emergency are more limited than other members of ASEAN+3.

Furthermore, as noted earlier, the susceptibility of these transition economies to domestic or external shocks is high. They also do not have the kind of foreign exchange reserves compared to original ASEAN members to serve as a first line of defense in the event of a liquidity crisis. Even if they could, this high-cost mercantilist route of self-insurance through excessive holdings of foreign exchange reserves would be particularly burdensome for these transitional economies.

Despite impressive enhancements to the CMIM over the years, concerns over its operability remain. Unfortunately, the CMIM still appears unusable, either as a co-financing facility in tandem with the IMF or as a stand-alone alternative. There are a number of reasons for this (Takagi, 2013) but the main one seems to be the fact that it is constituted as a reserve-pooling arrangement - there is no fund but a series of promises. This is not a problem per se but becomes so when there are no rapid response procedures to handle a fast-developing financial emergency (Menon and Hill, 2014).

Therefore, the newer members of ASEAN may need to follow the lead of the original members and pursue bilateral swap arrangements in order to guard against future financial crises, assuming that they can. In fact, bilateral swap arrangements have arguably become the main instrument in Asia's financial safety net. If and until the CMIM becomes operable, there appears to be no other option if these countries want an alternative to the global lender of last resort - the IMF.

The ABMI has mainly served the original members of ASEAN, with little direct impact so far on BCLMV. Although this may be mostly a reflection of the early stage of

development and lack of depth of local financial markets in these countries, it does pose a challenge that the ABMI should try and address, if it is to be useful to *all* of its members. There is an obvious causality dilemma here, which was only recognized after the GFC, when the Corporate Guarantee Investment Facility (CGIF) was created as part of the ABMI.

The CGIF was established in 2010 to provide guarantees on local currency denominated bonds issued by corporations that may not otherwise have been able to do so. These guarantees are designed to help corporations with no or low credit rating to issue local currency bonds with longer maturities (Azis, 2012). The CGIF, unlike other initiatives of the ABMI[10], has been more successful in reaching some of the newer members of ASEAN, and in helping corporations in those countries raise local currency financing at home or in the region.

Viet Nam has been the main beneficiary, but so has Cambodia and Lao PDR. This includes guarantees covering 100% of local currency bond issuances for nine unrated Vietnamese firms and two unrated Cambodian firms. The CGIF also guaranteed a bond issuance in the Singapore market for a Lao PDR based company, Kolao Holdings.[11] It has been able to do this because it is designed to provide credit enhancement to allow the region's less established issuers to issue local currency bonds and the more established ones to issue across national borders and penetrate new markets by overcoming the sovereign credit ceiling. Currently however, the majority of guarantees are provided to relatively highly rated firms in the original member countries of ASEAN and recently even one to a Japanese firm issuing a yen-denominated bond in the Japanese market.[12] If the CGIF is to realize its main objectives, then the focus of its guarantee operations will need to shift from the more highly rated firms in the more

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[10] Launched at around the same time as the CGIF was the Asian Bond Market Fprum (ABMF). The ABMF was set up as a common platform to foster standardization of market practices and harmonization of regulations relating to cross-border financial transactions in the region. Although the central banks and securities and exchange commissions of BCLMV are involved in the ABMF, the core activities have focused on the original ASEAN members.

[11] For the full portfolio of bond issuances guaranteed (either fully or partially) by the CGIF, see the following section on their website: » GUARANTEE PORTFOLIO TABLE (cgif-abmi.org).

[12] On 24 December 2020, CGIF guaranteed 15.4 billion yen-denominated 9-year fixed-rate senior unsecured bond issued by GLP Pte. Ltd. in the Tokyo Pro-Bond market. Details are provided in the following press release: cgif-guarantees-first-jpy-bond.pdf (adb.org)

developed member countries of ASEAN+3 to the lower rated ones in the less developed member countries.[13]

As noted earlier, although the double mis-match problem did not exist in BCLMV when the AFC hit, the CGIF can reduce the risk of it happening in the future, as their financial markets develop and corporate financing needs at home increase. In this respect, the newer members may enjoy a latecomer advantage, by not only learning from the mistakes of the past, but also benefitting from measures like the CGIF that were created because of the problems that led to the AFC. The size of the operations of the CGIF remain small however, and an increase over time which includes a shift towards unrated firms in BCLMV is required. This needs to be done carefully, however, without compromising its risk profile while providing firms in the less developed countries in ASEAN, where the domestic banking systems remain underdeveloped, with possibly the only opportunity to raise local currency financing.

VI. Conclusion

When the AFC hit on 2 July 1997, only Brunei and Viet Nam were members of ASEAN. Although Lao PDR and Myanmar joined within weeks, and Cambodia a couple of years later, the process of integrating with the region was in its infancy and served to shield the newer members from the worst effects of the economic crisis. Insularity can serve as a buffer during periods of crisis. The lower the share of foreign demand as a source of growth, the lower is the domestic impact from a regional or global slowdown.

The financial systems of these countries were also at an early stage of development and were not yet closely linked across borders or to global financial markets. The lack of such financial links limited the transmission of the contagion emanating from the region and into their domestic economies. BCLMV were in no way immune, however. Although trade and FDI did not contract as much as in the original ASEAN member countries, it was sufficient to reduce growth in all of the newer members in 1998, exposing and magnifying existing vulnerabilities in their macroeconomies and nascent financial sectors.

[13] There are a number of inter-related challenges to be overcome that will take time. Market infrastructure that supports corporate bond market development, including credible local rating agencies, secondary markets, and settlement systems, needs to be strengthened. Also, more issuance of public-sector bonds would be needed to forge stable yield curves and encourage more trading in the secondary market. Without the development of a deep public-sector bond market, developing a corporate bond market remains difficult.

One such vulnerability was the limited capacity of these countries to implement counter-cyclical stabilization policies using conventional instruments of macroeconomic policy. The monetary situation in CLMV was characterized by varying degrees of dollarization and the multiple currency phenomenon, compromising the ability of their monetary authorities to implement a discretionary monetary policy. In these countries, limited fiscal headroom as a result of weak tax collection capacity prevented fiscal policy from playing a bigger role in boosting growth during the slowdown. This was in sharp contrast to the original ASEAN members, that entered the AFC with fiscal surpluses. Therefore, the same factors that limited greater contagion of the crisis also played a role in limiting the capacity of national authorities in addressing the negative consequences that affected their respective domestic economies. Nevertheless, the muted impact from the contagion suggest that overall, the newer members of ASEAN got through the AFC with much less economic scarring than the original members.

When the GFC erupted about a decade later, the financial systems in BCLMV had developed to become more deeply integrated with global markets, *albeit* from a low base. Trade and FDI had also grown sharply over the decade, as a result of a wide-ranging program of economic and financial reforms. These outcomes led to greater overall integration with the region and beyond. With this greater interdependence came higher risk of contagion, which played out during the GFC. Except for Lao PDR, which kept growing because of FDI pre-commitments in large mining and hydropower projects, growth slowed significantly in Viet Nam and Myanmar, fell to zero in Cambodia, and turned negative in Brunei.

Unlike with the AFC, these countries were better prepared to respond to the effects of the GFC, however. This was as a result of the maturing of their economic systems, and improvements in the instruments of macroeconomic policy to address the contagion. Both fiscal and monetary policy were able to play a more effective role in mitigating the impact of the GFC, which also assisted with speeding-up their recovery.

The AFC highlighted the need to increase economic and financial cooperation in the context of deepening economic interdependence to address common economic and financial shocks. It gave birth to the ASEAN+3 institution and process, and various initiatives designed to prevent or mitigate the impact of future crises. A process of peer review for early detection of emerging vulnerabilities (ERPD), a program to accelerate

the growth of local currency financing instruments (ABMI) and a regional financial safety net to provide emergency liquidity assistance (CMIM) were created.

However, all three have had limited value to BCLMV before, during and after the GFC. Critics lament the peer review process turning into a beauty contest, the regional financial safety net remaining inoperable, and local currency bond market development not reaching BCLMV in any significant way. If trust among the ASEAN+3 countries could increase to allow a more open and frank discussion of domestic and regional risks in the peer-review process, this would be particularly beneficial to BCLMV. Not only are BCLMV more likely to be vulnerable to internal and external instability, their capacity to identify and respond to them remains lower than other members. BCLMV would also benefit more than others if the CMIM could be made operable since the alternative sources of liquidity finance available to them are quite limited. Unlike the other members, the foreign exchange reserves of CLMV are insufficient to provide a strong first line of defense. Furthermore, bilateral swap arrangements, which have grown to become the main instrument in the defense armor of other members, are practically non-existent in CLMV.

The failure of the ABMI to make greater inroads may be due to the early stage of development and lack of depth of local financial markets in BCLMV. There is an obvious causality dilemma with this argument, however, which was finally recognized after the GFC, when the CGIF was created as part of the ABMI. The CGIF is the only facility that has been used effectively by some of the newer member countries. It has been able to do this because it recognizes that the underdeveloped banking and financial sectors and the inability to issue local currency bonds are problems that are inter-related. By providing guarantees on local currency denominated bonds issued by corporations that may not otherwise have been able to do so, it attempts to directly address the duality of the problem that pervades BCLMV. There is still room to increase the share of guarantee operations covering unrated issuers in the BCLMV as majority of guarantees continue to cover firms in original member countries with relatively good credit rating.

If the volume of guarantees to unrated firms in the newer ASEAN members can be increased without compromising the risk profile of the facility, then potential exists to make a significant impact on both financial market development and local currency financing in BCLMV. This would complement direct efforts to hasten the development of domestic banking and financial systems, especially in the BCLM. It is only through

identifying and addressing market failures such as these that the vulnerabilities that contributed to these crises can be avoided, or the contagion from them effectively mitigated, when the next financial crisis occurs.

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Table 1. Sector Share of GDP and Employment, Selected Years

Country	Sector	% of GDP					% of Employment				
		1995	2000	2005	2010	2018	1995	2000	2005	2010	2018
Brunei Darussalam	Agriculture, hunting, forestry, fishing	1.1	1	0.9	0.7	1	1.6	1.2	0.9	0.7	1.4
	Industry	53.4	64.5	72	67.4	62.2	23.9	21.7	20.6	19.3	16.0
	Services	45.5	34.5	27.1	31.9	36.7	74.5	77.1	78.5	80.0	82.7
Cambodia	Agriculture, hunting, forestry, fishing	51.4	37.8	32.4	36	23.5	79.0	73.5	62.0	57.3	33.7
	Industry	12.9	23	26.4	23.3	34.4	6.1	8.5	13.2	16.0	28.3
	Services	35.7	39.1	41.2	40.7	42.1	14.9	18.0	24.8	26.7	38.1
Lao PDR	Agriculture, hunting, forestry, fishing	42.8	33.6	29.1	23.6	17.7	85.4	81.6	77.3	71.5	63.2
	Industry	15.7	24.1	26.2	30.9	35.5	3.5	4.5	6.0	8.3	11.6
	Services	41.5	42.2	44.7	45.5	46.8	11.1	13.8	16.7	20.2	25.1
Myanmar	Agriculture, hunting, forestry, fishing	60	57.2	46.7	36.9	26.3	66.6	61.5	57.1	53.5	49.7
	Industry	9.9	9.7	17.5	26.5	34.7	10.5	13.2	16.3	17.7	16.0
	Services	30.1	33.1	35.8	36.7	39	22.8	25.4	26.6	28.8	34.3
Viet Nam	Agriculture, hunting, forestry, fishing	24.5	22.5	19.3	21	16.2	67.1	65.3	54.8	48.7	38.6
	Industry	26.1	34	38.1	36.7	38.1	11.8	12.4	18.8	21.7	26.8
	Services	49.4	43.5	42.6	42.2	45.7	21.1	22.3	26.4	29.6	34.6

Source: UNCTADStat database, data downloaded 27 November 2020

Table 2. Human Development Indicators, Selected Years

Country	Indicator	1990s				2000s								
		1992	1995	1997	1998	2002	2003	2004	2005	2006	2007	2008	2009	2010
Brunei Darussalam	GDP per capita	72,704.7	72,446.4	69,940.9	67,984.2	70,770.6	71,483.6	70,616.8	69,787.4	71,843.3	71,052.1	68,855.6	66,850.4	67,751.3
	HDI	0.777	0.790	0.794	0.794	0.807	0.813	0.818	0.822	0.825	0.825	0.825	0.827	0.827
Cambodia	GDP per capita	..	1,182.4	1,228.3	1,252.3	1,642.6	1,752.0	1,902.1	2,120.6	2,313.3	2,511.9	2,640.6	2,603.6	2,716.7
	HDI	0.377	0.391	0.401	0.406	0.457	0.470	0.482	0.494	0.506	0.520	0.525	0.528	0.539
	Poverty headcount ratio at national poverty lines (% of population)	..	..	..	..	..	50.2	..	..	45.0	..	34.0	23.9	22.1
Lao PDR	GDP per capita	2,046.7	2,330.2	2,555.3	2,608.0	3,106.0	3,245.2	3,399.3	3,584.3	3,830.4	4,052.8	4,296.5	4,542.2	4,850.2
	HDI	0.415	0.432	0.453	0.460	0.486	0.494	0.503	0.512	0.514	0.527	0.535	0.545	0.552
	Gini index	34.3	..	34.9	..	32.6	..	..	..	..	35.4	..	..	..
	Poverty headcount ratio at $1.90 a day		..	50.4	..	31.8	..	..	..	..	25.5	..	..	..
Myanmar	GDP per capita	658.1	774.7	849.5	887.8	1,336.2	1,507.1	1,696.9	1,912.0	2,146.6	2,388.4	2,617.1	2,874.8	3,129.9
	HDI	0.363	0.380	0.392	0.396	0.432	0.442	0.452	0.461	0.471	0.482	0.493	0.504	0.515
	Poverty headcount ratio at national poverty lines	..	..	..	..	..	..	..	48.2	..	..	..	..	42.2
Viet Nam	GDP per capita	1,847.6	2,252.6	2,587.1	2,701.8	3,269.9	3,462.9	3,689.7	3,931.8	4,167.1	4,422.3	4,628.0	4,830.3	5,089.4
	HDI	0.504	0.537	0.547	0.567	0.602	0.611	0.620	0.624	0.632	0.640	0.647	0.659	0.661
	Gini index	35.7		..	35.4	37.0	..	36.8	..	35.8	..	35.6	..	39.3

Country	Indicator	1990s				2000s								
		1992	1995	1997	1998	2002	2003	2004	2005	2006	2007	2008	2009	2010
	Poverty headcount ratio at $1.90 a day	51.9	..	..	34.4	37.1	..	25.8	..	18.8	..	14.1	..	4.0
	Poverty headcount ratio at national poverty lines (% of population)	..	..	..	..	..	..	..	..	..	..	..	..	20.7

Notes: GDP per capita, PPP are at constant 2017 international $. Gini index data are based on World Bank estimates. Poverty headcount ratio estimated at $1.90 a day (2011 PPP).
Sources: World Development Indicators, data downloaded 27 November 2020; UNDP Human Development Index, data downloaded 11 January 2021

Table 3. Financial Depth Indicators, Selected Years

Country	Indicator	1995	1999	2000	2005	2007	2010
Brunei Darussalam	Central bank assets to GDP (%)	..	1.1	0.8	0.0	0.0	0.0
	Deposit money bank assets to deposit money bank assets and central bank assets (%)	..	98.1	98.2	100.0	100.0	100.0
	Deposit money banks' assets to GDP (%)	..	54.2	43.1	36.5	33.5	38.5
	Domestic credit to private sector (% of GDP)	..	60.2	50.3	40.3	37.5	36.9
	Liquid liabilities to GDP (%)	..	69.4	64.8	53.4	43.2	60.6
	Private credit by deposit money banks and other financial institutions to GDP (%)	..	54.2	43.1	35.8	32.5	37.0
	Private credit by deposit money banks to GDP (%)	..	54.2	43.1	35.8	32.3	36.8
Cambodia	Central bank assets to GDP (%)	2.5	2.1	2.0	1.1	0.9	0.6
	Deposit money bank assets to deposit money bank assets and central bank assets (%)	55.3	71.5	75.1	88.3	94.2	97.7
	Deposit money banks' assets to GDP (%)	3.2	5.4	5.9	8.6	14.0	25.0
	Domestic credit to private sector (% of GDP)	3.5	5.7	6.3	9.0	18.2	27.6
	Liquid liabilities to GDP (%)	6.4	10.0	11.6	18.1	25.6	38.0
	Private credit by deposit money banks and other financial institutions to GDP (%)	3.1	5.3	5.9	8.2	13.9	25.0
	Private credit by deposit money banks to GDP (%)	3.1	5.3	5.9	8.2	13.9	25.0
Lao PDR	Central bank assets to GDP (%)	0.8	4.8	4.4	2.4	2.1	6.1
	Deposit money bank assets to deposit money bank assets and central bank assets (%)	87.3	66.0	65.7	77.3	77.7	75.7
	Deposit money banks' assets to GDP (%)	5.4	9.3	8.5	8.2	7.4	19.1
	Domestic credit to private sector (% of GDP)	9.1	8.4	8.9	7.4	6.5	20.9
	Liquid liabilities to GDP (%)	6.7	14.0	13.7	16.7	18.5	29.8
	Private credit by deposit money banks and other financial institutions to GDP (%)	3.9	7.0	6.5	5.5	5.1	17.0
	Private credit by deposit money banks to GDP (%)	3.9	7.0	6.5	5.5	5.1	17.0
Myanmar	Central bank assets to GDP (%)	22.3	12.1	13.2	13.3	11.9	13.8
	Deposit money bank assets to deposit money bank assets and central bank assets (%)	26.6	41.5	41.1	24.4	21.9	40.3
	Deposit money banks' assets to GDP (%)	8.1	8.6	9.2	4.3	3.3	9.3
	Domestic credit to private sector (% of GDP)	7.6	8.1	9.5	4.7	3.4	4.8
	Liquid liabilities to GDP (%)	27.1	19.7	23.2	16.4	14.6	20.1
	Private credit by deposit money banks and other financial institutions to GDP (%)	6.3	6.6	7.1	3.5	2.8	3.9
	Private credit by deposit money banks to GDP (%)	6.3	6.6	7.1	3.5	2.8	3.9
Viet Nam	Central bank assets to GDP (%)	2.1	3.0	2.6	2.1	1.4	3.7
	Deposit money bank assets to deposit money bank assets and central bank assets (%)	90.6	89.5	92.5	96.6	98.2	96.7
	Deposit money banks' assets to GDP (%)	19.9	25.5	32.0	59.9	77.4	108.3
	Domestic credit to private sector (% of GDP)	18.5	28.2	35.3	60.5	85.6	114.7
	Liquid liabilities to GDP (%)	19.1	30.1	38.7	63.0	83.0	101.1
	Private credit by deposit money banks and other financial institutions to GDP (%)	18.1	24.0	30.3	53.6	69.7	100.0
	Private credit by deposit money banks to GDP (%)	18.1	24.0	30.3	53.6	69.7	100.0

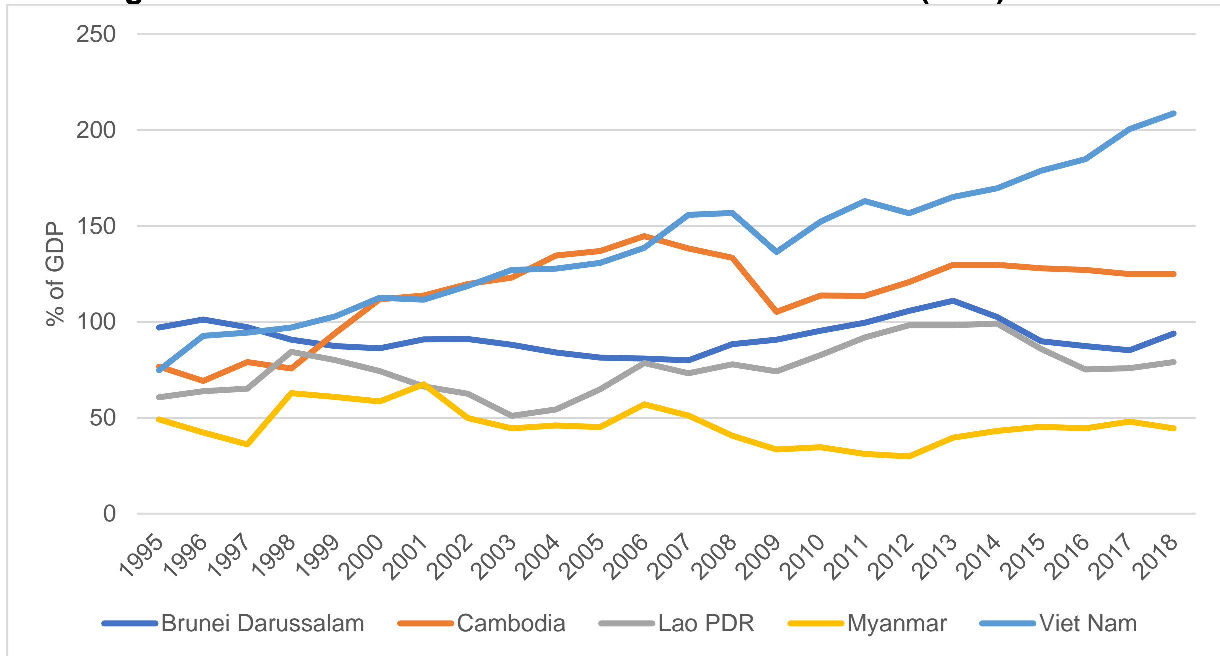
Source: Global Financial Development database, data downloaded 27 November 2020

Table 4. Cambodian Import-Competing Products that Underwent Tariff Increases during the AFC

Code No.	Product description	Pre-AFC rate (%)	Post-AFC rate (%)
1902.30.10	Noodles (packet)	7	15
2501.00.91	Cooking salt	15	35
2523.00.00	Cement	7	15
3917.00.00	Pipes	7	15
3923.00.00	Tubes	7	15
4011.20.00	Tyres for trucks or buses	7	15
4011.50.00	Tyres for bicycles	7	15
4013.10.00	Cooling or heating coils (vehicles)	15	35
4013.20.00	Cooling or heating coils (bicycles)	7	15
6904.00.00	Bricks (clay)	7	15
6905.00.00	Tiles (clay)	7	15

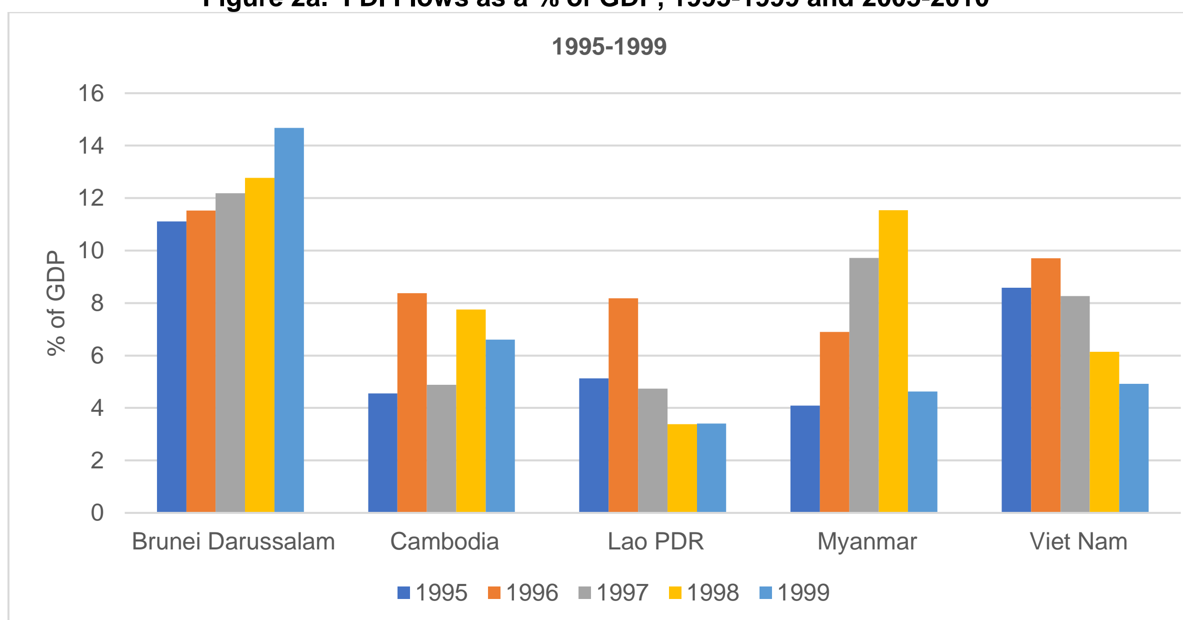
Source: Ministry of Economy and Finance, Royal Government of Cambodia

Figure 1. Share of Total Trade in Goods and Services (X+M) in GDP



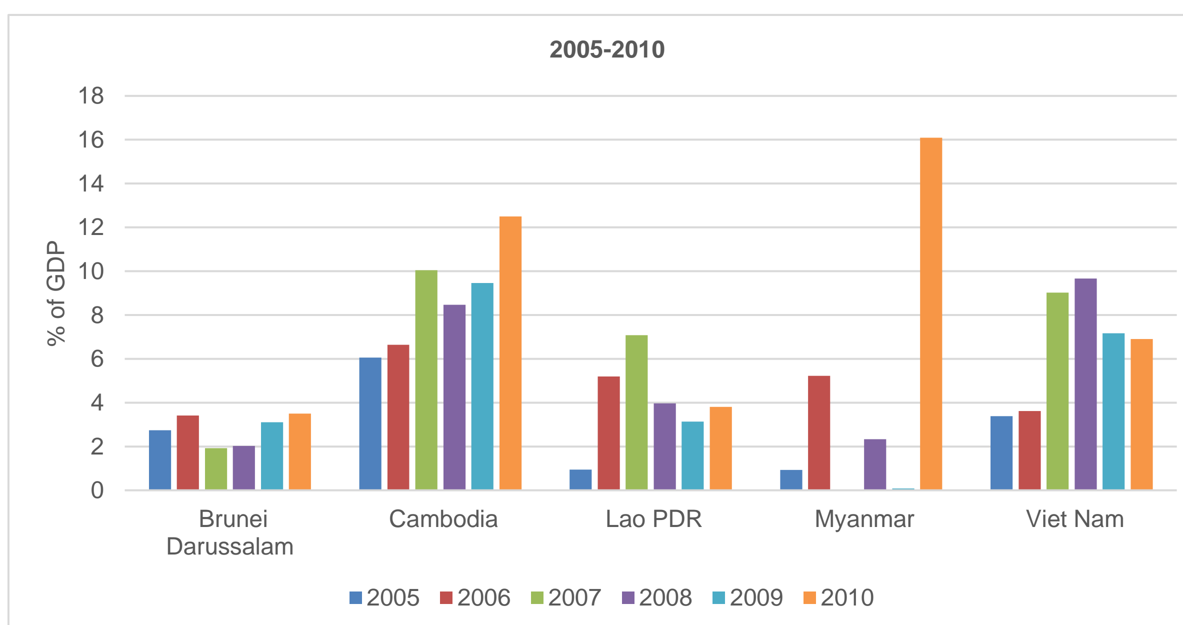
Source: UNCTADStat database, data downloaded 27 November 2020

Figure 2a. FDI Flows as a % of GDP, 1995-1999 and 2005-2010



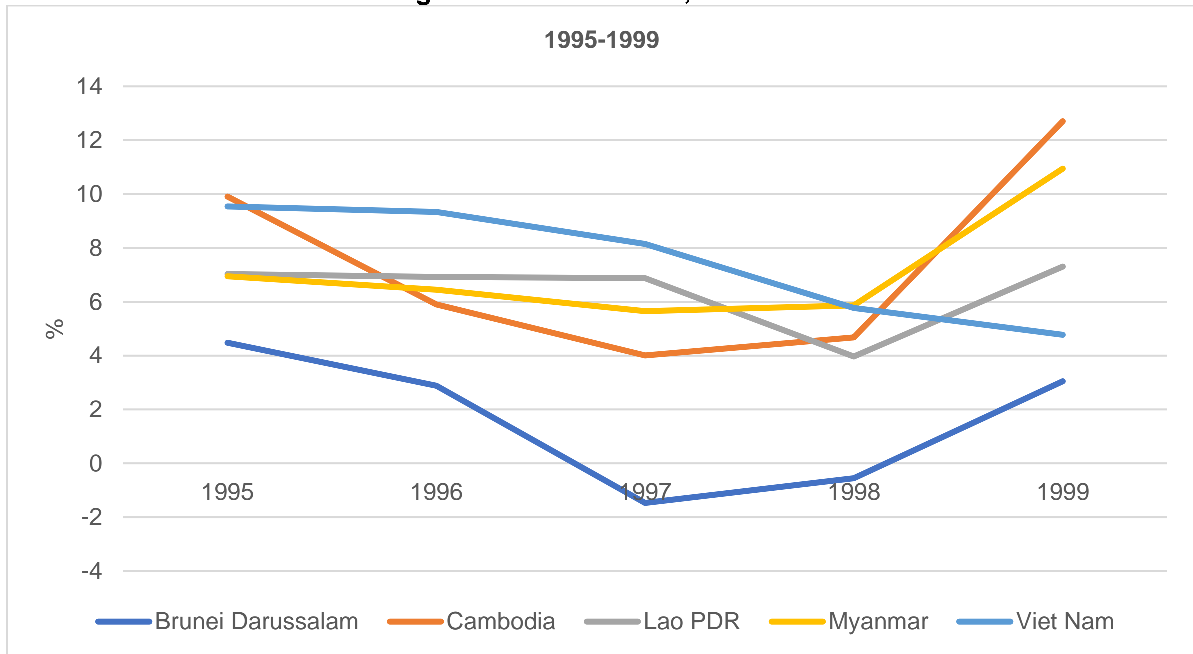
Source: UNCTADStat database, data downloaded 27 November 2020

Figure 2b. FDI Flows as a % of GDP, 1995-1999 and 2005-2010



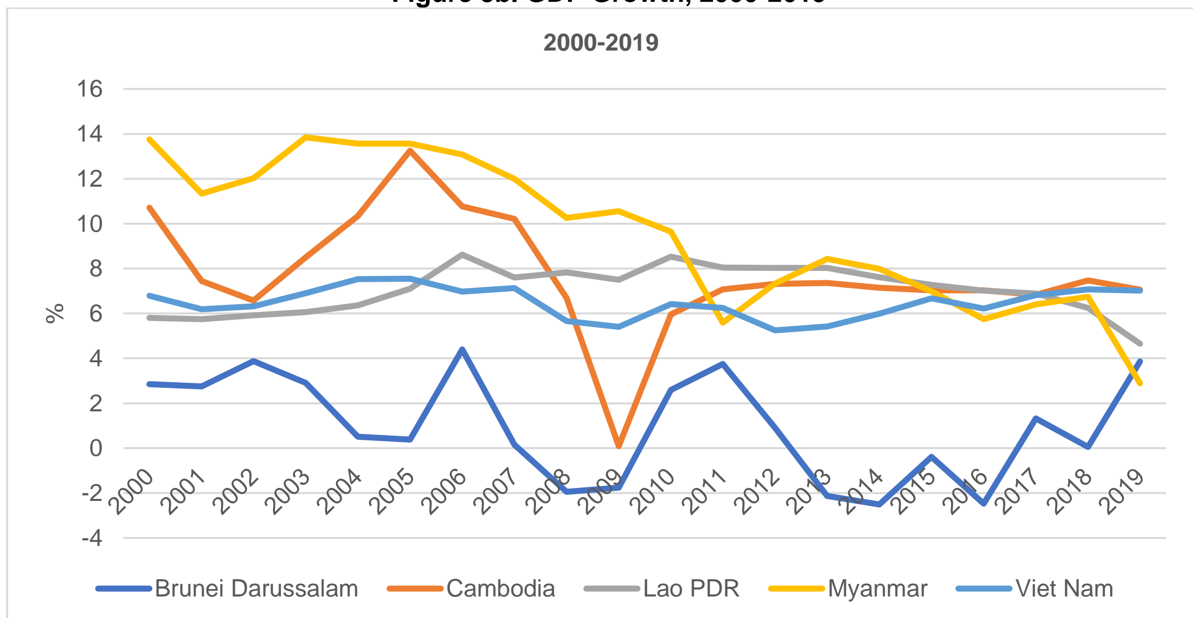
Source: UNCTADStat database, data downloaded 27 November 2020

Figure 3a. GDP Growth, 1995-1999



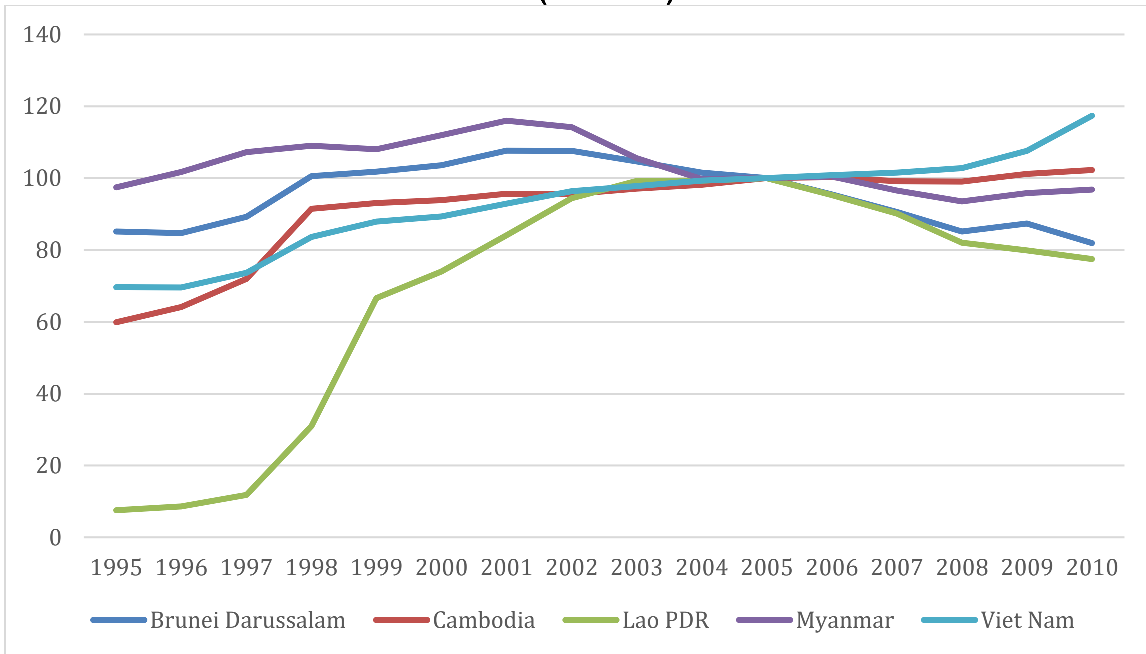
Source: UNCTADStat database, data downloaded 27 November 2020

Figure 3b. GDP Growth, 2000-2019



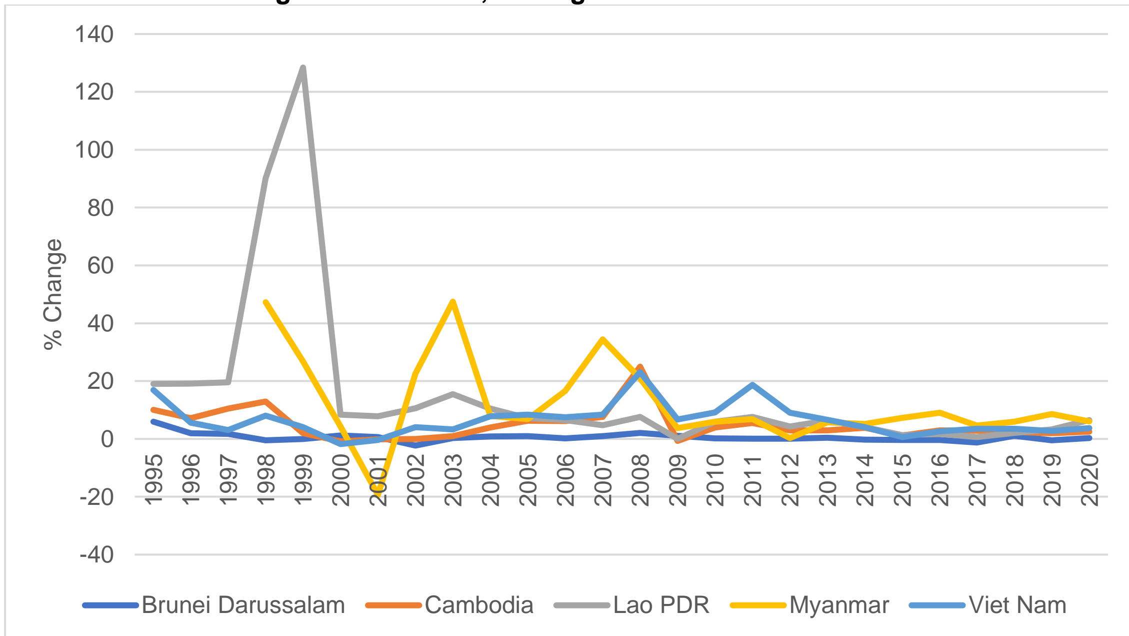
Source: UNCTADStat database, data downloaded 27 November 2020

Figure 4. Official Exchange Rates (LCU per US$), Period Average, 1995-2010 (2005=100)



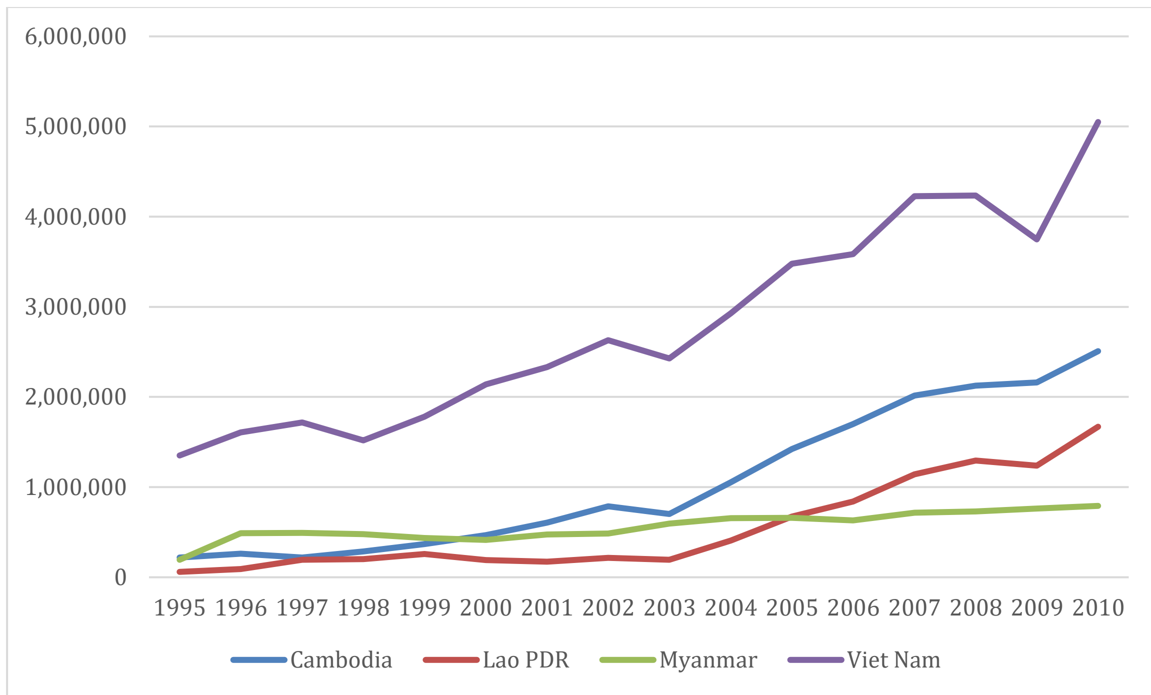
Source: Author's calculations using data from the World Development Indicators, data downloaded 27 November 2020

Figure 5. Inflation, Average Consumer Prices 1995-2020



Source: World Economic Outlook Database, data downloaded 27 November 2020

Figure 6. International Tourism, Number of Arrivals, 1995-2010



Source: World Development Indicators, data downloaded 27 November 2020

Figure 7a. Current Account Balance as % of GDP, 1996-1999

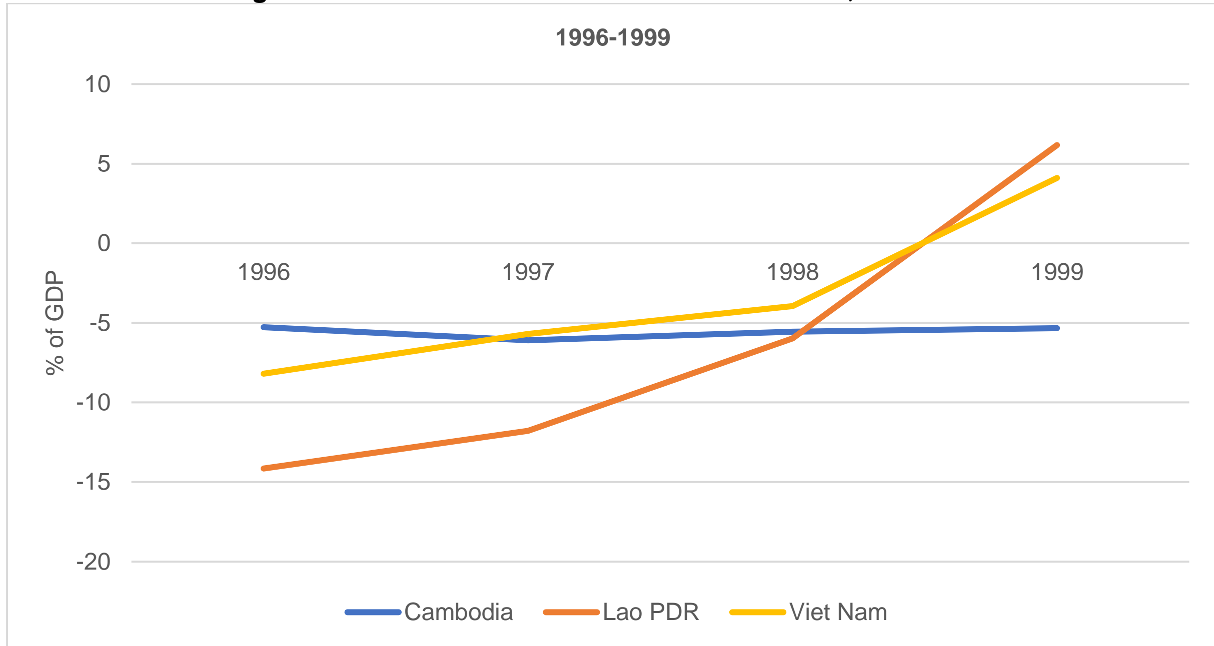
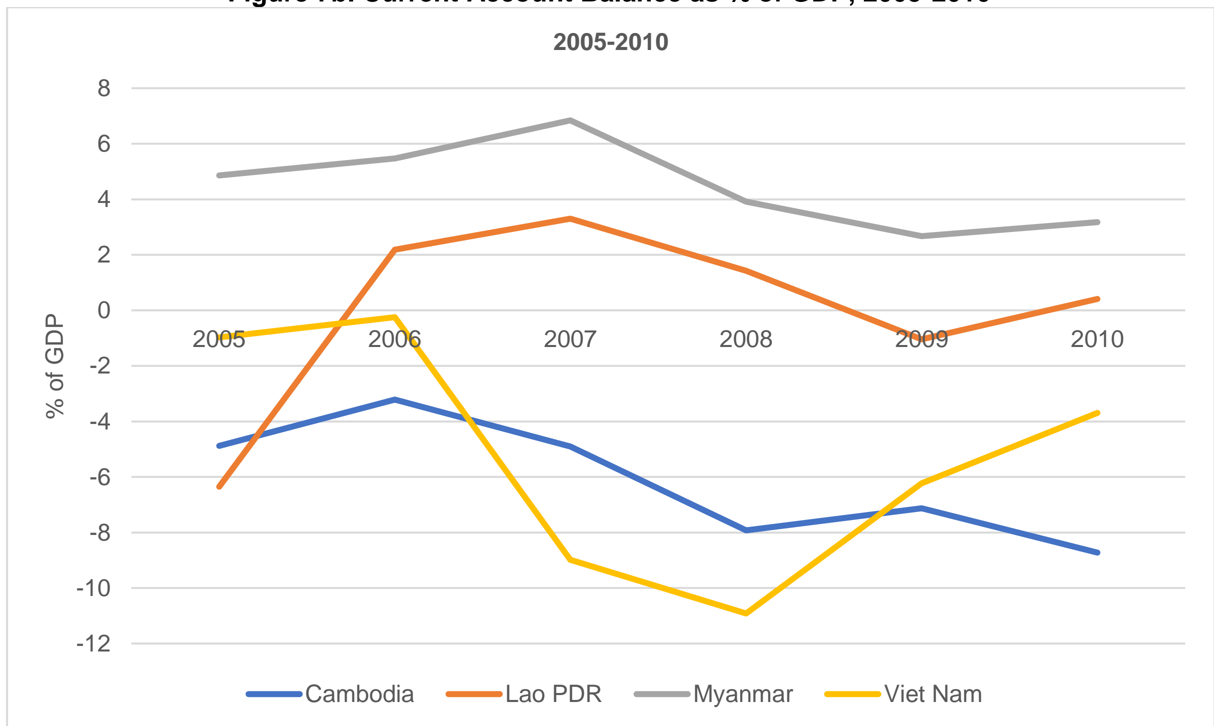
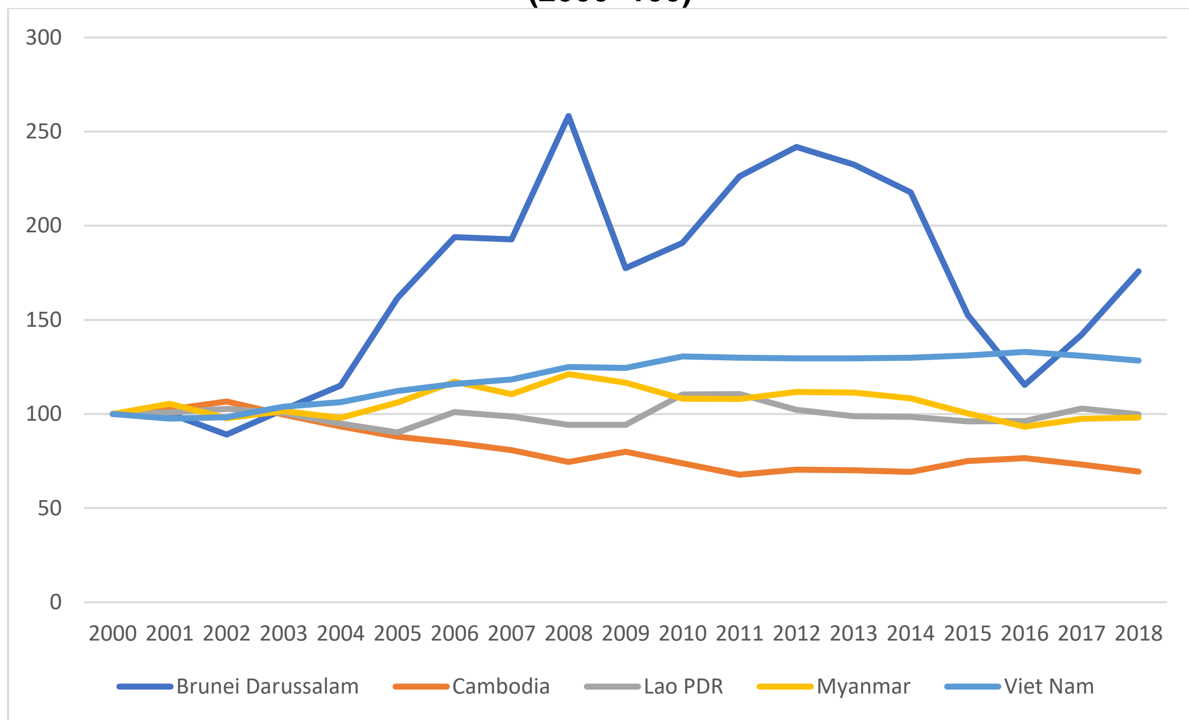


Figure 7b. Current Account Balance as % of GDP, 2005-2010



Source: World Development Indicators, data downloaded 27 November 2020

Figure 8. Net Barter Terms of Trade Index, 2000-2018 (2000=100)



Source: World Development Indicators, data downloaded 27 November 2020