CHAPTER 4: RESULTS AND ANALYSIS

This chapter presents research results and discusses all findings of the study. Firstly, it starts by analyzing cross-border M&A activities trend during the period after the 1997 economic crisis which originated in the four countries of study (Indonesia, Malaysia, Philippines and Thailand). Secondly, the study gives a detailed descriptive analysis of CBMA trends within the four countries during and after the 2007 economic crisis, which originated in America and Europe. A comparison between the two different economic situations is presented and the results from each situation are analyzed.

In order to get the flow of the CBMA activities within the four countries, in the particular two periods, that is, before the 2007 economic crisis and during the 2007 economic crisis, data from the year 2000 to 2010 have been reviewed and described in detail. This gives the actual trend on CBMA activities during the period after the 1997 economic crisis and the period during the 2007 economic crisis.

4.1 Cross- border mergers and acquisitions activities in Indonesia, Malaysia, Philippines and Thailand for the period from 2000-2006

Data drawn from Bloomberg shows that, total of 2,225 CBMA activities were announced during the period from 2000 to 2006 within the four countries. This attracted a sales volume of USD90.90 billion; average disclosed deal size of USD55.97 billion and the average premium of 40.27 %(table 4.1). The largest deal was acquisition of Hanjaya Mandala Sampoerna TBK PT of Indonesia, which were acquired by the Altria Group Inc of America for USD5.1 billion in March, 2005.

Table 4.1: Summary of CBMA activities in Indonesia, Malaysia, Philippines and Thailand (2000- 2006)

Descriptions	Values/ Number of deals
Total CBMA deals	2,225 deals
Volume	90.9 billion
Average disclosed deal size	55.97 Million
Average premium	40.27 %

Source: Bloomberg

During the period after the 1997 economic crisis (2000-2006), Cross border mergers and acquisitions activities trend in the four countries show on average an upward increasing trend, from 61 CBMA deals in the year 2000 to 387 deals in year 2006 (table 4.2). This has been associated with the countries FDI and investment policies that were established during the period after the 1997 economic crisis to attracted investors in the region. For example, Song et al (2010) concluded that, M&A activities are likely to continue in the future due to the, governments encouragement on consolidation in the banking and other industries, changes in the government regulation and incentives by providing tax incentives to attract foreign investors in the South East Asian countries which were mostly affected by the 1997 economic crisis.

Table 4.2: Number of completed CBMA deals (2000- 2006)

Country/Years	00	01	02	03	04	05	06	Total
Indonesia	10	31	46	36	52	62	60	297
Malaysia	35	138	152	159	174	195	210	1063
Philippines	7	27	24	26	35	41	42	202
Thailand	9	62	42	50	59	86	75	383
Total	**61**	**258**	**264**	**271**	**320**	**384**	**387**	**1945**

Source: Bloomberg

On individual country performances, Malaysia recorded more CBMA deals, from 35 deals in 2000 to 210 deals in 2006. Unlike the other countries, completed CBMA deals in Malaysia showed a dramatic increase throughout the seven years, from 2000 to 2006 (table 4.2). The total value of CBMA deals during the period from 2000 to 2006 show that, Malaysia had more value (USD 29,833 million) in completed CBMA deals followed by Indonesia, Thailand and Philippines. On average (mean) value per deal, however, Indonesia led, with an average of USD308 million per deal, followed by Philippines USD215 million per deal, Thailand USD167 million per deal and Malaysia USD142 million per deal (table 4.3).

Table4.3: Value of completed CBMA deals from 2000-2006 (USD- Million)

Country Name	2000	2001	2002	2003	2004	2005	2006	Total
Indonesia	354	1,633	3,287	2,030	1,834	7,036	2,278	18,452
Malaysia	695	1,889	3,514	4,444	3,547	6,598	9,146	29,833
Philippines	23	2,433	148	553	3,288	1,006	1,607	9,058
Thailand	289	1,521	407	720	1,595	2,196	5,789	12,517
Total	**1,361**	**7,476**	**7,356**	**7,747**	**10,264**	**16,836**	**18,820**	**69,860**

Source: Bloomberg

Data from Bloomberg showed that private equity and electric integrated were the most acquiring and targeted "industries" respectively during the period from 2000 to 2006 for the four countries of study. USD6.34 billion was acquired by private equity firms while USD7.47 billion was targeted in the electric integrated industries (table 4.4).

Table4.4: CBMA top acquirer and target industries from the four countries from 2000-2006

Name of acquirer Industries	Value (USD Billion)	Name of targeted Industries	Value (USD Billion)
Private Equity	6.34	Electric integrated	7.47
Telecom Services	5.68	Telecom Services	7.38
Import and Export	5.49	Tobacco	5.14
Tobacco	5.14	Oil Company- explore and production	5.03
Electric integrated	4.37	Commercial bank Non - US	4.67

Source: Bloomberg

On the other hand Malaysia was the most acquiring country with the total of USD24.8 billion acquired by the country during the period of 2000 to 2006. Singapore was the second acquiring country from the four countries of study, followed by Japan, the United States and Philippines. Indonesia was the most targeted country during the period of 2000 to 2006 with total value of USD 24.27 billion in CBMA deals followed by Thailand, Malaysia and Philippines (table 4.5).

Table 4.5: Home countries of leading acquiring and targeted companies from the four countries from 2000-2006

Home of acquiring company	Value (USD Billion)	Home of targeted company	Value (USD Billion)
Malaysia	24.18	Indonesia	24.27
Singapore	14.41	Thailand	13.95
Japan	11.53	Malaysia	13.45
United States	11.13	Philippines	11.41
Philippines	6.55	Australia	7.93

Source: Bloomberg

4.2 Cross-border mergers and acquisitions trends after 2007 in Indonesia, Malaysia, Philippines and Thailand

Data collected from Bloomberg show that, there were a total of 2,216 CBMA deals during the period from 2007 to 2010 from the four countries (Indonesia Malaysia, Philippines and Thailand). This attracted total value of USD138.36 billion and average disclosed deals size of USD87.4 million, while the average premium amounted to 24.22% (table 4.6). This total includes all CBMA activities which were done within the four countries, out the total deals, 1,703 deals or 76% were completed deals, 101 deals (5%) were terminated deals, and 239 deals were pending. The most expensive targeted deals were the Carabobo- 1 project of Venezuela which was acquired by multiple acquirers for USD4.848 billion in February 2010, followed by National Transmission Company of Philippines which was acquired by multiple buyers for USD3.950 billion in December 2008.

Table 4.6: Summary of CBMA activities in Indonesia, Malaysia, Philippines and Thailand (2007- 2010)

Descriptions	**Values**
Total CBMA deals	2,216 deals
Volume	138.36 billion
Average disclosed deal size	87.40 million
Average premium	24.22%

Source: Bloomberg

Table 4.7 represents numbers of the completed cross-border mergers and acquisitions deals within the four countries during period of 2007-2010. Completed CBMA deals within the four countries for the period from 2007 to 2010 shows a downward decreasing trend, from 545 completed deals in 2007 to 266 completed deals in 2010.

Table 4.7: Completed CBMA deals in Indonesia, Malaysia, Philippines and Thailand (2007-2010)

Name of countries	2007	2008	2009	2010	Total
Indonesia	80	68	67	51	266
Malaysia	301	303	197	127	928
Philippines	56	54	44	31	185
Thailand	108	76	82	58	324
Total	**545**	**501**	**390**	**267**	**1703**

Source: Bloomberg

Figure 4.1 shows number of CBMA deals completed in each of the four countries. Trends shows in each of the individual countries, the CBMA trend gradually decreases from 2007 to 2008 and dramatically decreases in the years 2009 and 2010, for example, in Malaysia, cross border M&A deals decreased from 301 deals in 2007 to 127 deals in 2010.

Figure 4.1 Completed CBMA deals in Indonesia Malaysia, Philippines and Thailand from 2007-2010

Source: Bloomberg

On value of deals per country, Malaysia had more value than each of the other three countries; it had a total value of USD43.180 billion with 928 completed deals, followed by Indonesia USD23.685 billion, Philippines USD20.166 billion, and Thailand USD13.880 billion. On average (mean) per deal value, however, Philippines were the highest among the four countries. Philippines had an average of USD109 million per CBMA deal followed by Indonesia with USD89 million per deal, Malaysia with USD47 million per deal and Thailand with USD43 million per deal (table 4.8 and table 4.9)

Table 4.8: Value of completed CBMA deals for the year 2007-2010 (USD Million)

Name of countries	2007	2008	2009	2010	Total
Indonesia	4,873	5,605	6,986	6,221	23,685
Malaysia	10,852	18,665	4,008	9,655	43,180
Philippines	6,545	8,631	3,172	1,818	20,166
Thailand	4,529	1,662	2,143	5,546	13,880
Total	**26,799**	**34,563**	**16,309**	**23,240**	**100,911**

Source: Bloomberg

Table 4.9: Average value per a completed CBMA deal in Indonesia, Malaysia, Philippines and Thailand from 2007-2010

Name of countries	Number of deals	Total value-USD mil	Average per deal-USD mil
Indonesia	266	23,685	89
Malaysia	928	43,180	47
Philippines	185	20,166	109
Thailand	324	13,850	43
Total	**1703**	**100,911**	**287**

Source: Bloomberg

4.3 Industrial Trends

Table 4.10 presents data on the top target industries from 2007 through 2010. Commercial Banking was the leading sector with a volume amounting to USD10.76 billion followed by Coal. Integrated Oil was the top acquiring industry in the same period with a volume of USD15.36 billion followed by Commercial Banking.

Table 4.10: Completed CBMA deals- top Target industries in Indonesia, Malaysia, Philippines and Thailand from 2007-2010

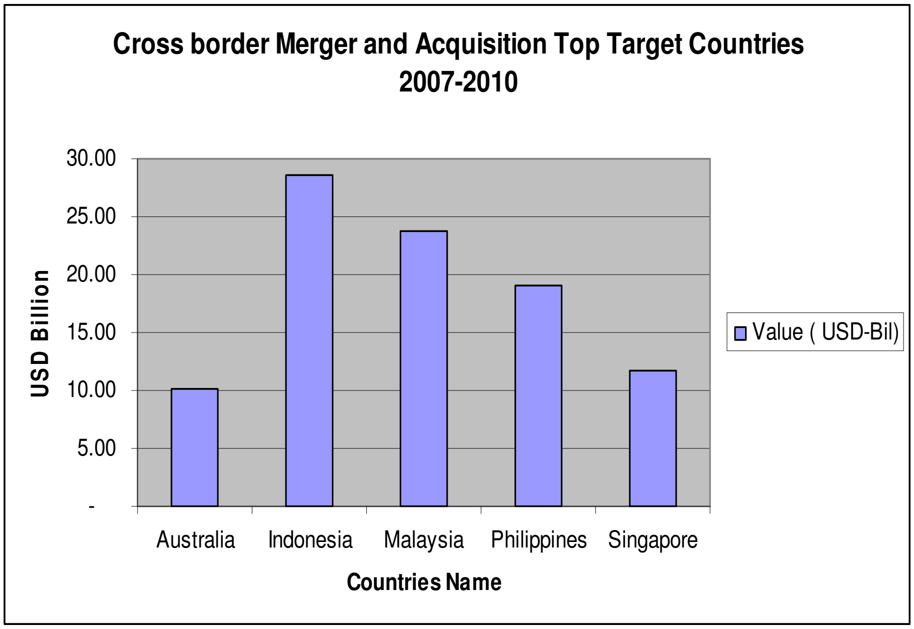
Name of target Industries	Value (USD Billion)	Name of Acquiring Industries	Value (USD Billion
Commercial Banks	10.76	Integrated Oil Companies	15.36
Coal	9.16	Commercial Banks	12.65
Oil Company- explore and production	7.84	Oil Company- explore and production	12.27
Energy Alternative Source	8.29	Diversified operations	8.80
Cellular Telecom	6.10	Investment Companies	7.96

Source: Bloomberg

4.4 Acquiring and Target countries

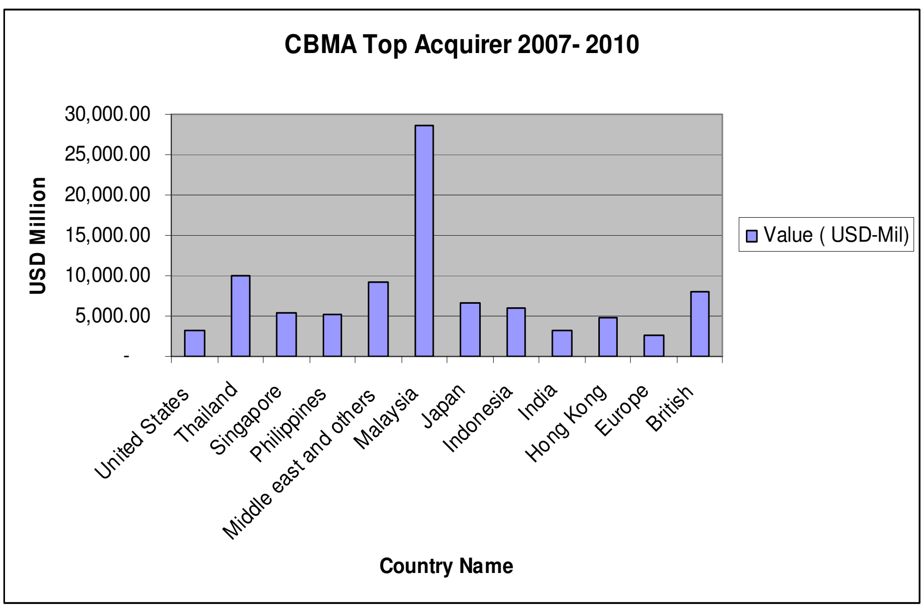
The study revealed that during the period from 2007 to 2010, Malaysia was the top acquirer with 550 completed deals which carried a value of USD28.5 billion followed by Singapore and Indonesia with 213 and 139 completed deals respectively (table 4.11). On the other hand Indonesia was a top target with a value of USD28.57 billion. Malaysia had a value of USD23.76 followed by Philippines with volume amounting to USD19.14 billion. (Figures 4.2 and 4.3)

Figure 4.2 CBMA Top Target Countries from 2007-2010



Source: Bloomberg

Figure 4.3 CBMA Top Acquirer Countries 2007- 2010



Source: Bloomberg

Table 4.11 Completed CBMA deals: Top acquiring countries (2007-20100)

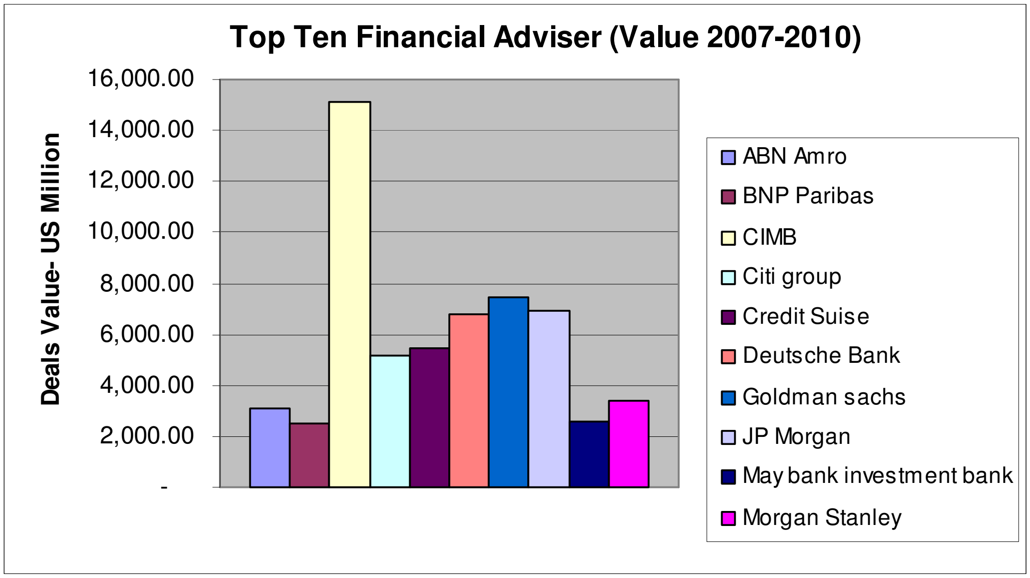
Name of Countries	Number of Deals	Value (USD-Mil)	Value (%)
Malaysia	550	28,543.41	29.36
Thailand	139	9,938.65	10.22
Middle east and others	82	9,117.66	9.38
British	62	8,044.15	8.27
Japan	112	6,517.51	6.70
Indonesia	84	6,056.33	6.23
Singapore	213	5,340.03	5.49
Philippines	87	5,165.71	5.31
Hong Kong	57	4,787.25	4.92
India	29	3,274.71	3.37
United States	91	3,209.31	3.30
Europe	68	2,627.06	2.70
South Korea	25	2,531.28	2.60
Canada	16	1,167.53	1.20
Australia	70	898.59	0.92
TOTAL	**1685**	**97,219.18**	**100**

Source: Bloomberg

4.4 Acquire and target financial adviser

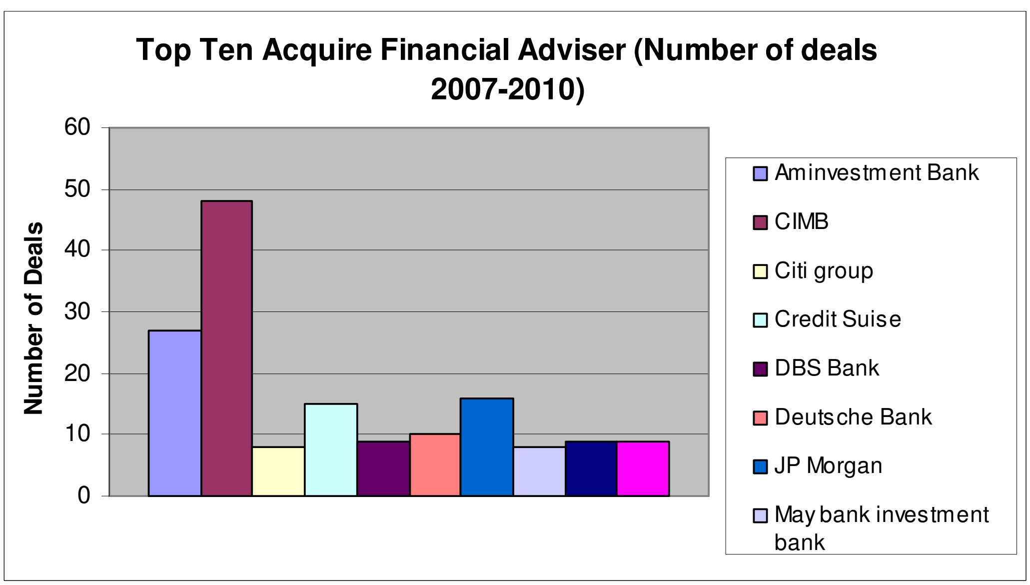
Figure 4.4 presents the top financial advisors. CIMB, a Malaysia-based bank, was the top financial adviser with a total of 48 completed deals with a value of USD15.101 billion followed by AmInvestment Bank with 27 deals. In terms of value of deals, however, Goldman Sachs was the second most value acquirer adviser with total value of USD 7.420 billion, less than half of CIMB's total.

Figure 4.4 Top ten Financial Advisers in value for the acquiring firm in Indonesia, Malaysia, Philippines and Thailand (2007- 2010)



Source: Bloomberg

Figure 4.5 Top ten Financial advisers in numbers of deals for acquiring firms in Indonesia, Malaysia, Philippines and Thailand (2007-2010)



4.5 Major Findings

4.5.1 Cross- border mergers and acquisitions trend

The results shows that cross-border M&A activities in Indonesia, Malaysia, Philippines and Thailand had an upward trend in the period after the 1997 economic crisis, 2000-2006 which peaked in 2007 before trending downward through 2010 (table 4.12). The rate of changes of CBMA completed deals during these two periods shows the influence of the overall economic environment on companies' CBMA decisions.

After the 1997 economic crisis that attacked most the South East Asia countries, Indonesia, Malaysia, Philippines and Thailand introduced various measures to encourage business through cross border mergers and acquisitions as well as liberalization of foreign investment. Government within these countries established favourable policies to motivate FDI within the region. For example, Indonesia in 2001 established trade liberalization for foreign investment and corporate governance guidelines (OECD investment policy review 2010). These strategies appeared to contribute substantially, as CBMA deals went from 61 completed deals within the four countries in 2000 to 378 completed deals in 2006, an increase of almost 620%. The growing upward trend buoyed up future expectation of most investors in the four countries. In contrast, during and after the 2007 crisis, the numbers of completed CBMA deals in the four countries fell by 51%, from 545 completed deals in 2007 to 267 completed deals in 2010 (figure 4.6). This suggests that the influence of the economic crisis on cross-border mergers and acquisitions reversed such expectations. The completed CBMA deals show an inverse relationship trend between the period after the 1997 economic crisis and the period after the 2007 crisis. It shows that completed cross border M&A deals were increasing positively in the period after 1997 and increasing negatively in the period after 2007 economic crisis (see table 4.12).

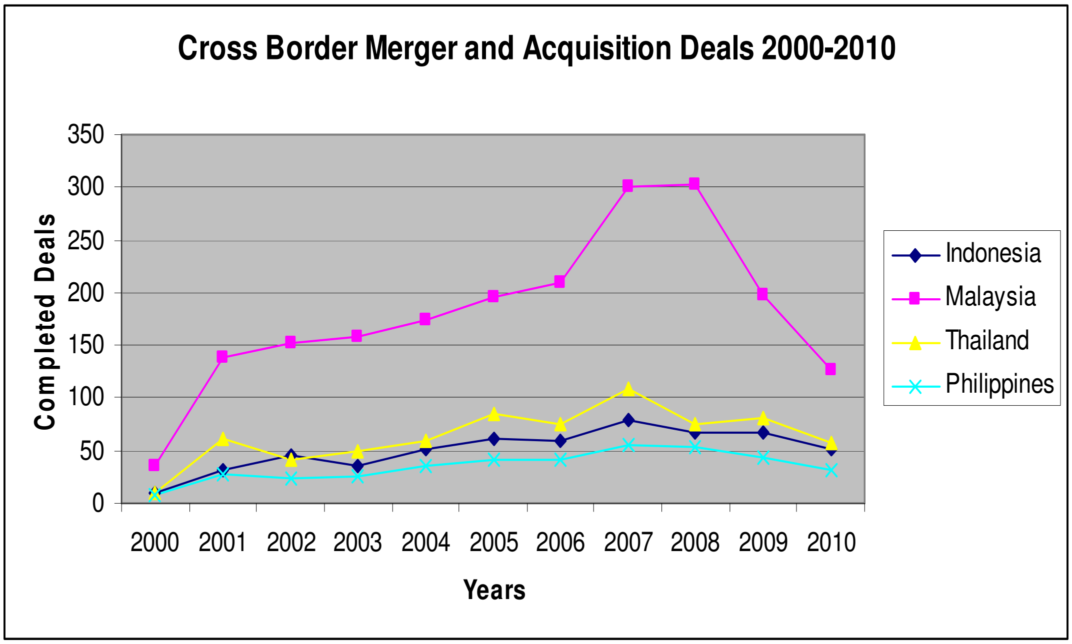
Table 4.12 Trend for Completed CBMA deals in Indonesia, Malaysia, Philippines and Thailand (2000 – 2010)

Years	**00**	**01**	**02**	**03**	**04**	**05**	**06**	**07**	**08**	**09**	**10**
Completed CBMA deals	61	258	264	271	320	384	387	545	501	390	267

Data shows that 2008 was also the peak year for terminated deals, the reasons for which may be subject to further study. We suspect this may have been driven by the acquirers' concerns about realization during the years the crisis was adding and cancelling deals. For example, according to the (*Reuters New & Markets Reports,* August 2009), acquisition deal between Nextnation Communication Berhad and Godynamic Investments, Limited (GIL), Hamdan Busyairi and Syaeful Huda were terminated as a result of the global economic crisis. The proposed business venture appeared not to be viable because of low demand. The Group focused on its core businesses rather than diversify into other business areas.

The CBMA trends indicate that all four countries were being pulled by forces within economic crisis. Malaysia experienced a high positive trend in the years 2000 to 2006, attaining its peak in 2007 with 301 completed CBMA deals before sharply dropping by almost half in the following years, to 127 deals in 2010. (Figure 4.6)

Figure 4.6 Trend for completed CBMA deals in Indonesia, Malaysia, Philippines and Thailand from 2000 to 2010

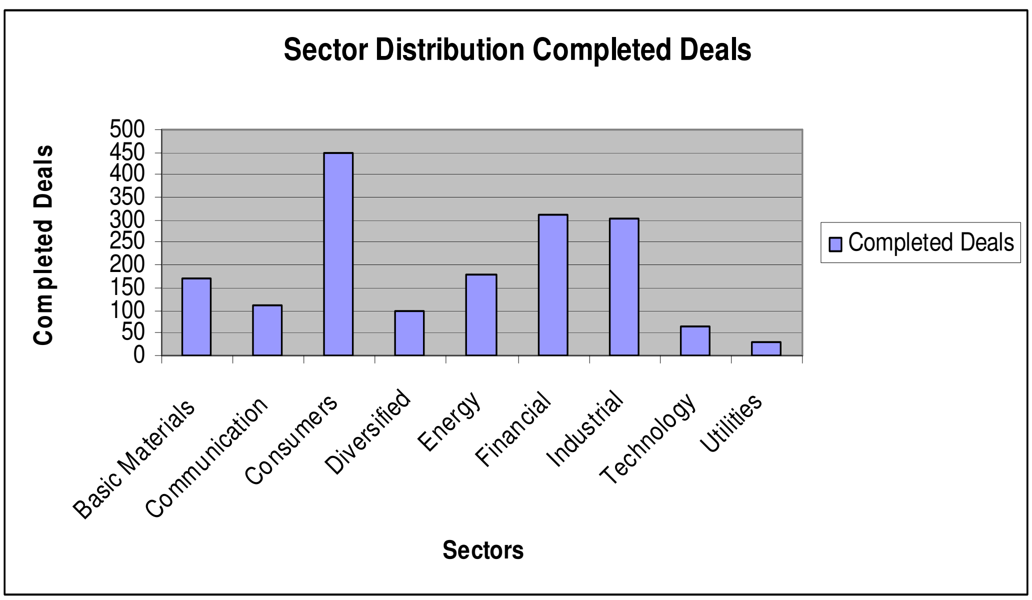


Source: Bloomberg

CBMA activities trends show that Indonesia, Thailand and Philippines were also affected by the 2007 economic crisis. Completed cross-border merger and acquisition deals in these countries gradually declined from 2007 to 2010. In terms of value, Malaysia acquired 550 foreign companies from 2007 to 2010 worth USD28.5 billion, equivalent to 32% of the total completed deals from 2007 to 2010 within the four countries. Though Thailand had few deals compared to Singapore, in terms of value, Thailand was second to Malaysia with a total 139 deals worth to USD9.9 billion as compared to Singapore which has 213 deals worth USD5.3 billion. Philippines and Indonesia had 87 and 84 deals, respectively, worth USD5.2billion and USD6.1billion. The United States, Britain, Europe and Canada acquired 237 companies worth USD14.9 billion from the four countries during 2007 - 2010, while the Middle East acquired 82 companies worth USD9.1 billion in the same period (table 4.11).

Figure 4.7 and table 4.13 show the sector distribution of cross-border M&A deals in the four countries during the period 2007 to 2010. The consumer, financial, and industrial sectors were the most sectors engaged in cross-border mergers and acquisitions activities (about 62% of the total completed deals). Energy and basic materials were the fourth and fifth most active sector in terms of cross-border mergers and acquisitions with about 20% altogether.

Figure 4.7 Sector distribution of CBMA in Indonesia, Malaysia, Philippines and Thailand (2007- 2010)



Source: Bloomberg

Table 4.13 Sector distribution of CBMA in Indonesia, Malaysia, Philippines and Thailand (2007-2010)

Sectors	Completed Deals	Value	Percentages of Deals
Consumer	449	17,066.03	26.3
Financial	310	23,816.73	18.1
Industrial	302	5,290.69	17.7
Energy	178	17,452.43	10.4
Basic Materials	170	6,118.74	10.0
Communication	109	12,302.72	6.4
Diversified	97	4,648.04	5.7
Technology	63	1,141.23	3.7
Utilities	30	7,726.28	1.8
TOTAL	**1708**	**95,562.89**	**100**

Source: Bloomberg.

4.5.2 Cross-border merger and acquisition termination in Indonesia, Malaysia, Philippines and Thailand from 2000- 2010

One of the outcomes showed that, because of the economic crisis, a larger percentage and larger numbers of cross-border merger and acquisition deals were cancelled following 2007 than previously. Figure 4.8 shows the termination trends in cross-border mergers and acquisitions activities in Indonesia, Malaysia, Philippines and Thailand during the period from 2000 to 2010. The trend shows that during the economic crisis numbers of terminated cross-border mergers and acquisitions increased as compared to crisis-free periods. It shows, also, that during the 11 years from 2000 through 2010, numbers of terminated deals was 210 out of which about 44% occurred in the years 2007, 2008 and 2009. The rate of termination rose from 5% in the year 2000 to 20% in the year 2008 and dropped to 4% in the year 2010. (Figure 4.8)

Figure 4.8 CBMA termination trends in Indonesia, Malaysia, Philippines and Thailand (2000-2010).

Source: Bloomberg

The study did not encompass detailed review of the drivers of this increase in terminated deals during 2007-2010. We reviewed press announcements for seven of terminated deals to gain a small understanding of the stated reasons for terminating deals; some of the reasons stated in the announcement of their termination include the following:

- Market conditions

According to the Thursday, 27 Aug 2009 Reuters new & markets Reports, the proposed acquisition between Nextnation Communication Berhad and Geodynamic Investments Limited (GIL) was terminated on June 18, 2009.

The report revealed that, the reasons for termination were, the current global economic crisis has resulted in the proposed business venture not viable due to low demand; and the Group intends to focus on their core businesses and not diversifying into other areas of business.

- Risk

Due to unacceptable risks and legal uncertainties, the acquisition deals between Indonesia Manganese Project and Alligard Investments ltd was terminated on August 2008 (Bloomberg data source (2008).

- Non-fulfilment of Terms

The report from Bloomberg data base showed that, on April, 2007, The Board of Director of The Media shopper Berhad (TMSB) announced on the termination of acquisition agreement with SSC Solutions due to non fulfilment of financial agreement and conditions precedent described in the said principal agreement by the seller.

- Share valuation

According to the Bloomberg data source (2008), the acquisition of Galaksi publishindo PT (PT Alam Hijau Raya) by the Nextnational communication bhd which was announced on 30th January 2008 in the Indonesia stock exchange market were terminated on 18th June 2008 due to disagreement of the parties on share sale.

- Pricing disputes

In announcing the termination of the acquisition agreement between KNM group berhard and Bluefire capital group, the KNM Board of directors on 14 April 2010 announced the termination of the said agreement, was due to

Bluefire capital and its partner unable to reach an agreement on the pricing of the proposed acquisition (Bloomberg company news).

- Consensus failure

Acquisition agreement between Kampulan Jeston and China Property were announced to be terminated on 18 August 2010 due to the parties and the employer not able to come to the consensus in relation to the financial problem (Bloomberg company news).

- Financing failure

On the other hand, the acquisition between Camillion Eitzen and Berlian was terminated on December, 2009 due the failure of the company to secure approval from capital market watchdog to issue mandatory exchangeable bond to finance its acquisition Bloomberg company news).

There are no doubts that mergers and acquisitions deals are difficult under any circumstances, but in uncertain economic times, companies face the challenge of proving the value of the merger while meeting the various conditions necessary to its achievement.

Table 4.14: CBMA termination trends in Indonesia, Malaysia, Philippines and Thailand (2000 – 2010)

Year	Number of terminated deals	Percentage
2000	11	5
2001	25	12
2002	8	4
2003	13	6
2004	18	9
2005	12	6
2006	22	10
2007	36	17
2008	43	20
2009	14	7
2010	8	4
Total	**210**	**100**

Source: Bloomberg

4.5.3 Impact of crisis to economy and countries mitigation policies

The driving factors controlling the trend of cross-border merger and acquisition in the four countries in South East Asian namely as Indonesia, Malaysia, Philippines and Thailand are largely undefined and vary from one country to another. Economic changes and changes of government policies are most significant influence on change in CBMA. On the other hand merger and acquisition is more sensitive to financial conditions due to the short investment cycles than the green field investment, and also because devastation in stock market which makes it difficult to understand the price signals upon which mergers and acquisitions rely. The East South Asian countries used different strategies to control the 2007 economic slowdown.

4.5.3.1 Malaysia

Since the after the 1997 economic crisis, Malaysia has created a favourable environment for foreign direct investment. For example, in the year 2009, according to Bloomberg Company's news, under the current leadership of Prime Minister Najib Razak, Malaysia has eased the rules governing takeovers, initial public offerings and property purchases as Malaysia faced its first economic contraction in a decade.

The Mahani & Rajah (2009) revealed that the Malaysian government has established an economic transformation program and liberalization measures, including steps to roll back some policies that favoured the country's ethnic Malays and indigenous people. The report also noted that the government had removed a requirement that commits country's Foreign Investment Committee to approve all acquisitions by overseas companies.

Bank Negara Malaysia (2009) in a public announcement revealed that growth of the Malaysian economy fell to 0.1% in the third quarter of 2008 and contracted by 4.7% in the fourth quarter of 2008 as the global financial crisis and economic conditions worsened. In order to ease the situation, Bank Negara reduced the Overnight Policy Rate (OPR) by 25 basis points in November 2008 and by another 75 basis points in January 2009. In order to reduce further the cost of intermediation, the Statutory Reserve Requirement (SRR) was also reduced concurrently by 50 basis points and 150 basis points respectively. The announcement further stated that, the sharper deterioration of the global economy in the fourth quarter and the increased risk of contraction of the domestic economy effected a further reduction in the OPR by 50 basis points on 24 February 2009, and the SRR by 100 basis points (Bank Negara Malaysia (2009). The report also posits that, due to economic slowdown, the ringgit was depreciated against the US dollar during the fourth quarter. The ringgit weakened to RM3.6375 against the US dollar on 5 December 2008, representing a 13.9% decline from the 23 April 2008 peak of RM3.1315 (Table 4.16). On the other hand GDP real growth rate percentages dropped to -1.7 in 2009 from 4.7 in 2008 (table 4.15)

Table: 4.15 GDP Real Growth rate percentages, 2006 - 2010

Country	2006	2007	2008	2009	2010
Indonesia	5.5	6.4	6.1	4.5	6
Malaysia	5.8	6.3	4.7	-1.7	7.1
Philippines	5.4	7.2	3.7	1.1	6.7
Thailand	5.2	4.9	2.5	-2.2	7.6

Source: CIA World Fact Book 2011

Table: 4.16 Average Exchange Rate per US dollar

Country	2006	2007	2008	2009	2010
Indonesia (IDR)	9,159	9,143	9,699	10,390	9,170
Malaysia (MYR)	3.6683	3.46	3.33	3.5246	3.2182
Philippines (Peso)	51.246	46.148	44.439	47.68	45.459
Thailand (baht)	37.882	34.52	33.37	34.286	31.663

Source: CIA World Fact Book 2011

Mahani & Rajah (2009) explained that, the Government introduced two economic stimulus packages of RM67 billion which is equivalent to 10% of GDP. The first was RM7 billion (USD1.9 billion) or 1.04% of GDP launched in November 2008, and the second was RM60 billion (USD16.2 billion) or 9% of GDP in March 2009. The stimulus packages aimed at supporting private sector demand, creating employment and training opportunities, easing the burden of the affected sectors as well as building long-term economic capacity. For instance the Code on Takeovers and Mergers was no longer applicable to private limited companies (Mahani & Rajah 2009).

4.5.3.2 Indonesia

According to data drawn from *CIA World Fact Book*, the global economic and financial crisis affected the Indonesian economy mainly through falling exports. Growth in GDP slowed slightly to 6.1 per cent in 2008 from 6.4 per cent in 2007, with a further decline to 4.5 per cent in 2009 (Table 4.15). The Indonesian rupiah fluctuated and stock prices fell by approximately 50%.

The Indonesian government responded rapidly, announcing in January 2009 a stimulus package of 73.3 trillion Indonesian rupiahs (IDR), or USD7.6 billion, approximately 1.4 per cent of GDP (*G20 Country Brief 2010*). Indonesia's government initiative in response to the crisis included the establishment of special economic zones for the purpose of accelerating development in strategic areas. Business in special economic zones enjoyed incentives such as relaxed labour and immigration regulations, no equity ownership limitation for foreign investors, high quality of infrastructure and negative list of investment are not applicable in special economic zones. (ILO 2009)

4.5.3.3 Philippines

The Philippine economy slowed down considerably in 2008; the GDP growth rate for the first three quarters of 2008 fell to 4.6 percent, compared to 7.5 percent in the same period in 2007. Inflation jumped to 9.4 percent in the first eleven months of 2008 after averaging only 2.8 percent in 2007 (Josef 2009 and *CIA World Fact Book 2011*).

Table: 4.17 Inflation rate Consumer Price percentages as at 2010

Country	2008	2009	2010
Indonesia	11.1	4.8	5.2
Malaysia	5.8	0.6	1.8
Philippines	9.3	3.2	4.2
Thailand	5.5	-0.9	3.3

Source: CIA World Fact Book 2011

The government took different initiatives to address the course of inflation and later to the global financial crisis through creating different policies. For example, to mitigate the negative effects of rising prices, the government strengthened various social protection programs (Manasan and Cuenca, 2007). Policymakers have also identified fiscal strategies to offset the possible economic downturn. According to Josef, (2009) the Department of Finance formulated a fiscal stimulus plan that involves PHP217 billion or 2.9 percent of GDP and PHP275 billion or 3.3 percent of GDP in 2008 and 2009 respectively. The World Bank advised that fiscal stimulus packages will need to be well targeted toward programs and investments that employ the most people, alleviate supply constraints, and are focused in areas that are likely to be hardest hit by the slowdown (Josef, 2009).

To mitigate the effects of the crisis, the national government launched the Philippine Economic Resiliency Plan (ERP) which is a fiscal stimulus package of USD7.3 billion that consists of programmes and projects based on continuing national government reforms and multi-sector partnership efforts. While there is as yet no available official assessment, it appears that the ERP has helped ease the impact of the crisis, particularly on employment, business, working conditions and labour management (Josef, 2009).

According to Arsenio et al (2010), the Philippine's GDP growth fell sharply from 7.1% in 2007 to 3.8% in 2008 and 0.9% in 2009. In view of the country's rapid population growth rate of 2% a year, the per capita GDP in the Philippines for 2009 shrunk by 1.1%. On average the Industry sector was more affected by the crisis, the growth rate in 2009 was 6.0 percentage points lower than its long-term growth trend. Manufacturing industries were mostly affected by 7.7 percentage points lower than the long-term growth trend.

4.5.3.4 Thailand

According to the March 6, 2009 Thailand Business News, Thailand's government implemented several measures in 2008 to lessen the short run impact of rising inflation and falling incomes. In 2008, the government issued four sets of measures, including one aimed at lessening the impact of the global financial crisis. These measures include personal income and

corporate tax reduction, tax deductions for investment, reduction in property sales transaction fees, subsidies on gasoline, water, electricity, and public buses and train services, direct transfers from the government to administrations at the grass root level in Thailand, as well as loans by specialized state-owned financial institutions to SMEs and households.
(*Thailand Business News, 2009*)

The UNESCO-commissioned Global Monitoring Report showed that the global financial crisis began to have a negative impact on the Thailand economy in 2008; this lead to domestic political unrest. The economic data for 2009 shows this impact with fourth quarter figures showing a 9 percent contraction in exports and a 4.3 percent year-on-year GDP contraction. Government revenue increased in the financial year 2008, but was followed by government revenue declining 16.67 percent below projections during the first seven months of 2009.