FORUM: Economic and Social Council

QUESTION OF: Measures to Address Currency Instability and Inflation in South Korea

MAIN SUBMITTER: Delegate of China

CO-SUBMITTERS: Algeria, Canada, Burundi, Austria, United Kingdom, Ethiopia, Bangladesh, Peru

THE ECONOMIC AND SOCIAL COUNCIL,

Acknowledging the financial difficulties faced by low-income households and small and medium-sized enterprises (SMEs) due to rising living and production costs,

Believing that public awareness and access to reliable economic information are essential for helping citizens understand the effects of currency depreciation and inflation,

Concerned that the depreciation of the South Korean won has increased the cost of imported goods, particularly energy and other essential resources, placing additional financial pressure on households and domestic businesses,

Emphasizing the importance of international cooperation between governments, central banks, and financial organizations in monitoring economic risks and maintaining financial stability,

Recognizing South Korea's dependence on imported energy and the need to diversify energy sources and expand domestic renewable energy production to reduce the effects of global energy price fluctuations,

Affirming that currency instability and inflation threaten South Korea's economic stability, international trade, and citizens' living standards,

Stressing the importance of carefully evaluating monetary policies, including interest rate adjustments, to control inflation while minimizing negative effects on households and businesses,

1. Encourages the South Korean government to cooperate with international financial organizations and other member states to improve economic monitoring and identify potential financial risks through measures such as but not limited to:
    a) working with international financial organizations such as the International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD) to provide financial guidance and support, more specifically through:
        i. organizing regular meetings to discuss global exchange rate fluctuations and economic trends,
        ii. sharing economic data and research to identify potential financial risks including sudden depreciation of the South Korea won, rising energy import costs, and unstable foreign investment;
    b) supporting cooperation between the Bank of Korea (BOK) and other central banks through:

i. exchanging information on foreign exchange market conditions,
ii. discussing appropriate strategies to address sudden currency fluctuations or inflation,
iii. encouraging the responsible management of foreign exchange reserves during periods of extreme currency instability;

2. Recognizing the South Korean government to implement economic support programs to reduce the financial burden caused by inflation on households and domestic businesses, particularly low-income families and small and medium-sized enterprises (SMEs), through measures such as, but not limited to:
    a) Providing targeted financial assistance to low-income households experiencing difficulties due to increasing living expenses, specifically through:
        i. offering temporary subsidies to help households pay for essential expenses such as electricity, heating, and transportation,
        ii. providing additional financial support to economically vulnerable households affected by rising consumer prices,
        iii. cooperating with local governments to identify households in need of financial assistance;
    b) Supporting domestic small and medium-sized enterprises (SMEs) affected by inflation and rising energy import costs through:
        i. providing financial subsidies and economic assistance to struggling SMEs, including small retail businesses and traditional markets, and construction companies,
        ii. encouraging the adoption of energy-efficient production methods to reduce operating cost,
        iii. providing technical assistance to help businesses reduce energy consumption,
        iv. promoting the adoption of renewable energy technologies among domestic manufacturers;
    c) Supporting small and medium-sized enterprises(SMEs) experiencing increased production and operating costs due to inflation through:
        i. providing temporary tax reductions for businesses significantly affected by rising fuel and electricity prices,
        ii. offering financial assistance to businesses facing difficulties in maintaining their operations such as subsidies and reducing excise tax,
        iii. encouraging government-supported programs to improve energy efficiency and reduce production costs, such as providing financial grants for the installation of energy-efficient machinery and heating systems;
    d) Establishing monitoring systems to evaluate the effectiveness of government economic support programs through:
        i. regularly reviewing the financial conditions to prevent excessive government spending while maintaining economic stability,
        ii. evaluating the potential impact of interest rate increases on household debt and business borrowing costs,

iii. adjusting support programs according to changes in domestic and international economic conditions;

3. Calls upon the Republic of Korea to cooperate with ASEAN +3 member states to strengthen the effectiveness of the existing Chiang Mai Initiative Multilateralisation(CMIM) financial safety through:
    a) Establishing emergency financial cooperation agreements between participating countries through:
        i. developing procedures for requesting emergency financial assistance,
        ii. coordinating supporting financial assistance between central banks;
    b) Improving the accessibility and efficiency of emergency financial assistance through:
        i. improving faster financial assistance procedures during currency crises,
        ii. providing temporary financial support to countries experiencing severe foreign exchange shortages,
        iii. regularly reviewing emergency assistance systems to ensure their effectiveness;
4. Recommends reducing South Korea's dependence on imported energy to minimize the impact of global energy price increases and currency depreciation on domestic inflation through measures such as, but not limited to:
    a) Diversifying energy import sources through international partnerships to reduce the risk of supply disruptions, including:
        i. providing freight subsidies and waivers to cover additional transportation costs from alternative suppliers,
        ii. reducing excessive dependence on a single region for oil and natural gas,
        iii. expanding the use of the Supply Chain Stabilization Fund to support businesses importing energy resources from alternative suppliers;
    b) Increasing investment in domestic renewable energy production to stabilize long-term energy costs, such as:
        i. solar energy,
        ii. wind energy,
        iii. hydroelectric power;
    c) Supporting domestic businesses affected by rising energy import costs through:
        i. encouraging energy-efficient production methods,
        ii. providing technical assistance to reduce energy consumption,
        iii. promoting the adoption of renewable energy technologies among domestic manufacturers;
5. Urges the government of South Korea to take action on the matter through economic policies and improve financial market transparency through measures such, but not limited to:

a) Reducing excise taxes on essential fuels to lower transportation and operating costs, such as but not limited to:
    i. Diesel,
    ii. Gasoline,
    iii. LPG;
b) Improving financial market transparency and investor confidence through:
    i. regularly publishing economic reports regarding inflation and currency movements,
    ii. providing clear explanations of government economic policies,
    iii. monitoring and addressing excessive foreign exchange market volatility;

6. Invites for stronger economic cooperation between the Republic of Korea and its international trading partners to support currency stability, reducing uncertainty caused by fluctuations in foreign exchange rates, strengthening international trade relationships, and promoting more stable and reliable economic cooperation by:
    a) Strengthening trade agreements with international partners through:
        i. encouraging the use of long-term trade contracts to reduce uncertainty caused by exchange rate fluctuations,
        ii. promoting trade agreements that support stable imports of essential goods and resources;
    b) Supporting Korean businesses engaged in international trade through:
        i. providing guidance on managing foreign exchange risk,
        ii. encouraging the use of financial tools to reduce losses caused by currency fluctuations;
7. Affirms that the Bank of Korea carefully evaluate interest rate adjustments to address inflation while minimizing negative effects on households and businesses by:
    a) Assessing the need for higher interest rates to reduce inflation, based on current economic conditions,
        i. evaluating domestic economic growth and employment condition,
        ii. monitoring changes in consumer price level;
    b) Considering the potential impact of higher interest rates on household debt and business borrowing costs, including:
        i. assessing the increased financial burden on households with existing loans,
        ii. evaluating the effects of higher borrowing costs on small and medium-sized enterprises (SEMs);
    c) Maintaining financial stability while implementing monetary policies through:
        i. avoiding excessive interest rate increase that may negatively affect economic activity,
        ii. reviewing the effects of monetary policy decisions on domestic financial markets,
        iii. adjusting interest rate policies according to changing economic conditions;