

1. Introduction

For the past few decades, we have seen the eight High-Performing Asian Economies (HPAEs), namely Japan, the four “Asian Tigers”, Taiwan, Republic of (South) Korea, Hong Kong Special Administrative Region (SAR) and Singapore, and the three Southeast Asian newly industrialising countries (NICs), Malaysia, Thailand and Indonesia, recording impressive economic growth, capturing a larger share of world trade and production as well as capital inflows.¹ Since the outbreak of the 1997 East Asian financial crisis, many have contended that this crisis signified the demise of the “Asian Economic Miracle” and the “Asian model of economic development”.

In Section 2., I will assess debates about the cause(s) of the crisis, focusing on the failure of the Asian model of economic development. This will enable us to formulate appropriate policy measures.

In the next section, Section 3., I will describe the impact of the crisis on the Malaysian economy in general, and more specifically, the impact on certain firms and the stock market later on in the case studies.

In section 4., I will define certain key concepts such as corporate governance, bailouts, rents and the various forms that bailouts can take with reference to the cases discussed later.

Following that, in Section 5., I will look at the debate between those favouring government intervention and the “no bailout” advocates. The former believe that governments indeed have a role to play in alleviating financially distressed firms since they could very well overwhelm the entire economy and potentially lead to more adverse consequences if things were left alone. The latter, on the other hand, believe that government intervention is intrusive and counter-productive, hence making situations

worse. It is therefore best to allow markets to sort themselves out and allocate resources efficiently.

Section 6. examines various views regarding the “appropriate” role and approach of the government in tackling the (systemic) economic crises.

Lastly, in Section 7., I will conclude.

In the addendum, I will look at a few Malaysian firms currently undergoing “restructuring programs” and receiving assistance from the government through various direct and indirect means. Analysis of these corporations will revolve around the suitability and appropriateness of the “restructuring program”, and the way in which it has been conducted.

2. Debates Revolving Around the Failure of the Asian Model of Economic Development

Policies under the “Asian model of economic development”² that were once praised by some economists as economic models to achieve high growth and accelerate development are now taunted as government failures following the crisis³. We should not, however, fall into the trap, as some have, in concluding that the crisis was wholly due to “internal” factors. Contention still revolves around the primary cause or trigger of the crisis. Furthermore, there is no general consensus as to how best to resolve the crisis since there is no general consensus about the primary cause of the crisis.⁴

This highlights the fact that, a “one size fits all” explanation based on a specific issue, may be inappropriate or insufficient to fully understand the complexities of the crisis, due to the interconnectedness of a myriad of factors that make up an economy. Each country is characterized by a unique set of economic structures, i.e. differences in