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Submitted To

Tasneem Sultana

(Lecturer)

School Of Business And Economics

Submitted By

Zeba Tasneem

ID: 121 143 008

Department Of Economics

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THE ASIAN CURRENCY CRISIS

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ABSTRACT

The East Asian financial crisis has truly been an exceptional event. All of a sudden the most swiftly expanding victorious economies of the world were plunged into intense crisis. Beginning in 1997 of July, the Asian Financial Crisis was a stretch of financial crisis which took over most of East and Southeast Asia. From being a regional financial crisis it has expanded to a global one within a very short span of a year. After having more than three subsequent decenniums of economic boom, the Asian Crisis came into existence. Throughout the previous decade to the setback, development of the GDP caught up to an average of 8% each year for countries such as Indonesia, Singapore, Thailand, and the Philippines. Thus, in a span of thirty years, the income per habitant was amplified by ten times in Korea, four times in Malaysia and five times in Thailand. Since, the 1960s no other group of countries in the world has induced to such expeditious economic expansion or such a legit cutback in poverty. This paper presents a run-through of economic fundamentals in Asia on the eve of the crisis, what led to the crisis, factors inclusive of external sector weaknesses, delicacy in domestic financial market and loss of confidence with an emphasis on current account imbalances, quality and quantity of financial over-lending, banking problems and composition, maturity and size of capital inflows, with a reconstruction of the Asian contagion from the previous to the recent developments and a survey which presents a discussion on schemes to recover from this contagion.

INTRODUCTION

‘Crisis’ generally calls attention to the period of heavy difficulty and danger. And the term ‘systemic financial crisis’ serves as an example of disturbance to the financial arrangement that damages the indispensable tasks of the arrangement where some financial assets all of a sudden lose a large part of their nominal worth. The Asian Financial Crisis that began in mid 1997 is an example of such systemic crisis. A financial shortage first started in Thailand in 1997 of July, which extended across East Asia, spreading destruction on economies in the zone and discharging its effects in Latin America and Eastern Europe in 1998. Currency deterioration spread swiftly all round Southeast Asia, creating declines in the stock market, diminishing import revenues and government upheaval, one after another.

By 1998 Japan was in the grip of a serious recession with affecting that failure to pursue adequate banking and financial reforms may lead to a further depreciation in Yen. Russia was also in serious economic difficulty following the trouble of the ruble. The crisis in Russia led to a speedy contagion in Latin America and with the currencies in Brazil, Venezuela, and several other countries coming under notional pressure.

The capital markets in the United States and Europe were also affected by this contagion. As an outcome, in order to ensure the stability of their currencies, many nations adopted protectionist measures. The characteristics like: displayed contagion, clear evidence of confidence loss in investors, appearing to originate in financial markets, calling for a policy response, all these make clear examples of this crisis being a systemic crisis.

Some much required financial and government changes were also caused due to this contagion in countries such as Thailand, South Korea, Japan and Indonesia. Due to this crisis emerging spontaneously, it is tough to explain it using standard theories. According to my assumption, coordination failure is one of the most ideal examples of the Asian Currency Crisis. It can also provide as a valuable case study for economists who try to recognize the associated markets of today, especially as it connects to national accounts manager and currency exchange.

BACKGROUND

If we look into this discussion thoroughly, we will see that the years before this disaster were a span of phenomenal development in the East-Asian economies. No real macroeconomic deformity was observed to be seen in the months before this crisis occurred or even started. Inflation rates of less than 10 percent, oversupply in budgets and declining government foreign debt were the characteristics followed by the economies of the five countries facing the adversity. Namely: Thailand, Indonesia, Malaysia, South Korea and Philippines. In the year preceding the crisis, Indonesia went through 10.4 percent of export growth, and in the previous four years its government budget was also in surplus whilst its undersupply of existing account was only 3 percent to 5 percent of GDP. During the 1990's these authorities got occupied in conducting credit creation and monetary expansion. Due to the unemployment rates being low at that time, it did not produce a stimulus for governments to get engaged in currency depreciation or monetary expansion as a short term support.

Some worrisome signs like, the ratio of short lived debts to short lived assets were high and increasing, particularly, the ratio of short lived debts to international exchange reserves had exceeded since 1994 which is positively correlated with systemic crisis were the signs of imbalance which made these economies vulnerable to the crisis. Now if we take a look back, it is viable to detect the progresses of 1996 and 1997 that may have been disadvantageous to these Asian economies. However, one can always point out the mistakes once he has experienced it. So, it is hard to know about the failures before we face it.

OBJECTIVE OF THIS STUDY

This study has three subsequent objectives:

Firstly, to explain the cause of this crisis and it's escalation throughout the zone. Next, to extract the lessons achieved from this contagion in order to suppress it from repeating in the future. Lastly, to form an idea based on the past and future outlooks of the countries hampered by it.

LITERATURE REVIEW

The financial and currency crisis in the Asian region has had a significant impact on the field of study for analyzing financial behavior of various countries. Many studies have been conducted to bring forth the reason behind the sudden collapse of such a currency that was booming at that time being. The researchers have not come into any consensus regarding to what actually caused the downfall. There existed an exceptional growth in the East Asian economy before the crisis, countries like Thailand, Malaysia, Indonesia, South Korea, and the Philippines had an inflation rate lower than 10 percent with general oversupply in budgets, and the international debts of the governments were also declining.

Marshall discussed in [3] that the Korean currency "won" was affected by November, and during the crisis at its peak, its foreign exchange rates almost reached a stage of "free fall". The crisis quickly took over the stock market. In the middle of October the Hong Kong stock market lost almost 25 percent of its profits within only four days. By November, Taiwanese and South Korean stock markets also submerged into the crisis. This also had an effect outside of Asian region, as Russian stocks went down by 12 percent on May, along with Brazil by 6.4 percent, Argentina by 4.7 percent and Mexico by 3 percent respectively . This is not uncommon for a crisis of such magnitude, where no precautions were taken and the crisis was not foreseen. However, this incident paved the way in taking new measures in maintaining a financial equilibrium and to prepare for sudden downfall for many economies.

Marshall, David. "Understanding the Asian crisis: Systemic risk as coordination failure." *Economic Perspectives-Federal Reserve Bank of Chicago* 22 (1998): 13-28.

According to Radelet, Steven, and Jeffrey Sachs, in spite of this growth, there existed a tension of imbalance that caused these economies vulnerable to crisis. The ratio of short-lived debt to foreign exchange reserves in Korea, Indonesia and Thailand faced an increase of 1.0 since 1994. This ratio provoked the crisis but did not inevitably lead to crisis.

Radelet and Sachs also indicated that the unexpected shifts in market predictions and confidence, i.e. financial panic were the starting point of the fall. This worsened the situation of the existing countries going through a declining economy, as the panic of foreign and local investors along with inadequate involvement of the IMF (International Monetary Fund) and other international financial agencies lead to a deeper financial crisis. Moreover, the drastic increase in foreign bank lending helped in causing the crisis. In between the year 1995 to 1996 international bank lending by the five suffering countries went up by 24 percent, along with more 10 percent addition in the first half of 1997.

Radelet, Steven, and Jeffrey Sachs. *The onset of the East Asian financial crisis*. No. w6680. National bureau of economic research, 1998.

Another view included in the studies by Corsetti and Krugman argues that the unsustainable reduction of macroeconomic principles, blind spots in the financial system and improper economic policies were the main culprit behind the inevitable crisis. Lack of incentives for adequate risk management originated from unclear government guarantees against failure caused the financial situation vulnerable. These views oppose each other and bring out the question if East Asian currency crisis was bound to happen or it was something that was not supposed to happen in the first place. The answer to these questions is critical in finding an appropriate solution for economies in other regions which have undergone a path towards financial liberalization. If the crisis is originated from a financial imbalance, then steps should be taken to safeguard the capital movement. On the other hand, if the crisis is caused by insufficient economic precautions, then the solution would involve rearrangements of the political, economic and social entities.

Corsetti, Giancarlo, Paolo Pesenti, and Nouriel Roubini. *What caused the Asian currency and financial crisis? Part I: A macroeconomic overview*. No. w6833. National Bureau of Economic Research, 1998.

Krugman, Paul R. "What happened to Asia?" (1998).

Jenny et al. In their study mentioned a few vulnerabilities that could be traced back to the reason behind the crisis. According to that study, the liberalization within a bank-based financial regime that contained underlying promises to withdraw the banking system if its balance sheet declined created a vulnerability to the crisis. The vulnerabilities also compelled the government to bail out the financial sector. Also, when the worth of currency reduced to a certain level where those who had lent to the monetary system started believing that authority guarantees to it could not be further trusted, is when the financial crisis had reached its peak.

Corbett, Jenny, and David Vines. "Asian currency and financial crises: Lessons from vulnerability, crisis and collapse." *World Economy* 22.2 (1999): 155-177.

Christopher in his paper stated that a probable cause of financial crisis is the all-around pressure to decrease or liquidate accumulated debts, with bank debts being the first one to be liquidated. This eventually increases the interest rates as the demand for cash to pay back the debts exceeds the supply of liquidity. Higher interest rates and the downfall of the bond market may then turn the liquidity financial crisis into a financial insolvency crisis. At this stage the balance sheets of banks, companies and households decline towards bankruptcy. The crisis shook the entire Asian region as it was not foreseeable at the then flourishing economy. By the last of January 1998, the value of Indonesian rupiah dropped by eighty percent of its value in opposition to dollar. Its value hit four consecutive record lows in the first four trading days of 1998.

Kirrane, Christopher. "The Causes of Asian Currency Crises." (2018): 107-117.

METHODOLOGY AND DATA COLLECTION

This paper is done through qualitative analysis. The data for this study has been collected from secondary sources. As secondary sources I have used here various articles and research papers published in international journals and other professional social networking sites like research gate, Bangladesh Bank websites etc. Since it is a qualitative research, the outcome is basically data collected from secondary sources.

LIMITATIONS TO THIS STUDY

While preparing this paper, I have faced these following limitations:

1. Due to having very little existing literature it fails to provide extensive Interpretations.
2. Result verification was not possible. Since a qualitative research is mostly flexible, the participants have more capability over the state of the data collected. So I was not able to verify the results empirically against the situations stated by the respondents.
3. Due to non-availability of fresh or recent data, it is quite difficult to explain the difference in the quality and quantity of information obtained from different respondents and coming-up with non-consistent conclusions in a qualitative research.

ORIGINS OF THE CRISIS

Only a single factor cannot be pointed out for the cause of the currency crisis occurred in East and Southeast Asia. It is a lethal combination of several self-encouraging factors that led to this crisis. Among them, some of the uppermost factors are: external sector problems, financial sector weaknesses, nature of capital flow, debt indicators, credit ratings and moral hazards.

External sector problems: Growing current account deficit and the misalignment in exchange rate are the most general characteristics found among many of the countries affected by this crisis. The following tables show the current account/GDP ratio and several other balance of payments figures for some Asian countries respectively.

Table-A: CURRENT ACCOUNT (As a Percentage of GDP)

	1990	1991	1992	1993	1994	1995	1996	1997
China	3.09	3.27	1.33	-1.93	1.28	0.25	0.34	-
Hong Kong	8.40	6.58	5.26	8.14	1.98	-2.21	0.58	-
Indonesia	-2.82	-3.65	-2.17	-1.33	-1.58	-3.18	-3.37	-2.2
Malaysia	-2.03	-8.69	-3.74	-4.66	-6.24	-8.43	-4.89	-4.9
Philippines	-6.08	-2.28	-1.89	-5.55	-4.60	-2.67	-4.77	-5.2
Singapore	8.33	11.29	11.38	7.57	16.12	16.81	15.65	15.4
S. Korea	-0.69	-2.83	-1.28	0.30	-1.02	-1.86	-4.75	-1.9
Thailand	-8.50	-7.71	-5.66	-5.08	-5.60	-8.06	-8.10	-1.9

Source: International Financial Statistics, February 1998. Figures for 1997 are from J. P. Morgan (brokerage firm).

Reisen (1997) has suggested that foreign savings, following excessive current account shortages, may not be beneficial if the savings are misallocated due to market distortions. As will be shown later in this study. That is exactly what happened in the Asian countries.

Table-B: BALANCE OF PAYMENTS (As a percentage of GDP)

	Current Account	Balance of trade	Exports	Imports
Indonesia				
1985-1989	-2.5	6.0	21.9	-15.9
1990-1996	-2.5	4.5	24.2	-19.7
Malaysia				
1985-1989	2.4	13.6	56.1	-42.5
1990-1996	-5.6	3.2	73.2	-70.0
Philippines				
1985-1989	-0.5	-2.9	17.1	-20.0
1990-1996	-3.3	-8.7	17.4	-26.1
South Korea				
1985-1989	4.3	3.5	30.7	-27.2
1990-1996	-1.7	-1.2	25.2	-26.2
Thailand				
1985-1989	-2.0	-2.2	22.9	-25.1
1990-1996	-6.8	-4.7	29.6	-34.3

Source: Radelet and Sachs (1998), Table 9.

In this table- A, Malaysia and Thailand show a significant deficit in their current account. In Malaysia, the average deficit is about 6% of GDP during the years 1990-1996, while the ratio never falls below 5% in Thailand since 1990. The Philippines also shows a high current account deficit. For Indonesia, the current account deficit started relatively high, and then it improved during 1992-1994 before worsening further. Korea's deficit shows signs of good increase after 1995 though it was low in the early years. However, two other countries reported in the table, Hong Kong and Singapore show a persistent high surplus in their current account. Whereas China experienced a small deficit in 1993 and 1996, but it's current account has been in surplus for most of the remaining years. Nevertheless, the surplus has declined over the years.

From table-B, it is evident that the countries that went through the greatest currency collapses- Indonesia, Malaysia, the Philippines, South Korea and Thailand are the ones who endured huge current account deficit. However, countries with low current account deficit, such as, China and Hong Kong and the ones with current account surplus, such as, Singapore and Taiwan have also seen their currencies tumble. Hence, the current account only by itself cannot explain the crisis.

Table-C: GROWTH RATE OF EXPORTS

	1991	1992	1993	1994	1995	1996
Indonesia	13.50	16.60	8.41	8.78	13.39	9.68
Malaysia	17.03	18.13	16.11	23.05	26.63	10.13
Philippines	7.99	11.13	15.79	18.53	29.40	32.90
South Korea	10.23	8.03	7.69	15.72	31.52	4.14
Thailand	23.77	13.70	13.39	22.20	24.66	-1.87

Source: International Financial Statistics, February 1998.

Table-C shows the growth rate of exports. Until 1995 all five countries represent impressive export growth. Although the growth rate fell swiftly in all five countries in 1996, except for the Philippines. Moreover, the growth rate in Thailand became negative. Only Philippines showed an increasing trend in export earnings. Thus the above tables and data give us a view of the current account, balance of payment and growth rate of exports of some countries which were hampered by the crisis. Therefore, by analyzing these data we can tell that external sector problems can be one of the origins that led to this crisis.

Financial Sector Weaknesses: Weaknesses in their financial system can be pointed out as one of the main factors that promoted to the vulnerability of the East Asian economies. Inadequate legal lending limits on borrowers, lack of sufficient capital adequacy ratios, poor provisioning for possible losses, inadequate asset classification systems, poor disclosure and transparency of banking institutions were the general characteristics of financial systems in many of these countries. The financial sector in these countries were highly affected due to poor accounting, bad management, supervisory and regulatory standards, inappropriate financial liberalization, and over optimism concerning to the economy's long term growth potential. Among many countries, Indonesia, South Korea and Thailand are the main examples, because their financial system was politicized. Financial decisions were influenced by disproportionate non-economic considerations, giving rise to inevitable corruption.

Nature of capital flow: By the nature of capital inflow, we can determine the ability of a current account deficit. Short lived capital inflows are more volatile than long lived inflows while equity inflows are more balanced than debt producing inflows (Corsetti *et al.* 1998). Hence long term equity investments are preferable for sustaining current account deficits.

External financing in the five countries has almost doubled from 1994-1995 and in 1996 it increased to more than 12%. This fast increase in the capital inflow in these countries can be assigned to both external as well as internal factors. Thus the issues related to capital flow and how it lead to the crisis can be somewhat understood by the percentage of external financing from the previous years.

Debt Indicators: The distinction between investments and national savings that is represented by current account deficits are capitalized by either a capital inflow or accumulation of debt. Foreign direct arbitrage, a form of capital inflow is strictly non-debt creating. Or else, accumulation of foreign debt rises due to current account deficit.

Now, if we take a look carefully at the previous years, we will see that besides Malaysia, all the other countries show an extremely high ratio over time. And if we observe the ratio of total debt to exports, this characteristic shows a quite clear and alarming situation of the economies. Among the reported countries Indonesia, the Philippines and Thailand show alarmingly high ratio, only in Malaysia was the ratio reasonably low. This pretty much explains why in the face of a reversal in short-term capital flow, these countries had a hard time supporting their currencies.

Credit Ratings: A continuous assessment of credit risk in the appearing markets is provided by the credit rating agencies. So any presumption of a financial downfall in any specific country would be immediately recognized by these agencies which lead to a decrease in its credit ratings. Hence, credit ratings is not the only factor, the concoction of many other self-reinforcing factors triggered this crisis. When one link broke, the impact fell on the others and gradually it increased passing it on from one to another.

Moral Hazards: A strong debate had been there for quite some time on whether the sudden downfall of capital inflow to these countries was partially due to any moral hazard occurred on the part of the foreign lenders. To examine this matter, we can look at the over-blown fives, namely, Indonesia, Malaysia, South Korea, Thailand and the Philippines. Lending from banks to these five countries rose keenly after the Mexican Bailout. New loans from banks increased from 1994 to 1996, lending by the bond market also increased during the same years as well as the equity investment also rose up by 50% to 18billion. But, it is still not totally clear whether the increase in capital flows reflected the expectation of bailouts or a combination of the factors including abundant liquidity, higher return and the perception that these were all low risk economies which ran well.

CAUSES FOR THE HAPPENING OF THE CRISIS

Here, I am listing few points that explain the reasons for the Asian currency crisis in an extending order of convincibility.

Initially, I want to talk about the foreign exchange speculators. The hazardous attack on the currency of a trouble faced country is the first indication of a crisis coming your way. Another obvious symptom to the crisis was the striking falls in the foreign exchange values.

Investor irrationality is another cause to this crisis according to my analysis. Excessive concentration of capital in particular areas caused insufficiency in other areas causing the debt levels to be unsustainable leading to a sudden crash. Greed overcomes the fear in investors and they take greater risks in dreams of gaining greater returns.

Thirdly, again moral hazards are definitely a reason for the crisis. Moral hazard appears when an insured party being warranted fails to take precautions to stop the affair to occur, being insured against. In financial markets, moral hazard appears when investors have the perception that the authority will bail them out if their expenditures fail. But that is not what happens, incase, they lend more than they would in the absence of the authority guarantee and later have to face large defaults.

Resource balance gap is also a reason of the crisis. Here, in the table given below we can see the trade balance adjustments needed to steady the foreign debt to GDP ratio at year 1996.

Table-F: Trade balance adjustments and resource gap (in percentage of GDP)

Korea	4.4%
Thailand	6.9%
Indonesia	3.3%
Philippines	6.5%
Malaysia	2.3%

We can see that the resource gaps being quite large already in 1996 according to the above table. Thus, this quite large gap in resources also lists as a reason that led to the Asian currency crisis

Apart from these systemic risk is also an important issue which puts an impact on the happening of the crisis.

CONTRIBUTION OF IMF

The contribution of IMF in the Asian Crisis is something that came under the limelight. The IMF has signed various massive conditional bailout packages with Indonesia, South Korea and Thailand summing up more than US$100 in the banking sector.

The first thing that IMF does is that it gives instructions on structural restoring to parts which are discrete to the instant damages facing by the economies which has raised the sense of threat to the investors. It basically sends a sign that these economies are shaky and need maintenance, in spite of having continuing economic growth for the past three decades. This is a great threat and frightens the probable lenders and investors. Thus, the IMF's immediate concern should be to insist upon the policies that are needed to reform a country's entrance to the financial international market.

Secondly, maintenance of a high level of real interest rate is forced upon these countries by the IMF in order to demoralize combative devaluation. But the present contexts of these countries are not able to maintain such a high real interest rate. The force of this high real interest is heretofore affecting various countries, mostly Indonesia and South Korea. Indebted business companies find their availability of liquid assets to be bankrupted. This has made these companies bound to let go of employees, to cut back production levels resulting a fail to repay their debts as well. What this is doing, is it weakens the capital base of the banking system with an increase in the build-up of bad loan.

Thirdly, what IMF does is that it restrains from paying out funds from their bailout packages until the country that borrowed the package makes structural changes in its system. Such conditions kills the purpose of a lender when all else has failed.

Fourthly, the contractionary budget policies of the borrowing country make slow movements in their rehabilitation process which made the IMF finally realize and relax few constraints inflicted upon Thailand, South Korea and Indonesia.

Lastly, the IMF's contribution towards a dominion of the fundamental accounts interchangeability that involves free discharge of capital is pushing these countries in the direction of more doubt as their economies are not fairly sturdy to be able to handle the breakdowns that these incontrollable capital flows can bring in.

POLICY ASSUMPTIONS

The Asian financial currency crisis is not yet fully over. So clues and assumptions can be very good lessons for the policy makers and analysts.

Among many, one major lesson achieved from this Asian crisis is that improperly ordered financial easiness in the presence of a wobbly domestic financial system increases vulnerability to unpredictable attacks. In order to develop a strong domestic financial system, government supervision should be aimed at developing potential risk-controlling systems.

For a country to only fulfill continuous economic growth is not the only important thing needed, is another lesson learned from this crisis. Reckless fiscal policies, monetary policies not being inflationary, and achieving high savings and investment rates are not the only factors which should be looked upon to protect the economy from a crisis. A country apart from being aware of these should also maintain other fundamentals as well.

One common criterion of all the affected countries is that, in all cases, capital allocations were made based on government influence or personal or business relationships, which is evident from the explanations and evidences in the previous sections.

Hence, the necessity to strengthen the financial systems of the emerging economies is a must. So, a well operated banking system free from the burden of connected lending can act as the well-built core of the financial sector.

Lack of information certainly aggravated the financial crisis in Asia. So in order for the international capital market to function properly, information availability and flow is very important. However, having a good flow or availability of information is not enough to eliminate such crises. We also need the desire to act preemptively as well.

Another important lesson is that geographical structure should be strengthened in order to avoid the alternation of such crises.

FUTURE OUTLOOKS

There are two phases of this outlook, long term outlook and the short term outlook.

LONG-TERM OUTLOOK: Since the starting of 1998, the market conditions of the affected countries have started to improve. Vast rectifications in current account balances and private sector debt adjustments have lowered the balance of payments problem, as a result of softening the liquidity showdown. It seems like the over-power of the crisis has come to an end. Asia's collapsing economies have hit the bottom and most are self-assured to begin their uneven recovery starting from the recession in 1999 as currencies stabilized. The Thai Baht and Korean Won both have strengthened by more than 40 percent since their lows in January and mid-December. The stock markets in these countries have also recovered from their levels at the beginning of the year.

Besides, Indonesia and Philippines, the interest rates remain above their pre-crisis level in all other countries. Thailand is expecting a 7 per cent decline in GDP in 1998. Among the countries in this region, Thailand has been the most aggressive reformer making substantial progress in addressing the structural problems. The GDP growth rate in the Philippines for 1998 has been revised downward to around 3 percent. Since the crisis, the peso has fallen by 30 per cent against the US dollar. Nevertheless, prime lending rates are slowly declining, and Manila s stock market has recovered by 50 per cent from its lowest point in late 1997. Through necessary reforms in the financial system, the economy has managed to remain in relatively good shape. The recovery prospects in Korea are limited by the excess capacity in its leading industries. Moreover, efforts by the Korean government to force small and medium size insolvent companies to bear most of the financial pressure with short labor unions in large companies. The Malaysian economy, despite government efforts to prevent a slowdown, is also showing signs of contraction. Thus, this is what we have found out from the past incidents which more or less give us an idea of the long-term future Outlook.

SHORT-TERM OUTLOOK: Japan's fall in the value of Yen and China may be forced to devalue their own currency are the threats to latest crises from the short term future outlook. The economy is still in recession and in a slow pace of recovery. The fall in the value of Yen against dollar is traced to be a weak market fundamental. The Yen's fall is a great threat to deepen the economic problems of Asia. So, if the value of Yen keeps on falling it can again lead us to a great crisis, according to our analysis done so far. Therefore, keeping the past incidents in mind and analyzing them, this is the possible threat that we can face according to our short-term future outlook.

CONCLUSION

Developing countries following the path of financial easiness are faced with a dispute between independent convertible currencies, macroeconomic stability and full international capital flexibility of their economies. This observation makes it possible to analyze for countries to open up to external capital while maintaining a high monetary and fiscal self-government. Therefore, looking all the reasons, origins of the crisis, and future outlooks we can say that the Asian currency crisis was one of the biggest events which lead the global economy to paralyze. If we do not look into the future outlooks and keep an eye on the past factors, this may happen at any time in the near future again. And if this occurs once again, this time the outturns will be deeper and more devastating.

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[9] International Financial Statistics, February 1998.

[10] IMF (1998).

[11] The World Bank; Global Development Finance, 1998. Note: *Figures for South Korea are taken from Corsetti et al. (1998).