This paper examines the causes of the crisis in Indonesia and seeks to explain why its effects have been so much more devastating than in the other ASEAN countries. Indonesia has had financial crises before but this one had a regional character: a sudden collapse of confidence of the footloose international short-term capital that took fright. The economic fundamentals were, in retrospect, much less stronger than they seemed. The private sector had gone on an investment spending spree, abetted by foreign loans made available at minimum security and prudence. However, the depth of the Indonesian crisis was largely attributable to political factors, political instability surrounding Soeharto, the impending succession, evident corruption, and repression of all political opposition. Critics also blamed the IMF for orthodox recipes which initially worsened the situation.

1. THE SLIDE AND CRASH OF THE RUPIAH

The Indonesian crisis started as a contagion of the Thai currency crisis of early July 1997.

Until then the Indonesian economy had been doing fine with better than 7% growth. A World Economic Forum ranking of economic competitiveness, with Prof. Jeffrey Sachs form Harvard as chief adviser, released on 30 May 1996, ranked Indonesia number 15, up from number 30 a year ago, slightly outranking China and Thailand. The series of deregulation packages since the eighties had increased Indonesia’s competitiveness. Indonesia, however, scored low with respect to the quality of its institutions, politics, law and bureaucracy.

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In his national day speech on 16 August 1997 President Soeharto still took comfort in the strength of the economic fundamentals. In retrospect that was whistling in the dark because the speculative pressure on the rupiah had begun on 21 July, producing a fall of 7%. A few days before the national day speech, on 14 August, Bank Indonesia had abandoned the rupiah band and tightened money policy. The rate briefly strengthened, but soon the weakening force got the upper hand again. Demand for foreign exchange increased sharply as corporations scrambled for dollars to cover their unhedged exposure, while new capital flows from abroad trickled to a halt, affected by the same panic. During October and November the rate weakened to a level of about Rp3,500.

Early in October 1997, the rupiah continued to weaken but reserves were still at US$10.5 billion, enough for five months of imports. The minister of finance decided to approach the IMF at the Hong Kong annual IBRD/IMF meeting to obtain long-term financial support, in the hope that the IMF good housekeeping seal would restore confidence. By then, depreciation of the rupiah had reached 55%, while it was 41% for the Thai baht, 31% for the Malaysian ringgit, 34% for the Philippine peso and only 11% for the Singapore dollar.

The fall of the rupiah became more precipitous between December 1997 and January 1998. The consecutive IMF agreements had virtually no impact. The weakness of the rupiah was further aggravated by mounting uncertainty related to President Soeharto’s health (rumours circulated in early December) and his handling of the situation, that is his ambivalence about the IMF package, his determination to shield the business interests of his children and his flirtation with the currency board idea of Steve Hanke. During February there was some strengthening of the rupiah, but if fell again in March, the month of the presidential election, because of increasing political uncertainty (Soeharto’s “succession” problem and his choice of unpopular Habibie as running mate). In April 1998 there was another short-lived strengthening of the rupiah.

Towards May 1998 the political situation heated up, with a students’ movement gaining momentum. President Soeharto decided in early May to raise petroleum product prices and electricity rates in an effort to reduce budget deficits. He had done the same many times before without dire consequences. Not this time. In the circumstances, it only fuelled social discontent and sent more students out on the streets. On the morning of 21 May Soeharto stepped down, and Habibie became the new interim president, but things only got worse. The rupiah briefly touched
Rp16,000 per dollar in early June 1998 but by August it had returned to around Rp13,000.

Why did the rupiah fall much more than the baht or won? One answer is that the economic fundamentals of Indonesia were, in retrospect, much less stronger than they seemed. This begs the question: how does one measure economic fundamentals? Usually a few macroeconomic parameters are regarded as relevant, such as the size and the rate of growth of current account deficits. Another parameter is the level and decline of foreign exchange reserves. The slowing down of exports is another warning signal. Other parameters are the budget deficit and rate of inflation.

According to such macroeconomic indicators no fundamental weakness in the Indonesian economy was apparent. Inflation has never been low but was still less than 10% per annum. The current account deficit rose from 3% of GDP (still regarded as safe) to 5%, and later possibly to 7% of GDP. Judged by such “weaknesses in fundamentals”, the pre-crisis state of health of the Indonesian economy would hardly be considered inferior to that of Thailand.

Should the rupiah have been considered overvalued? Not according to market sentiments, because the increasing current account deficit was matched by incoming funds, that is the deficit was self-financing. At one point there was even a suggestion from IMF circles to appreciate the currency. Such large private capital inflows had been typical for the East and Southeast Asian countries during the past ten years. There was a self-feeding investment boom after the mid-1980s, getting stronger in the early 1990s.

Later it became clear that the fundamental weakness in the economy lay within the private sector, which went on an investment spending spree, abetted by an ever increasing volume of foreign loans made available at minimum security and prudence. One example was a US$236 million loan from Peregrine Hong Kong to a taxi company in Jakarta, which was virtually unsecured but for the fact that one of the daughters of President Soeharto was a partner. Peregrine went bust in January 1998.

The depth of the Indonesian crisis was also attributable to political factors, that is the tenure of President Soeharto who had ruled the country for 32 years, whereas in Thailand and Korea there had been changes of government. These regimes became more democratic, and hence were perceived as more stable in the longer run.
A long surviving regime and strongman at the top would probably not by themselves have been a direct cause of economic instability. But President Soeharto sent mixed signals of the sincerity of his commitment in the early stage of IMF intervention (November 1997). The market reacted negatively to this ambiguity and the fall of the rupiah continued.

If we introduce the notion of "political fundamentals", such as (lack of) good governance or rampant corruption, lack of transparency and democracy, perceived political instability surrounding impending succession, even the presence of persistent and repressed inflation indicative of weak fiscal policies and weak politics, then the decline of market confidence in Indonesia can be attributed to such factors. But that is an ex-post observation. As late as early 1997 the market did not become alarmed. After all, these weaknesses had been with the country for more than ten years, yet economic growth had continued for thirty years.

In retrospect, the new real "weakness" had been overborrowing by the private sector. In less than ten years the private sector, corporate and banking, had borrowed some US$80 billion, mostly unhedged and unsecured. Government indebtedness, although not low, was much better managed; before the crisis it stood at less than US$50 billion, and on much softer terms. Perhaps the new US$80 billion private sector indebtedness, against the background of annual export proceeds of some US$55 billion, and pre-crisis debt-service payments (mostly on government account) of some 30%, became the tinder for the financial crisis, once the short-term capital funds had run for the exit door in a regional panic.

Belatedly, even for the IMF, it was recognized that the debt overhang of the private corporate sector (some US$60 billion) and the banking sector (some US$20 billion) were the major stumbling blocks for recovery. Yet even after the announcement of the Frankfurt framework agreement (4 June) for rescheduling of private debts of up to eight year, the rupiah would not strengthen. An economic or financial reason can always to be found, such as the Frankfurt agreement requires payments up front to settle arrears. But an alternative conclusion is that, once market confidence is lost, it is very, very hard to regain it, because the "components" of the confidence factor change over time, becoming more complex.

Soeharto also lost some two months (around February 1998) of precious time entertaining the proposition of Prof. Steve Hanke to install a currency board, Argentine or Hong Kong style. There was a tug-of-war with IMF and domestic economists who did not think it practicable.
Although in the end the idea was abandoned, the cost was another dose of reduction of confidence in the Soeharto government.

In Thailand and Korea a change in government, and regime (becoming more democratic), helped ease the crisis because the confidence factor (the emergence of a broad based popular support for the new government) worked in their favour.

Not so in Indonesia. Soeharto stepped down suddenly on the morning of 21 May, and vice president B.J. Habibie took over. Although the latter was doing his best to become a “reforming president”, the market remained unconvinced. He is still supported by the two traditional pillars of power: Golkar and the army. His Cabinet is also still full of personalities from the Soeharto regime. Only after the general election in May 1999 and presidential elections at the end of 1999 will the country have a new political structure. The government and the IMF predict that negative economic growth will continue in 1999, and that growth will not become positive before the year 2000. But all this is mere scenario sketching rather than forecasting. Even the IMF has lost some of its credibility.

2. THE PRESENT CRISIS IS NOT AN ORDINARY ONE

Indonesia has had financial crises before, in the 1970s and 1980s. Usually these were related to a decline in government revenues caused by falling commodity prices, including oil and gas. Several times the government had to resort to devaluation, while in the late 1860s and early 1970s there were IMF programmes, although these were single country financial problems which can be dealt with more easily. Reforms in fiscal and monetary policies, with IMF support, did the trick; responses to policy changes were fairly effective and predictable. In the present crisis diagnoses and remedies are undependable.

This time, what hit the economies of Southeast Asia and Korea, was a sudden collapse of confidence of the footloose international short-term and medium-term, mostly loan capital that took fright and flight. The crisis had a regional character.

In early July 1997 massive speculative attacks on the baht caused the Thai central bank to throw up its hands after unsuccessfully defending the currency, which in retrospect is believed to have been highly overvalued for too long. The overvaluation did not cause concern because the incoming capital flows remained strong. Although current account deficits climbed to an alarming level (8% of GDP), they could be
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financed because of the large private capital inflows. During that period Japanese banks were pushed overseas by the low rates of return domestically and were lured to the region which had gained the reputation of very profitable and exciting markets. Among the suppliers of capital there was overconfidence: banking prudence was overlooked in an atmosphere of euphoria. In retrospect these international banks were also much to blame. Domestic companies used loans to engage in reckless expansion in non-tradable sectors, such as shopping malls, real estate and housing projects, office buildings, hotels, even golf courses. A heady 7-9% GDP rate of growth lent a rosy hue to business. Domestic companies were also guilty of lack of prudence.

It is still not clear why in early July 1997 there was a sudden turnaround in money market sentiments towards Bangkok, and why the contagion to Indonesia, Malaysia, the Philippines, and even Singapore happened so quickly. And why were Vietnam, Myanmar, China and Hong Kong not affected? The question why China and Hong Kong have been spared is easier to answer. The Chinese currency is not fully convertible, the capital market is not fully open, and the combined foreign exchange reserves of Hong Kong and China are formidable, well over US$100 billion. Moreover, the Hong Kong dollar under a currency board system is pegged to the US dollar. Why Vietnam and Myanmar are not affected is also easy to explain: as destinations for footloose international capital, they are not yet in the same league as the other ASEAN countries.

The financial crisis that hit Indonesia, Thailand, Malaysia and Korea was a by-product of the large inflow of international capital since the mid-1980s and of the boom it inflated. The boom atmosphere in turn attracted yet more inflows of international capital which made for lax government policies with respect to the exchange rate and current account deficits. Currencies became overvalued in Thailand, Indonesia and Malaysia, but market forces temporarily supported such overvaluation. Prodded by international criticism, the IMF defended itself by saying that it had issued warnings (in May 1997) which national governments had failed to heed. Because member governments are respectable shareholders, the IMF cannot shout its warnings aloud in public. Hence the watchdog function of IMF is often ineffectual, particularly for the middle income developing countries which are normally not "clients" of the IMF.
3. THE ROLE OF THE IMF

At the moment, IMF supervision of Indonesian monetary and fiscal policy, and of general compliance with the current IMF agreement, is very, very strict. Every month there is to be scrutiny, and disbursement will only follow a new letter of intent. So short is the leash that national sovereignty can be said to be impaired. For nationalist sentiment this is humbling, but from an economic and technocratic standpoint it is a blessing in disguise. Domestic policy and structural reforms are often very difficult because of resistance of vested interests, who are well entrenched in the government, the bureaucracy and the political system, as is apparent now in Japan and has been in the United States. Hence, in developing countries an economic crisis, involving international intervention, can be put to work to push through the necessary reforms which well meaning domestic parties have been unable to accomplish. The current IMF agreement is a case in point. For the most part it represents a programme of reform which the domestic technocrats were unable to push through against political and other resistance.

The IMF prescriptions, however, may contain a hidden agenda which reflects the values or interests of its major shareholders. For instance, insistence on completely opening up international trade, that is removal of remaining tariff and non-tariff barriers, may decimate fledgling domestic companies. The spectre of the national economy becoming an extension of markets of foreign multinational companies haunts sections of the domestic political community.

The IMF also resists strongly any Indonesian Government retreat to foreign exchange controls, a multiple exchange rate, and other ways to try to allocate scarce foreign exchange to competing demands. In the early 1970s Indonesia abolished all foreign exchange controls, including capital controls. In the late 1980s it deregulated the banking sector and lowered entry barriers. The result was that more than 200 private banks sprang up. These banks went on a lending and investment spree, borrowing from abroad up to the hilt and very often without adequate hedging. With the collapse of the exchange rate these banks are virtually bankrupt.

The corporate private sector, especially the large companies, also took part in the foreign borrowing spree, abetted by willing foreign banks and other financial institutions, so much so that in ten years the indebtedness of the banking and corporate sector came to exceed the public international debt. The public debt is now somewhat below US$50 billion and well structured in terms of repayment conditions and
concessionality, while the total of private debts is in the range of US$80 billion, often of short and medium term. The present crisis, therefore, is rooted in the private sector, not in the public sector. But the public sector is now called upon to resolve the problems and engage in costly rescue operations. For instance, the government could not sit still in the face of an imminent banking sector collapse, because that would impose a serious "systemic risk" on the whole economy. Thus sooner or later governments are called upon to mount rescues or bailouts.

The original IMF prescriptions to overcome the currency crisis involved stringent monetary and fiscal policies. The government was to engage in contractionary (monetary and fiscal) policies to strengthen the currency. Critics now argue that these orthodox IMF recipes have unduly worsened the situation.

Subsequently the IMF recognized that reforming the (mostly) private banking sector needs to be part of the stabilization and reform package, but it required another agreement to acknowledge that the solution to the corporate debt problem has to be part and parcel of the deal. The "third", or supplementary, agreement (the first was signed on 30 October 1997, the second on 15 January 1998, and the third in April 1998) looked for a solution to the private debt problem, contrary to the traditional attitude of the IMF that problems of the private sector are none of its business.

One of the required reforms is wholesale privatization of government companies. The overt motive is efficiency. The Indonesian Government, in a pragmatic mood and willing to pay any price to overcome the crisis, consented to this demand and even installed a special minister to oversee the process. But later there may be a nationalistic backlash if many government companies fall into foreign hands. Too little domestic private capital and savings are available to keep such companies in national hands. Moreover, the government needs foreign exchange to finance deficits. How far is the demand for privatization an efficiency issue or an ideological one? The conviction in the West is that, after the collapse of the communist regimes, the triumph of western capitalism is based on superior economic efficiency. Even if we have to agree on this, in real life matters of social and political equity are also important, while economic policy can never completely neglect national aspirations. Developing countries are also aware that domestic US interests are trying to prise markets of developing countries fully open for their multinational companies, while US organized labour is trying to protect domestic markets against forceful competition from labour intensive industries in large developing countries.
4. GLOBAL MOVEMENT OF SHORT-TERM CAPITAL

The financial crisis in Asia was caused by the unpredictability and instability of large flows of loan, portfolio and other non-equity capital. Of course when it fled a country in fright it had good reasons to do so, but the host countries did not have effective advance warnings and therefore could not take proper precautions. It is probably unrealistic to expect that the IMF will ever install a monitoring and early warning system with adequate credibility and authority. The world, including the developing world, will therefore still be periodically plagued by international financial crises.

The unfettered freedom of movement of international capital is also an ideological dogma of the West, especially the United States. Globalization and liberalization will make the international flow of goods and services, and capital, freer than ever. A recent article by Jagdish Bhagwati (1998) deals with this problem. He cautions: “Any nation contemplating the embrace of free capital mobility must reckon with these costs and also consider the probability of running into a crisis. The gains from efficiency that would flow from free capital mobility, in a hypothetical crisis-free world, must be set against this loss if a wise decision is to be made”. Another piece of advice: “Even if one believes that capital flows are greatly productive, there is still an important difference between embracing free capital mobility and having a policy of attracting direct equity investment”. One has to distinguish between direct (equity) investments which stay in the country as factories and other fixed assets, and portfolio or hedge fund capital that is footloose and easily affected by manias and panics.

Perhaps the lesson for low-income developing countries is that one should make haste slowly in liberalizing capital markets. But part of the Asian crisis is the banking crisis. The banking and financial sector was deregulated and became very free to engage in imprudent lending, affected by the mood of a boom period. Should low-income developing countries, such as those of sub-Saharan Africa, go slow also on banking sector reforms? This is a difficult question, but I would say No. The proliferation of private banking in Indonesia since 1985 has greatly assisted the mobilization of private savings. There is not every day a window of opportunity for a government to liberalize an important (e.g., banking) sector. If such a political opportunity presents, itself, it should not be passed over. It may never return.
What was lacking was adequate and enforceable monitoring by the central bank, especially surveillance of lending. Moreover, independence, or autonomy, of the central bank should be more clearly enshrined in the law, to protect the central bank from political intervention. This is now part of the IMF agenda in Indonesia. Usually in newly developing countries the politicians in the national government want to control monetary policy. The minister of finance in effect becomes the overlord of the central bank.

In present day Indonesia, the newly gained “autonomy” of the central bank is a farce if seen against the background of an 8% GDP budget deficit. Under such circumstances there is no effective freedom or autonomy for the central bank. It can only try to counteract the monetary expansion of the government deficit by a very strict and contractionary monetary policy. With or without autonomy, there is no other option for the central bank.

5. IMPACT ON THE REAL SECTORS

The steep fall of the rupiah has rendered a lot of businesses insolvent, especially companies with a lot of unhedged foreign borrowings and oriented towards the domestic market. Hardest hit are the manufacturing sector, the construction sector (no new money for new construction), a number of urban services, the real estate and property sector, and the banking sector. The economy faces serious contraction in 1998. The El Nino weather aberration also affected a number of crops, even rice production in Java, while large areas were damaged by the 1997 forest fires in Kalimantan.

Unemployment is rising because many industries are laying off workers, and it is alleged that half the population of Indonesia is now back below the poverty line. If before the crisis the per capita GNP was about US$1,200 per annum, the World Bank estimates that it has shrunk to US$450. The difference between real poverty and “statistical” poverty is vague. There is still a lot of normalcy in everyday life in the country. Moreover, reports from the islands outside Java indicate that certain provinces are pleased with the fall of the rupiah because they get far more rupiahs now for their exported produce. The economic crisis may accentuate the dichotomy between Java and the outer islands. North Sulawesi, for instance, is happy because of the clove, copra and marine products trade, in South Sulawesi (near Makassar) because the fish farmers are doing fine, and in the Central Sulawesi cocoa and coffee command good prices in rupiah.
On the other hand, the central government’s revenues have slumped because income tax revenue is decimated, and oil and mineral prices are down because of lackluster world markets. That is why the World Bank is concentrating on “helping the poor and destitute” with a social safety net.

The plunge of the rupiah should promote exports and in time it will do so. In the first year of the crisis, however, exports of manufactures have been hampered by the collapse of the banking system and finance. With a very low exchange rate and very high interest rates, the cost of imported raw materials needs a lot of extra working capital which has not always been obtainable from the banks. Because of the banking crisis Letters of credit (LCs) of domestic banks were often not accepted outside Indonesia. The statistics indicate, however, that in 1998 growth of non-oil exports was still positive, albeit below 10%.

6. SCENARIOS AND OPTIONS FOR RECOVERY

After more than twelve months of crisis market confidence has not returned. How can capital inflow be encouraged?

Following the CGI (Consultative Group on Indonesia) meeting in Paris at the end of July 1998, there is the prospect of significant official inflows. The sum of US$14 billion was committed, which can largely finance the government’s budget deficit (at 8% of GDP). In late August, the actual flows had yet to start, but the announcement effect strengthened the rupiah against the US dollar, though not much initially (from Rp15,000 around mid-July to Rp13,000 around mid-August).

Prodding by donor governments and multilateral institutions has resulted in some relief for LC trade finance. Along with gradual restoration of the imbalance in the two-way flow of containers, exports of merchandise have been restored. (This container problem has affected all of East and Southeast Asia, not only Indonesia.)

Not enough of the foreign exchange earned by exporters, however, flow to the central bank, because in 1982 Indonesia abandoned the surrender obligation. With the collapse of confidence in the rupiah, this absence of surrender is now restricting the supply of foreign exchange and thus further weakening the rupiah. Several domestic economic pundits have urged the government to reinstall this surrender obligation. The government is hesitant. As long as the confidence is lacking, exporters will immediately buy back their dollars and deposit them in foreign countries, perhaps in Singapore. The conversion will tax
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exporters, through the high conversion costs for two transactions, thus sending the wrong signals for export promotion.

Since the May riots, which, together with the students’ demonstrations, triggered Soeharto’s downfall, ethnic Chinese businessmen were reported to be further sending their wealth abroad. The ethnic Chinese minority has suffered a severe traumatic shock since many have lost their property and more than 100 women were said to have been gang-raped. Must the confidence of the ethnic Chinese be won back by the government and society before private capital inflows will take place? The answer is yes, but it will take a lot of work on the part of the government and law enforcement agencies. The culprits who instigated the riots and gang rapes should be found and punished. But how, if this would implicate parts of the military or other official institutions? The army commander should tread carefully.

Can international capital flows to Indonesia revive before Chinese capital begins to flow back in? At exchange rates weaker than Rp10,000/US$, the perception is that the Frankfurt formulae will not work, that is companies will not have the money to pay the interest payments due. They demand a grace period for interest payments. Hence the economy is trapped in a vicious circle. As long as repayments of the private sector debts are not fully achieved, further international credit will not be available. The official aid flows cannot trigger private flows.

Must the solution be sought in the political arena, on the assumption that confidence in Indonesia today is a political variable?

The Habibie government, it is widely believed, is not trusted by the ethnic Chinese and by many others in the country. There is a view among Habibie backers in the Islamic movement that the dominance of the ethnic Chinese in business must be broken, at least partially, in favour of indigenous (pribumi) entrepreneurs. This may well be a legitimate objective as a longer term goal, but it is frightening Chinese capital, which is beginning to look for employment in other countries.

What about the outcome of the general elections next year? Will that give some relief? Nobody can be sure. The political uncertainty therefore will last until the end of the century.

In the meantime, the economy and society may have to come to terms with the new, probably transitional, exchange rate equilibrium, of Rp10,000 or over, to a US dollar. Most prices will soon adjust to this rate of exchange. That will make life difficult for wage and salary earners, and Java will be harder hit than the outer islands. People obtaining a living
from agriculture and other natural resources will be better off than people employed in manufacturing industries and urban services. But gradually manufacturing industries will recover too, spearheaded by exports, and then urban services.

For the government this means that it must stop, sooner rather than later, suppressing price adjustments, and let the market find its own new equilibrium and start the recovery process. The process will be painful, particularly in the political heartland of Java. The country therefore needs a government and polity that are truly reformed, democratic and younger.

7. POSTSCRIPT (9 DECEMBER 1998)

Since the time of writing, August 1998, there have been significant developments in the political and economic arena. Most important are the political and social developments. A special session of the MPR (People’s Congress) occurred on 11-13 November under very tense conditions. The response of the security forces to the huge student-organized “extra-parliamentary” opposition eventually led to more than 14 deaths, mostly student, killed by mysterious “snipers” using live ammunition. The November causalities were higher than those of May 1998, which caused the downfall of Soeharto. These causalities have steeled the students’ resolve in their demands to (a) bring Soeharto and his family and cronies to court, and (b) do away with the dwi-fungsii or dual (social) role of the army. The political battle between the government and opposition, including students and vocal critics of the corrupt “ancient regime”, is still going on, in Jakarta and in the provinces. The tense political atmosphere can trigger -anywhere and at any time- violent outbursts of anger and frustration, which ignite ethnic and religious conflicts with loss of life and damage to property, including churches, mosques and even police posts. Such sporadic occurrences have not stopped normal life in most parts of the country, but they have an effect on the (sometimes gripping) mood and sentiment in society.

At the same time, the exchange rate has been remarkably stable since October, at around Rp7,500 to the US dollar, Usually the weakening of the rupiah is related to political uncertainty. The stable rate, however, has been the result of very thin trading in the foreign exchange market, of just some tens of millions of dollars, compared to the normal pre-crisis daily turnover of a billion dollars or more. The conversion of IMF and other aid funds into rupiah to finance the government budget, running at more than a billion dollars a month, was able to sustain the exchange
rate. Meanwhile, the rate of inflation, measured on a monthly basis, has come down quickly, although the annual figure will still be close to the earlier projection of 80%. The question now is how long such monetary stability will last in the absence of a political solution. The IMF monthly disbursements of about a billion dollars will soon taper off, while strong export recovery is constrained by sluggish growth in the Asia-Pacific region, in particular in Japan and China. Hence the conclusion must be that large flows of international aid will be required for a few years. The return of private flows to Indonesia is still far off, because bank restructuring and the private debt problems are still not resolved. Indeed, a new anomaly has emerged: an exchange rate of Rp7,500 is still considered too weak for the repayment of private sector debts, while the "stronger" rupiah is greeted with dismay by exporters.

NOTES
1. For reviews of the events leading up to the crisis, and its immediate course, see Soesastro and Basri (1998) and World Bank (1998).

REFERENCES