

The 1997 Asian Financial Crisis (Tom Yum Kung Crisis)

Explain the cause(s) or the story behind the recession.

Causes of the Asian Financial Crisis. The crisis was rooted in an export economic strategy that led to a failed financial deal and a peg of currency to the US dollar to turn the exchange rate into favor for exporters.

Government decisions in Asia (including Thailand) at the time, although this would have a positive effect on the growing industry in the country and East Asia, it was also at risk. The governments of the United States, Germany and Japan agreed to coordinate efforts to strengthen the US dollar against the yen and the Deutsche Mark. It also means the East Asian currency's appreciation pegged to the US dollar, leading to significant financial pressures. Asian economies are in trouble. Export slump and corporate profits slump. East Asian governments and linked financial institutions have forgotten to be aware of borrowing in US dollars, which is very difficult. These pressures came in 1997 as they devalued their own national currencies.

What happened to GDP (or growth rate), unemployment, and inflation of affected counties?

Employee reduction rate in Thailand has dropped as much as 600,000 peoples. The baht sharply depreciated and lost more than half of its value. The baht is at its lowest point 56 per us dollar. In 1998, the Thai stock market dropped 75%. Finance One, Thailand's largest finance company at the time, collapsed. As a result of the crisis, Rates of poverty and inequality are rising. Employment and social welfare rates are all declining. • In 1997, the US dollar-denominated GDP of ASEAN fell to \$ 9.2 billion. • In 1998 that dropped to \$ 218.2 billion (31.7%)