Background Guide

1997 Asian Financial Crisis

1 | Resolving economic consequences and rebuilding confidence in financial systems during the 1977 Asian Financial Crisis

SDG: 8. Decent Work and Economic Growth, 12. Responsible Consumption and Production, 17. Partnerships to achieve the Goal

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Committee Introduction

The Business Committee is a unique forum that concentrates on solving the economic and industrial issues of a particular given topic. It is a fictional committee that will follow the Rules of Procedure that most crisis committees undergo, but there are also slight changes to the roles delegates will represent. Specifically, delegates will represent companies or characters instead of countries. Although past Business Committees in GECMUN have undergone the general procedures of a GA committee, this year, the committee will include the processes of crisis committees, including public and private directives and crisis updates.

The Business Committee will be a great opportunity for delegates who want to explore new settings for discussion and expand their cognitive thinking through novel perspectives. It also provides a platform for delegates to not only improve their research and speaking skills but also extemporize and innovate solutions to real-world problems. In addition, it is an interdisciplinary field with social, economic, and political implications, which delegates will need to consider when drafting directives.

Despite it being fictional, business-related committees have become increasingly pertinent to the United Nations and are rather more pragmatic than presented. To exemplify, problems that are discussed in the Business Committee are integrated within several UN bodies, including ECOSOC and UNCTAD.

Global economies have become more robust only by enduring the fluctuations between highs and lows and remodeling through adaptations of these adversities. However, new problems will arise parallel to the advancements within society. From the Great Depression to the COVID-19 pandemic, individuals and nations have assembled to minimize the damage to economies, while facing unforeseen challenges. In this way, the Business Committee acknowledges the ability to initiate reform as a necessity to create a resilient economy and prepares delegates to practice this quality by analyzing historical events.

Agenda Introduction

The Asian Financial Crisis in July 1997, although rooted in several factors, finally ruptured from devaluing Thailand's currency relative to the U.S. dollar. The speculative pressures that Thailand was facing inundated the national economy into instability. However, the issue was more complex in that Thailand was not the only country that faced the detrimental consequences of this instability. The vast globalization after World War II brought economic growth to a multitude of nations, but it also became a vulnerability to the global economy. Following the trend of globalization, in 1967, ASEAN countries formed a union to promote economic growth, social progress, and cultural development. As a result of the instability in Thailand and globalization, a sequence of economic calamities within Asia, known as the "Asian Contagion," resulted. External aid was required by the majority of countries, most notably, from the International Monetary Fund (IMF). Despite this broad summary, it is important to understand the factors that contributed to the crisis and the implications that resulted from it in depth.

A major cause of the whole crisis was the emphasis that Asian nations began to place on export-based economies several years prior. While this caused large volumes of foreign money to enter these countries and created impressive economic growth rates, it also built up high financial risk and vulnerability. As a result, major and often unsound investments were encouraged and poorly supervised domestic credit expanded. Meanwhile, real estate prices continued to rise, forcing investors and corporations alike to borrow heavily from foreign banks, which became a major problem when local currencies suddenly devalued. Essentially, foreign debts increased because much more local money was needed to pay them back.

During the crisis, various local currencies fell far behind the US dollar. For instance, the Thai baht, which was 26 to one US dollar before the crisis, fell to 53 to one dollar by January 1998. Consequently, the most heavily affected nations experienced severe recessions, as gross domestic product (GDP) growth fell significantly. Eventually, the crisis was alleviated through aid from the IMF and World Bank, which provided around $118 billion to Thailand, Indonesia, and South Korea to provide economic support. Nonetheless, these bailouts came with conditions, including raising taxes, lowering government spending, and eliminating many subsidies.

Despite the negative effects of the currency devaluation, it also helped Asian nations restructure their economies and learn from the crisis. Various policy changes were enacted in each country, including strengthening weak financial systems, lowering debt levels, and increasing interest rates to stabilize local currencies. The crisis also served as a case study for economists to analyze how interconnected markets impact each other. Today, many Asian nations that have been involved in currency devaluations have expanded their economies successfully, proving that positive state-led financial support can lead to major growth. (Source)

Letter from the Chairs

Dear Delegates,

My name is Catherine Kang, and I am incredibly grateful to be carrying out the duties as the head chair of the Business Committee this year. Last year, I also had the opportunity to be the associate chair of the ECOSOC committee in GECMUN X. Besides my two years as a chair, I also participated as a delegate for two years, experiencing both online and offline conferences at GECMUN. Currently, I am a senior attending Yongsan International School of Seoul and some of my hobbies include collecting stickers, listening to music, and playing basketball. I am so grateful to have another opportunity as a chair, and I hope delegates will have a rich and unforgettable experience like I did during my past three years at GECMUN. Please reach out to me, Mia, or Claire if you have any questions (we were once in your position too)!

Hello Delegates! My name is Mia Marce and I'm honored to serve as the deputy chair of the Business Committee this year. I'm currently a junior at Yongsan International School of Seoul and I'm very excited to chair for the first time at GECMUN, after three years of being an MUN delegate. I'm from the Czech Republic and France and I enjoy traveling, trying new foods, playing tennis, and reading. I've loved participating in MUN conferences since my freshman year, and I hope to share my passion with each of you through many fruitful debates. Please feel free to contact me or my fellow chairs if you have any questions and I look forward to meeting you all in March!

Hello Delegates! My name is Claire S. Lee and I have the privilege of serving as your associate chair of the Business Committee this year. As a junior attending Yongsan International School of Seoul, I've experienced GECMUN as a delegate for the past two years, but this will be my first year chairing at the conference. Given how this committee presents a distinctive opportunity to integrate both diplomacy with business, I sincerely wish delegates are able to make the most of this experience. If you have any questions or concerns throughout the process, please feel free to contact us anytime! See you all in March!

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Key Terms

Monetary Policy

The policy enacted by the central financial authority of a nation to accomplish higher employment and price stability, among other goals. Monetary policy often involves decisions made by central banks, such as on interest rates, while fiscal policy refers to collective spending and taxing actions of the government.

Currency Appreciation

"Currency Appreciation" describes the increase in value of a certain currency relative to another currency. There are a variety of reasons that certain currencies appreciate and others depreciate, including governmental regulation, interest rates, and trade balances. This is a method that countries boost their economy as opposed to other national currencies; however, it is subjective to the currency that is being compared to. While a currency may be appreciated by one currency, it may be depreciated by another.

Currency Devaluation (or Depreciation)

"Currency Devaluation" refers to the deliberate actions to decrease the purchasing power of a nation's currency. Essentially, it is self-lowering a country's currency value which can offer benefits including reduced foreign debt as well as an advantage in international transactions. That being said, currency devaluation can inadvertently cause hefty repercussions including economic recession. During the 1977 Asian Financial Crisis, the devaluation of the Thai currency compared to the U.S. dollar introduced the beginning of financial instability that would plague Asia.

Speculation

"Speculation" involves transactions with a good, commodity, or property (otherwise known as an asset) that has the potential of decreasing in sizable value, but also the likelihood of its value increasing substantially in the future. Therefore, when speculators trade, many consider the current state of the market and the near future of its success when assessing how much their assets or stocks can be sold and bought for in order to maximize profit earned.

Fiscal Deficit

"Fiscal Deficit" is known as the difference between a government's total revenue and the expenditure, frequently measured over a period of one year. The "deficit" aspect occurs when the total expenditure outweighs the revenues. In other words, there is a considerable shortcoming of a certain government's income versus its spending and the term refers to the specific difference between the two variables.

Fixed Exchange Rate

“Fixed Exchange Rate” involves an arranged system established by a bank or government that officiates a constant exchange rate of the currency of a country in relation to another. Governments and banks do this in hopes of maintaining the country’s currency stable with minimal fluctuations. Furthermore, these fixed rates stimulate lower interest rates and inflation which attracts importers and exporters, consequently playing a critical role in trade engagement.

Managed Floating (Exchange Rate)

“Managed Floating” is when an exchange rate is in a nebulous state where it is neither free nor fixed. Instead, the currency is relative against a currency (or multiple currencies) and the foreign exchange market by the appointment of a central bank. Managed floating exchange rates allow greater mediation by a country’s central bank and meddle with the international exchange markets. Additionally, these central banks can dictate the level of a national currency’s float, aiming to minimize the unpredictable market operations of supply and demand.

Independently Floating (Exchange Rate)

“Independently Floating” is an exchange rate that is determined by the conditions of the market, or supply and demand. In other words, this exchange rate prioritizes the curtailment of detrimental consequences within the currency’s stability rather than what the government can do to keep a favorable exchange rate. However, this does not mean that the government or central bank can not make independent decisions.

Bankruptcy

“Bankruptcy” is the status of legal action taken when an individual or business is unable to repay substantial outstanding payments. Contrary to the negative connotation around the term, filing bankruptcy enables individuals to start fresh through measures such as asset liquidation or repayment plans. During the 1977 Asian Financial Crisis, affected nations, such as Japan and South Korea, saw distraught companies filing for mass bankruptcies.

Stock Index

“Stock Index” refers to a numerical measurement that indicates the fluctuations from markets. Oftentimes, this data collection is done through evidence from numerous companies across various fields to complete a general idea of the market performance, facilitating investors to use previous and present prices to draft an overview of the current state of a market. In summary, it is essentially an assessment that indicates how investors perceive an economy is doing.

Disbursement

A “Disbursement” defines a payment made by a private or public fund. These funds can be used to rent, pay loans, or any financial transaction. Particularly, the International

Monetary Fund's disbursements can be recognized as a notable example of the act in motion in a political field. However, disbursements must be differentiated from reimbursements due to cash outflows.

Recession

A "Recession" indicates a state, where a state, country, or economic party, is undergoing a persistent downturn in economic activity. Recessions are oftentimes marked by a negative gross domestic product (GDP) growth, but can also be altered depending on other economic qualities. An economy undergoing a seemingly short "recession" may take years to rebuild to its original state.

Panic

"Panic" defines a financial disturbance caused by an economic crisis or anticipation of a crisis. It is paramount that a "panic" does not define the complete decline of a business cycle, rather a "panic" highlights the violent stage of financial convulsion, occurring before the peak of an economic calamity. To exemplify, the Great Depression was initiated by a "panic", or anticipation of a crisis, that resulted in stockholders divesting their shares, frequently known as "Black Tuesday."

Bubble

A "Bubble" refers to the rapid proliferation of market value yet equally fleeting success following. A "bubble" can also be defined as a "crash." It is caused by the inflation of a product's price compared to its manufacturing cost, causing a disparity between the real value of a product as opposed to its in-store value. Once the price of a supply diminishes to its real value, dependent parties must stomach an instantaneous fall off in wealth.

Credit Rating

"Credit Ratings" define the competence of an individual or organization to uphold their commitment, usually to repay a debt in economic settings. Credit ratings are momentous for investors as they indicate the amount of risk an organization or company has when buying bonds or debt instruments. Credit ratings are issued by companies and governments, who base a party's competence on its history of acquiring and repaying debt.

Bailout

A "bailout" is when a company, business, or external party provides financial assistance to another failing company. This can help the crashing enterprise persist without facing bankruptcy. Companies and governments can take bailouts through loans, purchasing bonds, or stock infusions. These cash augments are reimbursed either with or without interest, depending on the party lending the financial support.

Historical Background

Starting in the 1950s, East Asia underwent rapid industrialization and focused on export growth, contributing to successful emerging economies. In particular, Hong Kong, Singapore, South Korea, and Taiwan (also known as Asian Tigers) experienced growth rates of over 7% annually between 1950 and 1960. This extraordinary, government-led transformation paved the way for powerful, industrial conglomerates, and introduced most of East and Southeast Asia to the global economy.

Until the late 20th century, these Asian nations continued to grow at unforeseen rates, eventually leading to several risk factors a few years before the 1997 crisis unfolded. Namely, the government-instilled export-based economies resulted in exponentially increasing financial inflows, the safeguarding of which was not always implemented. Policies and institutions simply failed to keep pace with the continuous growth, leading to internal financial weaknesses that couldn't be identified on the international market. Additionally, due to past Asian successes, foreign investors underestimated the nations' economic weaknesses and policymakers often denied the need for action when the crisis first unfolded. The initial currency devaluation came as a shock to financial analysts worldwide, as East and Southeast Asia had always been so successful and had been used as economic models for other countries.

Before 1997, major flaws became apparent (although not identified prior to the crisis) within nations that contributed to the overarching issues. In particular, the international focus of these economies created pegged exchange rates with foreign currencies that escalated pressures by encouraging external borrowing and lending in financial and corporate sectors. Specifically, as several national economies were attached to the US dollar/Japanese yen exchange rate, competitiveness became unsustainable especially due to the dollar appreciation from 1995 in relation to the yen. This made it more difficult and prolonged the process for domestic economies to recover, as exports slowed down between 1996 and 1997 and external imbalances continued to expand. Additionally, the limited transparency of financial systems and government control over lending practices resulted in the unpredictable and unidentifiable nature of the crisis, where foreign investors didn't find out they had suffered losses until it was too late. (Source)

As mentioned previously, the Asian financial crisis was not caused by a single factor, instead, it was caused by a series of poor decisions. It is also important to recall that this economic crisis was not limited to a single country or company—it affected the field globally. Thus, all nations were subject to different conditions that resulted in different impetuses to its collapse. These conditions were caused by decisions, such as Thailand's adoption of a fixed exchange rate regime in 1970, which weakened the economy by resulting in a fiscal deficit and accumulating debt; Indonesia (1978), Korea (1980), and Malaysia's (1992) ratification of the managed floating exchange rate; and the Philippines' embracement of the independently floating exchange rate in 1988. Aside from Asia, other countries also struggled to formulate a robust economy. For example, Russia was subject to its ailments after the Cold War. Specifically, Russia's precarious economy caused the International Monetary Fund (IMF) to take out emergency loans in an attempt to stabilize the economy.

Erecting from national decisions, both positive and negative consequences were deduced. Although there were some positive consequences, they were mostly short-term, while the long-term repercussions were often detrimental. The crisis, however, was instigated to its height when Thailand with Singapore spent billions of dollars to defend the Thai baht against speculative attacks.

After seeing little to no results, Thailand made a critical decision to devalue its currency, known as the baht, relative to the United States dollar on the faithful day of July 2, 1997. The value of the baht declined at a rapid, record-low 20% devaluation with diminished crude oil and nonferrous metal exports in Russia, causing the Thai government to call for the International Monetary Fund's (IMF) aid. Almost immediately on July 8th, upon hearing the commotion in Thailand, the Malaysian central bank hurried to intervene in order to defend the Malaysian ringgit currency. On top of heightened uncertainty, the Philippine peso was devalued on July 11th, forcing neighboring countries such as Indonesia to alter its trading band, making it more flexible in hopes of distracting foreign speculators. Amid this confusion and financial chaos, the IMF stepped in to offer over a billion dollars in order to alleviate the peso currency crisis. This is the very first time that the IMF announced the implementation of an "emergency funding mechanism," truly highlighting the severity of the situation. Like a domino effect, the Singapore dollar's decline was initiated on July 24th along with the fall of Hong Long's stock index and the weakening of the South Korean won. During this period, country leaders expressed their concern and radiated panicked energy. Mahathir Mohamad, Malaysian Prime Minister blamed reckless speculators for the financial crisis, including billionaire George Soros.

Current State of Affairs

Though Thailand had initiated the immense recession of economic exchange, the companies in Thailand and the country of Thailand itself were not the only ones that faced the consequences. Even in 1929, the “Great Depression” didn’t include only the United States. It was an outcome of the interconnectedness and weak economies coming out of World War I. Similarly, the globalization and interdependence of the financial systems created post-World War II resulted in a sequence of successes and now failures. As a result of this “domino effect” that countries around the globe have become susceptible to, many countries have lost their once robust economy to the pressures of speculations and weakening exchange rates. It is a matter of time before the Asian financial crisis consumes its next prey.

The emergence of the crisis was a surprise that shocked the world in the scorching summer of 1997. After a few months, the repercussions have not been stopped and assistance is desperately called for those who have lost nearly all of their property. By the end of 1997 and the beginning of 1998, there were conspicuous differences in the prosperity of most countries in Asia, specifically Southeast Asia. For example, at the onset of 1998, which marks the current time, the Thai baht once valued at 26 baht to the U.S. dollar was now valued at 53 for every U.S. dollar. In addition, the biggest company in Thailand, Finance One, is on the brink of collapsing from bankruptcy. Like Thailand, the majority, if not all, of the Southeast Asian region have followed the same pattern of weakening rates of exchange and near bankruptcy of companies. Although outside of Southeast Asia, South Korea was hit by the contagion just as hard if not more than Southeast Asia. At the end of 1997, the South Korean won valued at 900 won to the U.S. dollar fell to the valuation of 1695 won for every dollar. As time progresses, currencies have only declined in power, and the gross domestic product (GDP) marked a sub-zero percentage, demonstrating the characteristics of an economic collapse or recession.

In the global field, other external organizations and countries have become exposed to or could be the next target of the “Asian Contagion.” Due to the economic calamities all over the world, the IMF delayed its disbursements for Russia until the middle of December 1997. In addition, the IMF requested Russia to lower its spending as economic vulnerability can cause the whole of Russia to become prone to the Asian financial crisis as well. Furthermore, other countries that have fallen under speculation include China and Latin American countries. If the Asian financial crisis expands to the Western Hemisphere, it can become one of the most malignant economic calamities that the world has seen in history. Those who have become receptive to the crisis and others who have not must work together before the Contagion begins an unassailable pandemic.

Stances of Parties

Suharto (President of Indonesia)

Suharto, the Indonesian president, is also regarded as a military dictator by the masses during his presidency. After revealing faults within the economy during the crisis, he is vulnerable to extensive pressures from the population, asking for him to step down due to the failures during the financial crisis. Outside of the economic incompetence marked during the crisis, his presidency is notable for its immense corruption and brutality. However, prior to the Asian financial crisis, he helped Indonesia's economy grow by about 7% annually with the cooperation of American economists also known as the New Order. Under the New Order, there was a steady growth in Indonesia, particularly noticeable through the reduction in absolute poverty and increase in the standard of living. In addition, he was involved in discussions forming the Association of Southeast Asian Nations (ASEAN), which resulted in Indonesia becoming one of the founders of the association.

B.J. Habibie (Vice President of Indonesia)

B.J. Habible served as the Indonesian vice president under Suharto, signaling his skills and competence as a possible president later on. He is often credited with transforming the Indonesian technology industry and the democratization of India with reforms that contributed immensely to the recovery from the 1997 crisis. Suharto asked Habibie to return to Indonesia in 1974 while he worked abroad in West Germany as an aeronautics researcher and production supervisor. He was assigned to the state oil company, Pertamina, in which oil was marked as one of the largest exports of Indonesia under the rapid growth of the New Order. With extraordinary talent and knowledge in aircraft engineering and reforms, he helped Indonesia form a powerful economy before the collapse of the crisis and could use his knowledge to curtail or cease the repercussions of the Asian financial crisis as a whole.

J. Soedradjad Djiwandono (Governor of Bank of Indonesia)

J. Soedradjad Djiwandono occupied the role of the Governor of Bank Indonesia, the national bank of Indonesia, and wrote thorough accounts regarding the first few months of the financial crisis. He worked closely and partnered with the International Monetary Fund (IMF) through the bank and several conferences discussing the economy. He believed that below the prosperity through the globalization of the world economy, there was a bitter exchange for the ASEAN countries as they were often disregarded or excluded from the many benefits reaped by the larger, powerful nations. To work more personally with the parties involved with the success of the economy, he heard the voices of both the cosmopolitan public and private sectors to learn from the experience of various settings. With his identity as a part of the national bank, during the crisis, he focused on central bank issues, including the exchange rate, interest rates, capital flows, and the insolvency of the banking system (Grenville).

Mahathir Mohamad (Prime Minister of Malaysia)

Mahathir Mohamad served as the Malaysian prime minister during the Asian financial crisis. He most notably rejected the IMF's advice and used separate economic means to alleviate the economy. This resulted in conflict between Anwar Ibrahim, the leader of the opposition faction of Mohamad. He saw the transition of Indonesia into an industrialized nation and brought the political stability needed for economic growth through his persistent engagement with the government starting in 1964. Within only the first decade of participating in the government, the New Economic (Development) Policy in 1971 incorporated the ideas that Mahathir advocated. He was open to the globalization that was ubiquitous in the world economy by embracing foreign investment, reforming tax structure, reducing trade tariffs, and privatizing enterprises. His most paramount goal was the reduction of ethnic divisions by increasing prosperity within the nation, specifically, expanding the middle class and rising literacy rates.

George Soros (Billionaire Investor)

George Soros is a billionaire investor who caused a financial crisis in England a few years earlier for being able to spot failing currencies. Alongside his support of liberal social causes, he was an American financier and philanthropist, often blamed for causing the 1997 Asian crisis. After criticizing the Malaysian Prime Minister, Mahathir called Soros 'a moron' and blamed him, as well as Jews, for the economic slump. However, Soros denied his involvement in the speculative attacks on the Thai baht that caused the 1997 calamity. He is often seen as a "mythical financier" (Kellner) due to his accurate speculations on shortcomings in economies. Despite his several precise interpretations, he also had some imperfections of his own. For example, he predicted that Japanese stocks would fall the hardest during the stock market crash of October 1987, when in practice New Zealand had the most severe fall.

Stanley Fischer (First Deputy Managing Director of the IMF)

Stanley Fischer acted as the First Deputy managing director of the IMF during the crisis. The IMF watched the problem unfold, and notably warned Thailand, although its advice was not taken. The organization continued to recommend increased collaboration in international trade and used its funds to help impacted nations. Prior to his role at the IMF, he was the Head of the Department of Economics at MIT and gained further experience with world economies by working at the World Bank. He made a significant impact on the world through his advice on monetary economics and central banking. Specifically, he synthesized the monetarist and Keynesian theories, accumulating a deep understanding of diverse economies even through practical and political realities.

Chavalit Yongchaiyudh (Prime Minister of Thailand)

Chavalit Yongchaiyudh was the Thai prime minister for eleven months until he resigned during the height of the crisis, at the end of 1997, after failing to prop up the Thai baht. He didn't admit to his faults and instead continued to blame his predecessors for the struggle while Thailand pushed for recovery. With his sudden retirement, Thailand was faced with a political vacuum, requiring a new political leader to bring order to not only the economy but also the country itself. Without a new leader, the country's currency continued to fall victim to the unbalanced exchange rates and the nonexistent stock market. During and before his rule, Thailand's political system was marked with corruption, patronage, and ineffectiveness (Mydans). His role as a prime minister, he believed, was to help businessmen and push for other politicians to do the same.

Ryutaro Hashimoto (Prime Minister of Japan)

Ryutaro Hashimoto served as the Prime Minister of Japan, viewed and respected as a "dynamic leader" by many. This reputation was especially crucial given the economic and financial reforms that had been plaguing the Japanese economy for the past few years. Above all, he strived to foster increased transparency regarding national finances, particularly under the Liberal Democratic Party (LDP). During the 1977 crisis, Hashimoto's administration attempted to reduce budgeting deficiencies by increasing the national sales tax. Instead of its intended effect, the economy spiraled into one of the most extreme financial crises the archipelago had ever witnessed. This sudden tax peak caused severe fragility within the economic systems with two major institutions responsible for finances collapsing. Furthermore, with decreased stock prices and bank lending stagnation, Japan's macroeconomic situation was dire, influencing the weak yen that is still visible today. In a global context, Hashimoto suggested that nations impacted should restructure their economies, but offered no financial aid or possible trade with Japan that might help Southeast Asia during this period. Eventually, he stepped down from his role and overall failed to put an end to the seemingly ever-worsening Japanese recession.

Kim Young-Sam (President of South Korea)

Kim Young-Sam was the South Korean president, serving for five years before his term ended in 1998. Initially, he strived to implement extremely radical reforms into Korean life including corrupt practices, investigating previous scandals, and eventually adopting the feared "real name" system of holding accounts. Kim attempted to halt the previously friendly relationships between the government and business sectors, but the internal issues including the uncheck. indebted chaebol, South Korean conglomerates, caused uncontrollable results.

The 1997 steep market decline lowered South Korea's credit ratings, causing even the previously unaffected chaebols to experience a noticeable impact. Overall, he was criticized for his poor management of the delicate South Korean economic state and although there was an effort to administer anti-political corruption reforms, eventually evidence of corruption within his own presidency was revealed, decreasing his already tarnished reputation. Still, Kim underwent restructuring measures per the IMF's request in exchange for a bailout package, losing nearly 800 businesses along the way and doubling the national ratio of debt to GDP, all while blaming workers' greed and conceding poor government management. It is unsurprising, therefore, that Kim Young-sam was one of the most disliked presidents during the time period.

Bill Clinton (President of the United States)

Bill Clinton served as the American president during the financial crisis, heavily supporting the "Americanization" of Asian economic systems damaged by the crisis. As the crisis unfolded, Clinton personally dedicated efforts to follow an American-tailored plan to rebuild and steady their economies. For instance, he got in contact with South Korean President Kim Young Sam to utilize the bailout plan provided by the IMF. However, there was much criticism around this time regarding the intentions behind this seemingly government-controlled IMF working in the interest of preserving international investments in Asia rather than fostering crisis alleviation in the affected countries. Overall, during the course of the financial disaster, Clinton pushed for several bailouts, or opportunities for financial institutions or nations that seemed imminent to collapse, while attempting to maintain the global balance of power, especially as Japan was threatening to collapse. While Clinton may not have directly been affected by the Asian crisis, his direct interference and promotion of the American economic systems greatly shaped the final outcome and consequences, especially given the prominence of America as a global superpower.

Michel Camdessus (Managing Director of IMF)

Michel Camdessus worked alongside Stanley Fischer as a managing director of the International Monetary Fund (IMF) during the Asian financial crisis. In particular, he engaged with countries in Asia including Thailand, Singapore, and South Korea in order to restore their confidence in their economy. He received much criticism for lacking comprehensive research and tailoring assistance to the unique needs of Asia, thus resulting in much chaos and rebellion. Throughout the entire financial debacle, the IMF continued to initiate billion-dollar bailouts and programs to stabilize the devalued or hyperinflated currencies. In exchange for monetary assistance, the receiving countries were mandated to undergo forms of reform, fundamental system re-evaluation, and reviewing banking administration. Yet, the IMF also required high interest rates, Camdessus justifying this by stating how it is necessary to reverse currency depreciation through high return rates of money when looking in the run.

Thomas (Tom) McGuire (Vice President of Moody's Ratings)

Thomas McGuire was the Vice President of Moody's Ratings, a bond credit business that rated countries and their credit risk. Rating companies, like Moody's Ratings, were responsible for rating the creditworthiness of several nations, oftentimes lowering the credit ratings of the Asian countries affected by the crisis. McGuire would have played a critical role in assessing the overall credit ratings, ones that would make or break the confidence of investors and their decisions to follow through with financing or investing in a particular nation. Furthermore, during this period, Moody's rating (and thereby McGuire) was responsible for downgrading Thauiland's sovereign credit, causing the nation to seek financial assistance and causing an international frenzy regarding its ability to fulfill debt-related issues. In addition, the downgrading of Indonesia's sovereign rating resulted in a global impact.

The reassessing of credit values was highly significant with McGuire as one of the senior officials overseeing this process.

Ong Teng Cheong (President of Singapore)

Ong Teng Cheong served a significant role as the first popularly elected president of Singapore. Unfortunately, Singapore was not exempt from the crisis and experienced the same fallout that the majority of Asian countries experienced, particularly due to its proximity to nations including Indonesia and Malaysia (both of which were detrimentally hit by this economic calamity). However, calculated government decisions allowed for the economy to fully recover within 12 months. Under the Monetary Authority of Singapore, the Singapore dollar saw a controlled depreciation alongside government programs overseen by Cheong including the Interim Upgrading Program to balance aspects of economic damage. While no direct intervention was conducted unlike many of its neighboring nations, through thoroughly planned measures to alleviate the impact, Singapore was able to leave the brief financial turmoil relatively unscathed under the guidance of Cheong.

Chung Ju-Yung (President of Hyundai Motors)

Chung Ju-Yung was the founder and President of Hyundai Motors, which would later absorb Kia Motors. Kia Motors was one of the most notable companies that were adversely affected by the crisis as it was on the verge of permanently closing. In fact, the company hurried to seek emergency loans. As one of the most prominent South Korean conglomerates, Chung was an avid donator, contributing immensely to the infrastructure and transportation redevelopment, especially following the aftermath of the Korean War. As the success of Hyundai is evident, Chung has dedicated these efforts in hopes of rebuilding Korea and this philanthropist attitude draws a clear distinction between numerous other individuals in his field. During turbulent times, it is worth noting the immense economic impact and power that Chung possesses, potentially seeking his assistance in exchange for less demanding conditions compared to the ones that the International Monetary Fund offers.

Jiang Zemin (President of China)

During the crisis, China retained its powerful economy mostly because it was less integrated in global financial markets, had a strong agricultural basis, and limited international trade. Thus, through governmental control, the renminbi (local currency) didn't devalue relative to the US dollar and rather remained fixed at 8.4 RMB to 1 USD. In response to the depreciations occurring in Chinese neighbor states, Jiang Zemin emphasized the importance of national security, although this eventually led to deteriorating relationships with the US. Namely, these reforms consisted of addressing domestic vulnerabilities in the banking and corporate sectors to transition to a more market-oriented economy. Additionally, while banks in crisis-affected nations raised interest rates to help citizens deal with intense currency devaluations, the People's Bank of China lowered interest rates which ensured that the bank's deposit base held up and the nation didn't end up with increased levels of debt. In short, China chose to isolate itself from the crisis and put up effective measures to protect its economy.

Donald Tsang (Financial Secretary of Hong Kong)

Donald Tsang was the financial secretary of Hong Kong and fought vigorously to protect the Hong Kong dollar from speculators manipulating the city's unique currency board system. Prior to the crisis, Tsang approached economics with so-called "caring capitalism," which signified the government prioritizing economics and then using the money made for public spending. In 1998, when Hong Kong faced attacks from George Soros's hedge funds, Tsang invested over $15 billion in domestic stocks to retain a stable exchange rate and also make the government the biggest shareholder in most companies. By taking such extensive measures over Hong Kong's economy, Tsang ended up successful and earned himself an international reputation.

Fidel V. Ramos (President of the Philippines)

Fidel V. Ramos served as the president of the Philippines, overseeing rapid growth prior to 1997. Specifically, the nation's Gross National Product rose to 5% yearly and inflation dropped as Ramos pushed for a more open economy with increased privatization of public entities and modernization through technological advancements. Thus, Ramos managed to elevate the Philippine economy to the level of nations such as Taiwan, Thailand, and South Korea. As the crisis emerged in 1997, the Philippine peso depreciated and both GNP and GDP fell. Nonetheless, because of effective policies implemented prior to the crisis, the nation wasn't harmed as much as many of its neighbors. Additionally, Ramos continued to implement several reform programs during his presidency to spur continued future growth.

Natsagiin Bagabandi (President of Mongolia)

Prior to the Asian crisis, the Mongolian economy had slowed due to natural disasters and increases in global prices for copper and cashmere. Under Bagabandi, Mongolia performed remarkably well during the year of 1997, but the declining economic conditions of other countries resulted in waning results beginning from 1998. As a result, Bagabandi led Mongolia in joining the World Trade Organization in 1997, which donated over $300 million annually to help the nation recover. This temporarily helped the Mongolian economy until 1999, when a Russian ban on exports of oil led to further decline.

Pin Chakkaphak (Thai Banker)

Pin Chakkaphak, a Thai Wharton business school graduate, led the successful Finance One enterprise until the firm collapsed in 1997 when the currency collapse occurred. After lending money to two subsidiaries without doing a proper credit analysis, Chakkaphak and his firm were facing embezzlement charges. The businessman fled to Hong Kong and then London but was nevertheless caught and put in jail, although he managed to get out on bail. Despite being let out, Chakkaphak lost much of his wealth after priorly being named boss of the year, becoming chairman of multiple prosperous "tiger economy" companies, and helping Finance One gain a worth of $2.5bn. Chakkaphak's story illustrates a clear example of the financial consequences of the crisis and how it destroyed thriving businesses.

Boris Yeltsin (President of Russia)

Yeltsin became the first popularly elected president of Russia in 1991 and was in authority when the Asian financial crisis reached Russia. Prior to the crisis, the Russian economy was in a slow decline due to multiple factors, including the costly war in Chechnya and a high fixed exchange rate between the ruble and foreign currencies. When the Asian crisis struck in 1997, sudden declines in demand for Russian oil and nonferrous metals hurt the nation's economy. A political crisis ensued, in which Yeltsin dismissed his entire cabinet and named new leaders. Interest rates were propped up and aid from the IMF and World Bank was granted, but it didn't stop various strikes from occurring. All these factors accumulated to start the 1998 Russian financial crisis, which would come to impact one of the world's largest economies and many of its neighbors.

Fernando Henrique Cardoso (President of Brazil)

Cardoso served as the president of Brazil when the economic crisis reached Brazil and Russia. With a history of corruption among leaders, like Fernando Collor de Mello, Brazil flocked to economic reformer Cardoso, who improved the economy with privatization and a restructured banking system that was more favorable towards foreign investment. When the 1997 crisis started attacking the Brazilian real, the government chose to defend the domestic currency by raising interest rates, which effectively stopped the crisis from spreading elsewhere in Latin America. Nevertheless, with fragile markets and public spending needs, Brazil remained in a dangerous position where the prompt action of leaders to make monetary and fiscal policies to calm the market proved instrumental in saving the nation's economy.

Possible Solutions

While proposing solutions for the Asian Financial Crisis, delegates must foresee the implications resulting from the resolution, especially in the business or countries delegates will be representing. Delegates must also recognize that the committee will be embarked at the beginning of 1998, when the committee starts but will progress as the committee also advances. Lastly, the directives proposed should follow the crisis updates throughout the conference, which may stray from the factual historical developments from the crisis.

International Intervention

Members of the International Monetary Fund (IMF) and countries devoted to the IMF will play a major role in this possible solution with their financial stability and intercontinental network. Specifically, the IMF can provide loans to stabilize countries in dire need or that require a bailout; however, the IMF will also have limitations of its own that may impede the success of recovery. For example, despite providing monetary assistance to members and countries, there is no assurance that the finances will be utilized or provide the results necessary for a satisfactory recovery. For this reason, international countries within the IMF and members of the IMF may also assist by recommending appropriate economic plans for affected countries.

Internal Improvements by the Government

Following the recommendations provided by international organizations and parties, countries needing assistance can also improve their economic system, specifically in the way they manage their exchange rates. This requires the public and corporate sectors to tolerate transparency and accountability. The government can further intervene by adjusting the national monetary or fiscal policy. Adjusting monetary policies may mean prioritizing the development of what makes up the central bank, such as financial institutions and enterprises. On the other hand, fiscal policies require the country to lower its reliance on external savings and restructure banking systems, in a way, investing back into the country to produce valuable results that will strengthen the economy.

Private Enterprises

Depending on the role and circumstances that the delegate is enduring, the choices that the delegate is open to are subjective and limited. However, delegates representing companies will need to think of what is best for their company and themselves as individuals. If the company is near bankruptcy, it may be better for the delegate to sell the company, or if the delegate feels it is suitable for the company, they can take the risk to continue to finance the company and attempt to restore it to its optimal state.

Questions to Consider

1. How does speculation affect the stability of the national economy?
2. Are there trends similar to that of the experience of the Asian Financial Crisis? If so, how were they resolved and could those solutions be used for the Asian Financial Crisis as well?
3. Which rate of exchange would be the most advantageous for the recovery of the economies in Southeast Asia and others affected by the crisis?
4. How did the national government exacerbate and compound the calamity within the country?
5. What should countries and companies do to make the most of the loans that the IMF provides?
6. Should all parties involved in the Asian Financial Crisis take the same/similar steps into recovery, or is diversity in economic policies necessary?
7. Would it be more advantageous for countries to adopt policies that will recover the economy immediately or strive for long-term stability?
8. What will be the repercussions of stabilizing countries damaged by the Asian Financial Crisis? Will there be any disadvantages?
9. What actions will the countries and companies undertake to reimburse any loans or debts they are responsible for?

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