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Crisis Effects on the Electronics Industry in Southeast Asia

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Crisis Effects on the Electronics Industry in Southeast Asia

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ABSTRACT *The financial crises of 1997–98 and 2008–09 each had a debilitating effect on Southeast Asian market economies because of the dominance of exports and foreign ownership. However, the 1997–98 financial crisis positively impacted electronics exports, production and employment, due to a booming US economy. The contraction in demand in the US during the 2008–09 crisis reduced electronics exports from Southeast Asia with the exceptions of Indonesia and the Philippines, which were shielded by regional linkages with Singapore, Malaysia and China. Foreign labour repatriation and fiscal stimulus packages helped Malaysia and Thailand rebound quickly from the 2008–09 crisis. In the Philippines, the 2008–09 crisis expanded further the casualisation of labour as retrenched workers from Malaysia and Singapore returned home. State grants encouraged upgrading in Singapore and to some extent in Malaysia, but the liberal approach of Indonesia, the Philippines and Thailand limited them to low-value-added activities. However, Singapore's and Malaysia's transnational-based strategy failed to reproduce the technological leapfrogging experience of South Korea and Taiwan. Also, Malaysia's ethno-patronage policies discouraged upgrading in national firms.*

KEY WORDS: Financial crisis, economic recession, electronics, Southeast Asia

Electronics production has grown rapidly to become the leading manufactured export of Singapore, Malaysia and the Philippines since the 1970s. The industry has also become a leading manufactured export of Thailand since the 1980s and Indonesia since the 1990s. Consequently, the industry has been a major generator of employment in all five countries. Giant Japanese and American followed by European transnational corporations (TNCs) were the first to redeploy production operations to Southeast Asia. While the TNCs were already decentralising production to disperse low-end labour-intensive stages of assembly in developing economies endowed with large supplies of literate labour, good infrastructure, at least in the export-processing zones, and political stability and security, national government strategies were instrumental in dismantling trade barriers and offering tax holidays to clinch the relocation of production (Scibberas 1977). Despite fluctuations in prices, shortening product cycles and changes in firms holding technological leadership (Rasiah 1988; Brown and Linden 2010), the electronics industry has remained

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