IMPACT OF THE ASIAN CRISIS ON LATIN AMERICA

Barbara Stallings and colleagues

United Nations Economic Commission for
Latin America and the Caribbean

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CONTENTS

INTRODUCTION AND SUMMARY

The crisis affecting five countries in East and South-East Asia has prompted a re-evaluation of the vulnerability of the Latin American and Caribbean countries today and the response mechanisms they have at their command. The crisis also provides some useful lessons for improving economic performance in the current context of globalization. The present document examines the impact the crisis in East and South-East Asia has had and is having on large and medium-sized Latin American countries. By way of background, the paper considers the origins and features of the crisis. It then concentrates on the channels by which the crisis is being transmitted and the policy responses adopted in the region. It goes on to present projections as to the effects of the crisis on growth, foreign trade and the balance of payments, and concludes by drawing some lessons for policy at both the national and international levels.

It is striking just how vulnerable these Asian economies have proved, when they enjoyed domestic price stability, solid fiscal surpluses and high savings and investment rates and had extensively liberalized their external trade and financial markets. It seems reasonable to conclude, in the light of this situation, that the crisis was due not to a single factor, but rather to a set of internal and external factors.

There is general consensus that the crisis was caused, among other things, by the rapid expansion in external credit and other short-term capital inflows, part of which served to finance loans with longer maturities offered by local banks, loans that were not always channelled efficiently. These financial flows entered a macroeconomic scenario of appreciating currencies and growing balance-of-payments current account deficits. The institutional framework was notable for deficiencies in the banking system, which led to overinvestment in real estate in some countries and in industrial sectors and infrastructure in others. On the production front, the competitiveness of some exports declined and a number of foreign markets contracted, and this undercut the rate of export growth.

The spillover effects of the Asian crisis, transmitted to Latin America by the channels of trade and finance, have affected different countries in different ways and have been met with policy measures in the monetary, financial and trade spheres. As the second quarter of 1998 begins, there is a feeling of modest satisfaction in the region about government handling of the crisis and the robustness of economies. In point of fact, speculative attacks on a number of currencies have been thwarted, downturns on stock markets have been halted and to some extent reversed, and domestic interest rates and external loans are gradually returning to pre-crisis levels. Nonetheless, the policies put in place to deal with the Asian crisis and the new international context it has generated entail costs for the region and will adversely affect its growth prospects. Of course, they are not the only reason why growth forecasts for 1998 have been revised downward: other factors include unusually bad weather conditions; increased utilization of capacity hitherto underutilized, in some countries; and, in others, the impossibility of maintaining growth rates at 1997 levels in view of the rapid expansion in external imbalances. Reduced oil production and a drop in oil prices are further contributing factors, and are having a major impact on the external and fiscal accounts of some countries.

Thus, gross domestic product (GDP) is projected to grow by around 3% this year, a decline of more than two percentage points with respect to 1997; the Asian crisis will be responsible for around one percentage point of this decline. The value of exports is projected to rise by 8%, in contrast to rates of over 10% in previous years; the value of imports is also expected to fall to around 10% from the significantly higher levels recorded in 1997. The current account deficit is projected to increase from 3.0% to 3.5% of GDP. It is important to remember that there are processes under way with outcomes that are still unknown, which may alter these projections. Two of the most important of these are the situation facing Japan and the oil market.

By studying the crisis affecting East and South-East Asia and examining the channels through which its impact has spread to Latin America, it is possible to draw a number of conclusions and put forward some policy recommendations, at both the national and international levels. At the national level, there is a need to act in concert in three policy areas that complement one another: the macroeconomic, the institutional and that related to changing production patterns and competitiveness.

In the macroeconomic sphere, a comment is in order about the policies in place prior to the crisis. In both Asia and Latin America, the management of economic policy in expansionary periods goes a long way towards explaining the subsequent difficulties. The external flows generated during upswings were often used to expand public and private spending. Such uses of external flows led many agents to run up huge debts, which then prompted foreign banks to withdraw their loans abruptly. Policies need to be formulated that contribute to macroeconomic stability by cutting back on spending during times of expansion and thereby moderating declines during downturns. In countries characterized by slow or negligible economic growth and a backlog of social problems, the right approach during periods of expansion would seem to be to combine policies aimed at macroeconomic stability with prudent use of some of the additional resources to resolve production bottlenecks or finance reforms that yield high economic and social returns.

In the institutional sphere, Latin America and the Caribbean have made progress towards improving an extremely weak banking system, a legacy of the 1980s and 1994-1995 crises and the lack of prudential supervision. However, much remains to be done. Among other measures, a higher capital-to-assets ratio should be set for banks than the one proposed by the Basle Committee, in view of the fact that a potential foreign exchange crisis in Latin American countries may have a particularly pronounced adverse effect on banks' assets. There is also a need to tighten consolidated prudential supervision of the financial system and to use mechanisms that discourage excessive capital inflows and reduce the proportion of short-term flows.

The Asian crisis also brings to the fore the issue of changing production patterns and competitiveness, for the problems in Asia are not limited to the financial sector. An old lesson, yet one still relevant today, concerns the need to continue diversifying the output and especially the exports of Latin America and the Caribbean. Prices of primary commodities, which still account for the bulk of exports of many countries in the region, remain very volatile. And there is a corollary lesson to be drawn, namely, that the rapid changes witnessed in global markets for non-financial goods and services mean that the progress made by some countries in the region in terms of export growth and diversification should not be viewed as a self-perpetuating state of affairs. Competitiveness is something that requires constant attention.

At the international level, the existence of major shortcomings in global capital markets points to the need for a substantial increase in the resources at the disposal of the International Monetary Fund (IMF), so that the Fund, in collaboration with other institutions and Governments, can limit the effects of financial and foreign exchange crises in individual countries and prevent the contagion from spreading to other emerging nations. It is also important to ensure that such arrangements do not increase "moral hazard" by encouraging international private investors and creditors to assume excessive risks, knowing that they will be rescued if the situation reaches a critical point. That is why, when crises arise, these creditors should contribute to their resolution by rolling over their loans, without increasing interest payments or demanding government guarantees; in that way, resources of international financial institutions and Governments can be used to finance the recovery of ailing economies, rather than go towards paying off past debts.

Ideally, of course, such problems should be prevented from arising in the first place. The best way to do that would be to take steps, at the global level, during periods of excessive optimism, to moderate the flow of capital to emerging economies, thus making such flows more sustainable. To that end, it is important to improve and supplement international prudential supervision of large volatile flows to adapt to the new set of circumstances. There is a need, first of all, to strengthen existing prudential supervision and regulation of short-term international loans in developed countries. Also required is a measure of prudential regulation of institutional investors' portfolio investments, such as mutual funds. This could be achieved, for example, through variable liquidity requirements linked to a weighted average of country risk for portfolio investments in developing countries.

It should be possible to supplement prudential supervision of global credit and capital markets with an international tax. A small tax levied on all international transactions denominated in foreign currencies would serve as a relatively important disincentive to very short-term flows of speculative capital (since they would be taxed frequently), whereas the effect on long-term flows would be negligible. Were such a tax introduced, the effect would be to increase the autonomy of national economic authorities in managing their monetary and foreign exchange policies.

I. THE CRISIS IN EAST AND SOUTH-EAST ASIA

The crisis affecting various countries of East and South-East Asia,[1] coming, as it has, in the wake of the 1992-1993 crisis of the European Monetary System and the "tequila effect" in 1994-1995, underscores the tendency of the current international climate to generate frequent, unforeseeable disruptions, which suddenly throw stock exchanges and foreign exchange markets into disarray and require prompt reaction by Governments and the international community to avoid their spread. This calls for the mobilization of substantial resources and entails high costs, especially for the developing countries, which are particularly vulnerable to external shocks.[2]

The countries affected by this crisis had achieved outstanding levels of economic growth and were held up by many as models of development to be emulated. The crisis has forced the countries of Latin America to adopt defensive short-term policies and calls for an assessment of its possible medium- and long-term repercussions on the patterns of sustainable development being promoted in our region at the present time.

Since the outbreak of the crisis in mid-1997, projections for growth in the countries of East and South-East Asia have been systematically revised downwards. For 1998, a decline in gross domestic product (GDP) is expected in Indonesia, the Republic of Korea and Thailand, and a slowdown in growth in the rest of the subregion, especially in Malaysia and the Philippines (see table A-1). Most of these countries have had to devalue their

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[1] The countries considered here are the newly industrialized economies of Asia (the Chinese provinces of Hong Kong and Taiwan, the Republic of Korea and Singapore), together with Indonesia, Malaysia, the Philippines and Thailand.

[2] There is currently considerable debate about the origins of the Asian crisis and the lessons to be drawn from it. Among the extensive literature on the subject, the following might be mentioned: Paul Krugman, "What happened to Asia?", January 1998; J. Sgard, L. Cardiou, M. Aglietta and A. Bénassy-Quéré, "La crise financière en Asie", *La lettre du CEPII* No. 167, Paris, October 1997; International Monetary Fund, *World Economic Outlook*, Washington, D.C., December 1997; Organisation for Economic Co-operation and Development, *OECD Economic Outlook*, Paris, December 1997; Steve Radelet and Jeffrey Sachs, "The Onset of the East Asian Financial Crisis", March 1998; Rudiger Dornbush, "Capital Controls: An Idea Whose Time is Gone", March 1998; Yilmaz Akyüz, *The East Asian Financial Crisis: Back to the Future?*, United Nations Conference on Trade and Development, Geneva, January 1998; Joseph Stiglitz, *The Role of International Financial Institutions in the Current Global Economy*, World Bank, Washington, D.C., February 1998; Guillermo Perry and Daniel Lederman, *Financial Vulnerability, Spillover Effects, and Contagion: Lessons from the Asian Crises for Latin America*, World Bank, Washington, D.C., 3 March 1998. (A number of these documents can be found on the Internet.)

currencies and to face stock exchange crashes; but currency depreciation and the economic recession suggest that there will be a rapid reversal in external imbalances equivalent to 7 percentage points in the overall output of the five most seriously affected countries, whose current account position should move from a deficit of -5.1% of GDP in 1996 to a surplus of 1.6% in 1998. It is interesting to note, for purposes of comparison, that when its debt crisis occurred, Latin America had to adjust its current account balance by about 5 percentage points of GDP at current values between 1981 and 1984 and managed to do so despite a sharp deterioration in the terms of trade. As happened earlier in Latin America, the devaluations, credit crunch and recession are affecting the capacity to pay of East and South-East Asian economic agents and are swelling the non-performing loan portfolios of some banking systems.

That economies which had satisfied a number of the requirements usually considered necessary for stable development —stable domestic prices, solid fiscal surpluses, high domestic savings and investment rates, and liberalized external trade and financial markets (see table A-2)— should prove so vulnerable deserves some comment. The main criticisms now advanced concerning their pre-crisis performance refer to the weakness of their banking systems and the nature of their external debt, which consisted mainly of short-term loans; in view of this debt, combined with a rising balance-of-payments current account deficit, the level of reserves proved inadequate.

1. Credit expansion and foreign capital

In recent years, bank lending expanded at rates that far exceeded the already high output growth rates (see table A-3). This expansion was especially rapid between 1993 and 1996 in the Philippines, Thailand, Malaysia and Indonesia, and somewhat less so in the Republic of Korea, Singapore and Taiwan Province of China. Part of this expansion is attributable to the fact that the local banking system had access to international bank credit, in addition to already high levels of domestic savings; in fact, within three years —from June 1994 to June 1997— these loan balances soared in the Philippines, Thailand, the Republic of Korea and Indonesia, but not in Taiwan Province of China. However, in various countries, the most important increase in indebtedness to the foreign banking system related to borrowing by the non-bank private sector, which accounted for around 60% of the increase in total debt in Thailand and the Philippines, 70% in Malaysia and 80% in Indonesia (see figure 1).

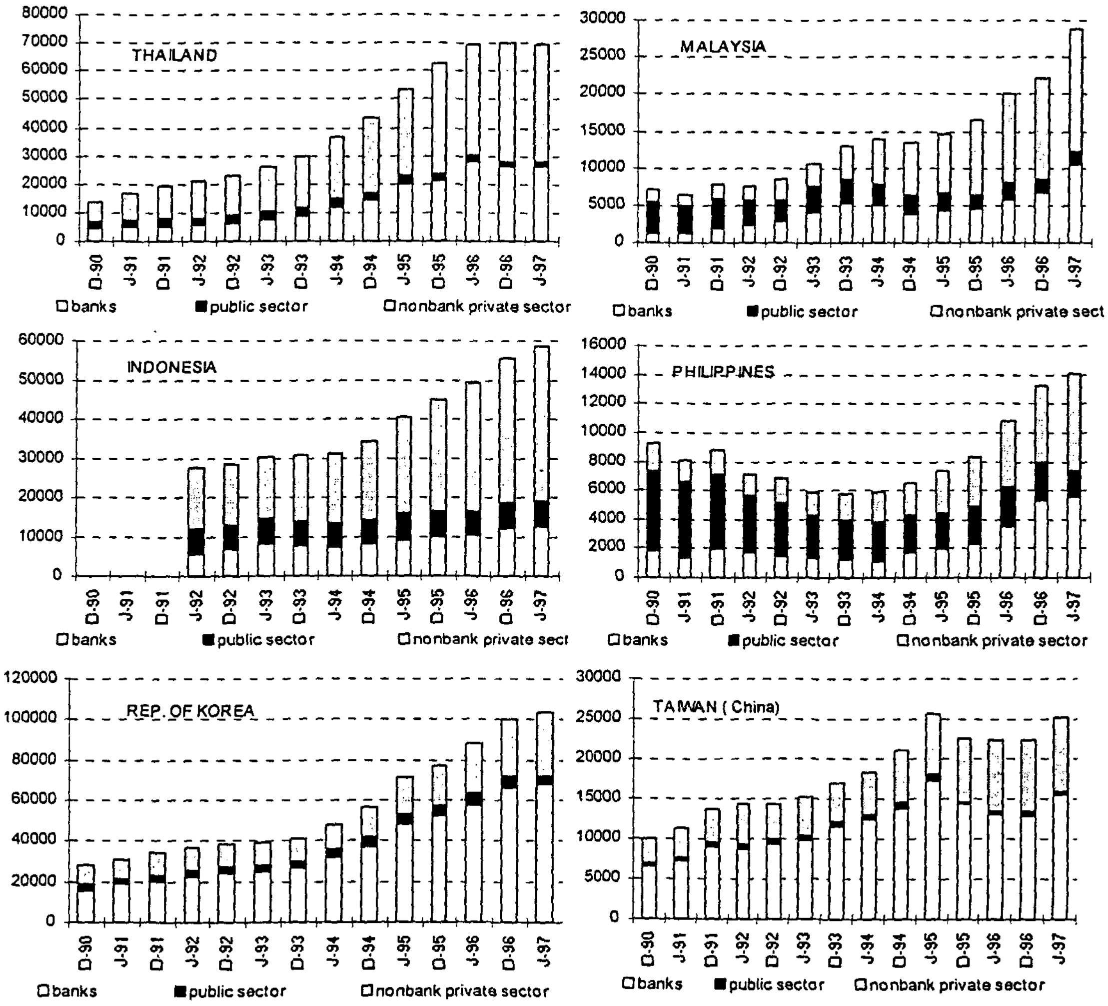
In Taiwan Province of China and the Republic of Korea, most foreign loans continued to be channelled through the local banking system; overall in these two cases, close to one third of indebtedness to foreign banks in 1997 was incurred by the non-bank private sector[3] (see table A-4).

[3] In addition to bank debt, the direct issue of Eurobonds and the trade credit to which major firms have access should be taken into account.

Figure 1

Total credit balances of East and South-East Asian economies from the international banking system

(In millions of dollars)



Source: Bank for International Settlement, The Maturity and Sectoral Distribution of International Bank Lending, Basle, various issues.

It should be noted that the public sector was not responsible for the external debt problem in any of the countries under review and in fact ran a surplus.[4] In any event, total debt owed to foreign banks doubled in three years, moving from US$ 153 billion to

[4] Between 1994 and 1997, public sector borrowing from the foreign banking system declined in absolute terms in all countries except the Republic of Korea, where it increased by barely US$ 600 million compared with a total increase in debt of US$ 55.4 billion.

US$ 300 billion,[5] much of that in the form of short-term loans, as shown in table A-4. This situation entailed loan and foreign exchange risks, which were underestimated.

It is true that financing investment through bank loans was characteristic of these economies[6] and that recourse to external funds was encouraged, except in Singapore, by relatively high domestic interest rates, which served to contain inflation in a context of rapid growth. However, access to foreign capital, the more liberal and permissive financial framework and inadequate State control led to overinvestment and overborrowing by some industrial conglomerates, especially in the Republic of Korea, and fuelled speculative bubbles in liquid and fixed asset markets, especially in Thailand and the Philippines. A situation of financial vulnerability thus developed.[7]

Some of these patterns are not unfamiliar in the Latin American region, where drastic deregulation of local financial systems, combined with easy access to external capital, have led to a sharp credit expansion and overborrowing by economic agents and by the country as a whole, especially when such expansion has occurred against a backdrop of lax supervision and inadequate prudential regulation. In fact, some of the policy measures adopted by Governments following the crisis of the 1980s and the Mexican crisis in late 1994 were geared to strengthening the banking system by establishing prudential controls and improving the quality of capital inflows into the countries. In some cases, costs were imposed on short-term capital inflows considered speculative. These measures are highly complementary.

Events in East and South-East Asia demonstrate that, if external capital is allowed to circulate absolutely freely, regulation of the local banking system cannot prevent overindebtedness of the non-bank private sector, and thus the quality of local bank portfolios is impaired. Moreover, large capital inflows tend to generate excessive credit expansion. If, at the same time, a current account deficit develops owing to the high spending financed by external capital,[8] "deterioration of the external balance and weakening of the financial sector are two sides of the same process of excessive capital inflows".[9]

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[5] For purposes of comparison, the debt of Latin America and the Caribbean to the international banking system increased to US$ 286 billion in September 1997.

[6] See "Dossier: Les systèmes financiers asiatiques", *Revue d'économie financière*, No. 44, Paris, December 1997.

[7] Guillermo Perry, and Daniel Lederman, referring to the factors that have contributed to this financial vulnerability, mention the lack of transparency of the private-sector's financial position, based on the control structures of the business conglomerates. See *Financial Vulnerability, Spillover Effects, and Contagion: Lessons from the Asian Crises for Latin America*, World Bank, Washington, D.C., 3 March 1998.

[8] The external deficits in Asia "were not led by government deficits and did not imply losses of international reserves. Neither were they an exogenous increase of private expenditure. On the contrary, they were due to a rise in private expenditure led by capital inflows". See Ricardo Ffrench-Davis, "The policy implications of the Tequila effect", *Challenge*, vol. 41, No. 2, New York, March-April 1998.

[9] See Yilmaz Akyüz, *The East Asian Financial Crisis: Back to the Future?*, UNCTAD, Geneva, January 1998.

2. Deterioration in external accounts and inadequate returns on investment

Apart from the two determining factors referred to above, on which there is some degree of consensus, there are other factors which are not entirely unknown in our region. Chief among them are the maintenance of a fixed rate of exchange against the dollar, a slowdown in export growth and problems with respect to the amount and use of investment —on the one hand, overinvestment and, on the other, concentration of investment in just a few industries and products of uncertain long-term profitability.

One common feature in these East and South-East Asian countries was the adoption of a foreign exchange policy which pegged the currency to the United States dollar (see figure 2).[10] The advantage of this policy was to establish an informal zone of relative foreign exchange stability among the countries of the subregion, a situation which favoured trade. However, in view of the wide fluctuations of the European and Japanese currencies against the dollar to which the international economy has been prone, this foreign exchange policy has caused appreciation or depreciation of the local currencies, subjecting local producers to substantial changes in terms of their competitiveness.

In this context, the progressive strengthening of the United States dollar since mid-1995 has affected the competitiveness of exports from East and South-East Asia. Labour-intensive industries, in particular, have suffered market losses due to competition from countries like China, India and Viet Nam, with more favourable exchange rates and lower labour costs. In addition, there has been market saturation or more sluggish growth in demand for certain products from the subregion, such as inputs for the electronics industry, which have dropped sharply in price; this suggests insufficient capacity to diversify the range and improve the quality of exports. Thus exports expanded by only 5.6% in 1996, a percentage well below the average growth rate between 1990 and 1996, which had ranked these countries among the most dynamic with respect to trade (see table A-5). The slowdown in exports fuelled the current account deficit in 1996-1997 (except in Singapore and Taiwan Province of China, which posted surpluses), while foreign credit continued to expand; hence imports did not slacken, in general, as much as would have been necessary (see figure 3).

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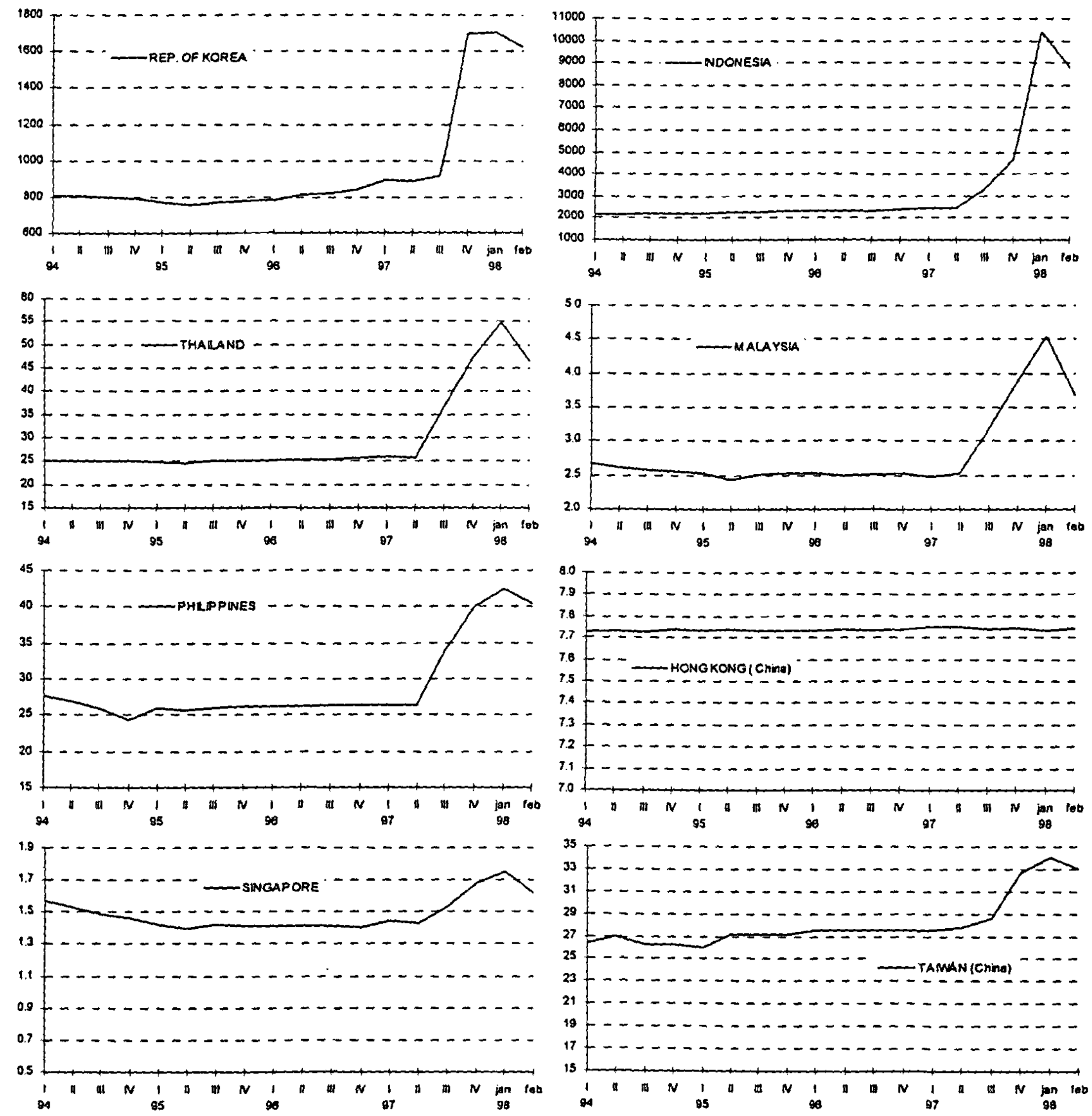
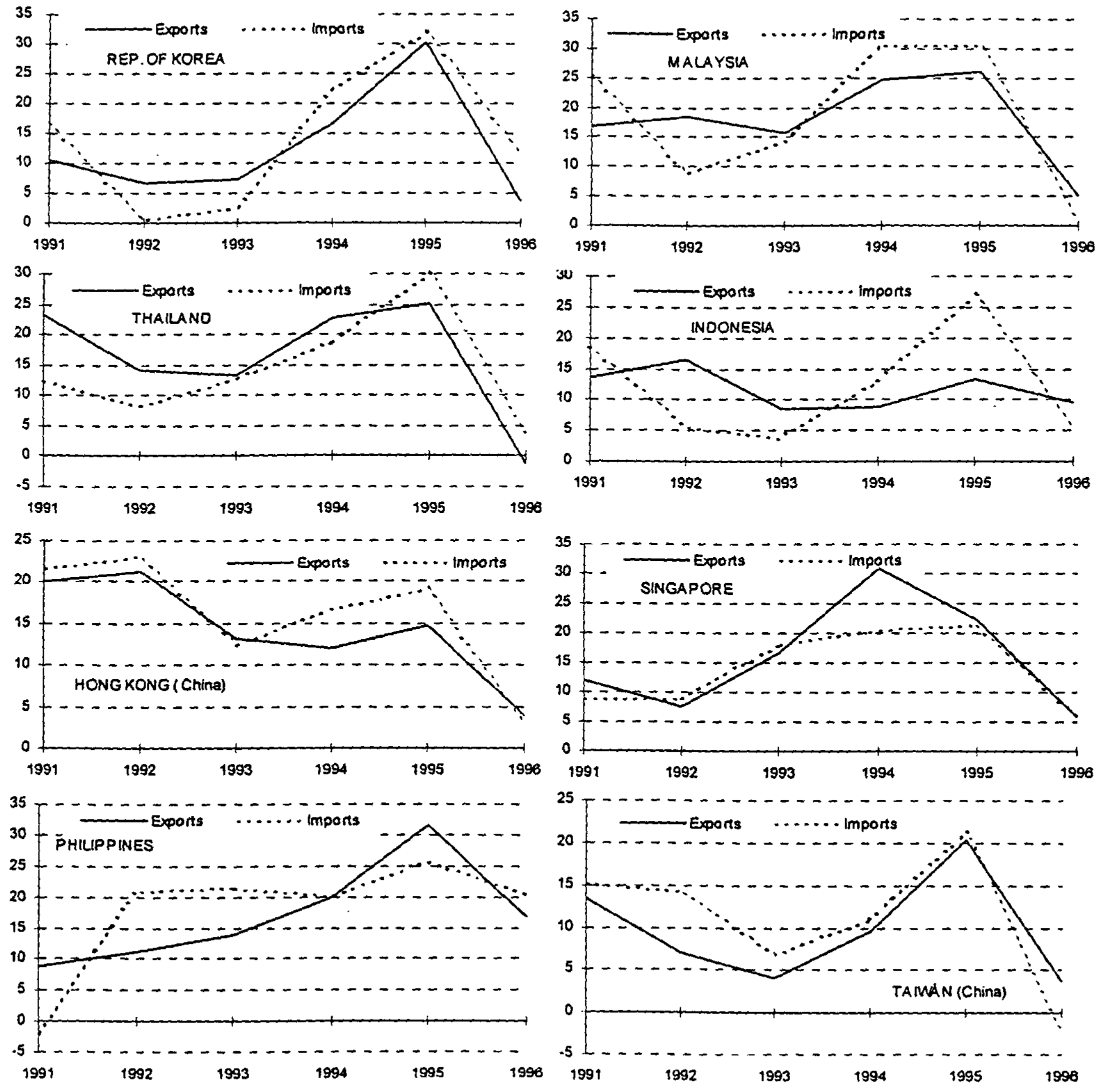
[10] Strictly speaking, not all the systems were identical: Malaysia, Singapore and Thailand pegged their currencies to a basket of currencies, within which the United States dollar nevertheless played a predominant role; the Republic of Korea and Indonesia pegged their currencies to the United States dollar, as did Hong Kong, where a convertibility system operates. Although Taiwan Province of China and the Philippines in theory applied a floating exchange rate system, in fact, their goal was stability *vis-à-vis* the United States dollar.

Figure 2
Exchange-rate variations between January 1994 and February 1998
(In local currency units per dollar, at the end of each period)



Source: International Monetary Fund, *International Financial Statistics*, various issues and *The Economist*, various issues.

Figure 3
Exports and imports of the economies of East and South-East Asia in current dollars
(yearly percentage change)



Source: International Monetary Fund, *International Financial Statistics*, various issues.

In the long term, this episode constitutes a warning about the risks associated with heavy reliance on exports, if not properly managed. In Latin America, too, in the early 1980s, slower growth in the volume of exports and a fall in their value radically altered the debt/export and interest/export ratios, and these shifts, in a situation of abundant capital inflows, altered perceptions of the risk involved in lending to the countries of the region. Both the Asian and the Latin American experience demonstrate the importance of continuous monitoring of the balance of payments from the medium-term viewpoint and of establishing stabilization funds to counteract external market fluctuations. This is all the more important in Latin America because its exports include a large proportion of primary commodities.

Overinvestment is another explanation that has been given for the Asian crisis; it is argued that it is difficult in the medium and long term to maintain an investment rate exceeding 30% of GDP without losing economic efficiency,[11] as exemplified by investment in real estate or big infrastructure projects only partially utilized.[12] Although high economic growth rates would not have been possible without accelerated investment, in many cases it had become almost impossible to put the investment to productive use. If this argument is valid, it throws doubt upon the future sustainability of growth rates such as those seen in the Asian countries, although it may well be that these countries will be able to increase their investment efficiency considerably.

Some observers have questioned not only the level of investment, but even more its excessive concentration in real estate and physical infrastructure and in a limited range of export-oriented industries and products facing market saturation, such as chemicals, steel, semiconductors, textiles, automobiles and other consumer durables.[13] Lastly, some analysts

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[11] See RBC Dominion Securities, Global Market Themes, *Asian Earthquake*, 24 October 1997, and London Business School, Centre for Economic Forecasting, *Economic Outlook*, vol. 22, No. 2, London, February 1998.

[12] Without ruling out possible inefficiency in investment, some observers feel that one of the current problems in certain Asian countries is precisely the inadequacy of infrastructure following many years of rapid growth; this is thought to produce bottlenecks and increase costs. See Centre d'études prospectives et d'informations internationales (CEPII), *L'Économie mondiale*, 1998, Paris, La Découverte, 1997.

[13] See RBC Dominion Securities, op. cit.

have argued that in various Asian countries the crisis in part reflects neglect of the domestic market.[14]

[14] From that viewpoint, it is suggested that "for many Asian countries, the development of a true middle class, through better distribution of the fruits of growth, is of strategic importance. Intensifying competition among low-wage countries and the future saturation of markets in the richer countries make the development of domestic markets a vital objective. The major Asian countries are far from having achieved that". See CEPII, *L'Économie mondiale*, 1998, op. cit., p.15.

II. EFFECTS OF THE ASIAN CRISIS ON LATIN AMERICA

1. Channels of transmission

The effects of the ongoing Asian crisis on the Latin American countries have varied in each phase. In July and August 1997, when the crisis caused the first currency depreciations and depressed stock markets in Thailand, the Philippines, Malaysia and Indonesia, no significant effects were perceptible in Latin America, with the probable exception of the price of copper, which began to drop in July 1997.

The scenario began to change in October, when the stock market crisis took on a new dimension, as it spread to the major Asian stock exchanges (those of Japan, Singapore, Taiwan and Hong Kong) and caused considerable declines on stock exchanges in Europe and the United States of America. At that point, Latin American stock markets and financial systems began to be affected, and bond spreads widened abruptly in the countries of the region. Some countries suffered or feared an attack on their currencies and raised domestic interest rates. In other Latin American countries, these effects were felt only later, in the early months of 1998. As the crisis lengthened and deepened, spreading to the Republic of Korea towards the end of November, the effects began to be felt in commodities prices during the last quarter of 1997 and the first quarter of 1998.

These, in broad outline, are the trading and financial mechanisms through which the Asian crisis has been transmitted to Latin America, with effects not only on the external and fiscal accounts, but also on output and income; the policies adopted to counteract them have in turn affected economic activity.

(a) Trade channels

Currency devaluation and economic recession in the Asian countries are causing them to import less, and this is having an impact on the whole of world trade. The eight countries of East and South-East Asia considered here represented 15% of world trade in 1996; they accounted for 31% of the increase in world imports between 1990 and 1995 and 28% of the increase in exports. Including Japan, the developed economy hardest hit by the crisis, the percentage of world trade the region accounted for in 1996 rises to 22%. Lower demand by these countries will affect not only volume traded, but also the prices of products for which they constitute a major market.

The contraction of imports by East and South-East Asia has a direct impact on demand for Latin American exports. In volume terms, however, the effect should be relatively minor, because the market is not an important one for Latin American countries, with the exception of Chile and Peru, which in 1996 sold 14% and 9% of their exports, respectively, to the eight Asian countries in question (see tables 1 and A-6).

Table 1
EXPORTS FROM LATIN AMERICA TO ASIA AND THE PACIFIC
(In percentages)

	EAST AND SOUTH-EAST ASIA (8 COUNTRIES)	JAPAN	TOTAL
	(1)	(2)	(1) + (2)
Argentina	6.0	2.2	8.2
Bolivia	0.3	0.3	0.6
Brazil	6.8	6.4	13.2
Chile	14.1	16.4	30.5
Colombia	0.7	3.3	4.0
Ecuador	7.0	2.8	9.8
Mexico	1.0	1.4	2.4
Paraguay	2.4	0.1	2.5
Peru	9.2	6.6	15.8
Uruguay	5.3	1.0	6.3
Venezuela	0.3	0.6	0.9
CACM	1.1	1.5	2.6

Source: ECLAC, on the basis of International Monetary Fund, *Direction of Trade Statistics.*

Via the contraction of imports, however, the Asian crisis also had an impact on the prices of Latin America's export products (whether exported to Asia or to other regions), especially commodities for which the East and South-East Asian countries constitute an important part of world demand. In 1995, for example, these countries accounted for around 15% of world imports of agricultural raw materials, minerals and metals and petroleum. Moreover, their share of world imports of minerals and metals was rapidly increasing (from only 10% in 1990); in the case of copper, in particular, the countries of East and South-East Asia accounted for nearly one third of world demand. They accounted for 9% of world imports of food in 1995, but for a larger share in some subsectors, such as cereal grains (13% of world imports) and oilseeds (see table A-7).

The Asian crisis will also have an impact on the exports of the countries in question. Sharp currency devaluation, lower domestic demand and underutilized installed capacity should favour the exports of the countries most involved in the crisis. At the same time, the difficult financial conditions brought on by the crisis (tighter credit, higher interest rates, the increased burden of debt denominated in foreign currencies) are tending to hinder rapid expansion of export supply; for that reason, most of the trade adjustment so far has been in the form of import reduction. It can be anticipated, however, that the Asian countries will increase the quantity of their exports of manufactures in 1998, and that this will result in an increase in value exported despite the expected decline in unit value, which could be as much as 9%, according to one recent estimate,[15] and could put competitive pressure on the Latin American countries, among others, in both their domestic and external markets.

Determination of the possible magnitude of the effect is complicated by the fact that Asian exports do not compete directly with Latin American and Caribbean exports in the markets of the member countries of the Organisation for Economic Co-operation and Development (OECD) (see table A-8). The Asian countries export consumer manufactures and capital goods (such as electronic and electrical products, computers and other machinery); the Latin American and Caribbean countries export a larger proportion of raw materials and semi-manufactures to OECD countries, particularly to the European and Japanese markets (see table A-9). The situation is different in the North American and Latin American markets, the destination for most of the region's exports of manufactures, where competition from Asian products could intensify in categories such as chemical products, steel, textiles and footwear.

(b) Financial channels

During the first half of 1997, emerging markets enjoyed improved access to international financing and narrower spreads on Eurobonds and Brady bonds. The result in Latin America was a gross influx of capital amounting to some US$ 80 billion between January and September, two thirds of that long-term capital. Foreign direct investment maintained an upward trend with flows of US$ 44 billion. After the crisis broke in July, spreads increased for some of the Asian countries affected, notably Thailand, Indonesia and the Philippines (see figure 4), but held steady or declined in Latin America and other regions. This situation changed in October, when abrupt stock market declines occurred not only in other Asian countries, but also in the United States and Europe, and the risk premiums for many emerging economies, including Latin American countries, shot up suddenly.

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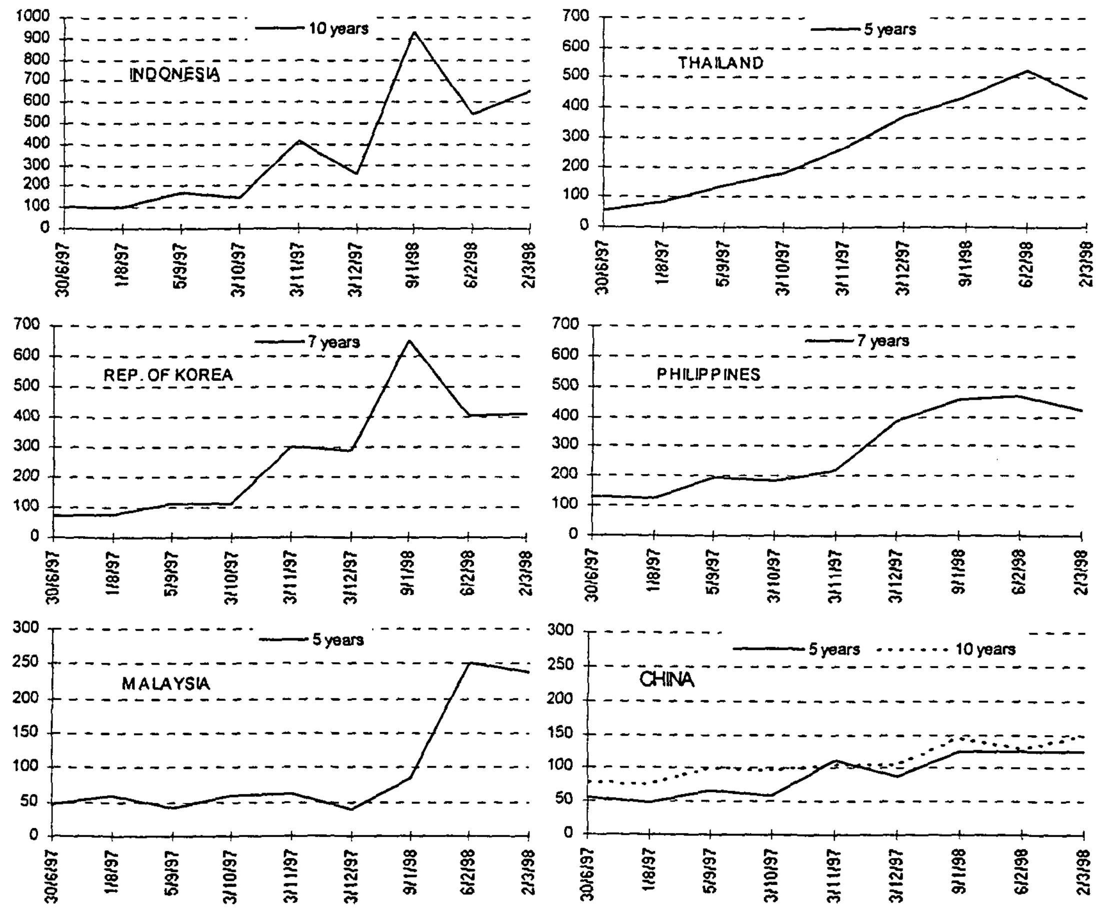
[15] See World Bank, "Impact of the East Asian crisis on developing countries", PREM Briefing Note, Washington, D.C., January-February 1998.

Figure 4

Average spreads on Eurobonds issued by Asian countries, at different maturities

(Basis points over yield on United States Treasury bonds)



Source: On the basis of figures from Caisse des dépôts et des consignations, Paris.

By changing the climate in the international financial markets, especially for emerging economies, the Asian crisis has had a direct impact on the sectors most sensitive to external capital movements. Since some international investors felt the need for profit-taking in Latin America in order to make up for their losses on other stock markets and maintain their liquidity, the financial effects of the crisis first manifested themselves in falling prices on Latin American stock exchanges. With much variation from country to country, the stock market declines, combined with tougher terms of access to external capital, have affected not only foreign exchange markets and banking systems, but all those looking to the international capital markets for financing (including Governments).

(c) Policy measures

The principal economic measures taken in response to the Asian crisis have been in the areas of monetary, fiscal and trade policy. Monetary measures have been taken by countries whose financial and foreign exchange markets have experienced volatility either as a direct consequence of short-term capital flows (Brazil, Colombia and Paraguay) or as a reaction to a fall in prices of exports (Chile and Mexico). Fiscal measures —chiefly budget cuts— have been applied in response to declining fiscal revenues in countries that derive an important part of their revenue from State sale of commodities, i.e., oil in Mexico, Ecuador, Venezuela and, to a lesser extent, in Colombia and copper in Chile; or with a view to influencing aggregate demand, in order to reduce an anticipated current account deficit, as occurred in Brazil and could occur in Argentina. Brazil's fiscal package, which included tax rises, was also necessary in order to finance the increase in interest payments on the domestic public debt that would result from the monetary measures and to send a signal to financial investors of a capacity for timely response.

Lastly, some countries have adopted or contemplated anti-dumping and safeguard measures to protect domestic producers threatened with competition from Asian products (Argentina, Colombia, Ecuador and potentially Peru and Uruguay) and to improve the current account balance (Brazil).

It is evident that Governments are reacting to the consequences of the Asian crisis with measures that tend to slow economic activity, in that they tighten monetary policy, raise taxes and cut public spending. The kinds of measures primarily adopted by selected countries are shown in table 2. It should be noted that by the end of the first quarter of 1998, some of these measures had been relaxed, so that their consequences will be less severe.

Table 2

Economic policy measures adopted in response to the crisis in East and South-East Asian countries

Country	Fiscal adjustment	Monetary tightening	Trade measures
Argentina	Possible		X
Brazil	X	X	X
Chile	X	X	
Colombia	X	X	X
Ecuador	X		X
Mexico	X	X	
Paraguay		X	
Peru			Possible
Uruguay			Possible
Venezuela	X		

2. Magnitude of the effects of the Asian crisis and of policy measures

(a) The impact on the financial sector

The channels by which the Asian crisis has spilled over into the Latin American region vary from country to country. As noted above, the financial factors basically came into play in October 1997, when stock market and foreign exchange crises spread further and internationally-based investors began to flee the emerging economies, especially the countries that appeared to suffer from external imbalances similar to those of the Asian countries in crisis, and to move their money to developed economies considered safer. In Latin America, the country hardest hit was Brazil, which was experiencing a growing deficit on both its fiscal accounts and its balance-of-payments current account. In international crisis situations, the markets usually interpret the latter as a sign of an overvalued currency.

Until the events of October 1997, the region's stock exchanges were maintaining the gains made earlier in the year, spreads on Latin American Eurobonds were continuing to narrow, and capital inflows showed no signs of slackening. In fact, in the third quarter of 1997, international bank credit balances rose by US$ 10 billion, a figure roughly equal to the increase for the entire first half.[16] Then at the end of October, the perceived "country risk" for the region's countries abruptly shot up in international financial markets (see figure 5) and caused stock prices to drop sharply, by 20% on average (see table A-10).

The influx of financial capital dropped off noticeably during the last quarter of 1997: international bond issues declined to under US$ 4 billion, compared with US$ 20 billion the previous quarter (see figure 6 and table A-11). To a great extent, the decline was due to the severe deterioration in the terms offered by the market, which, by demanding wider spreads and shorter maturities, pushed potential issuers into a holding pattern (see table A-12). Beginning in November 1997, a number of Governments and firms postponed issues they had planned, although some returned to the market shortly thereafter: the Governments of Argentina and Colombia placed debt paper beginning in January, Brazil in February and Mexico in March 1998. Other Governments continued to wait for conditions to improve: Venezuela announced that it would issue international debt paper in the second half of 1998. For the region as a whole, bond issues rebounded during the first quarter of 1998; in this, the Government of Argentina was particularly active, using the funds raised primarily to pay off maturing debt (see table A-11).

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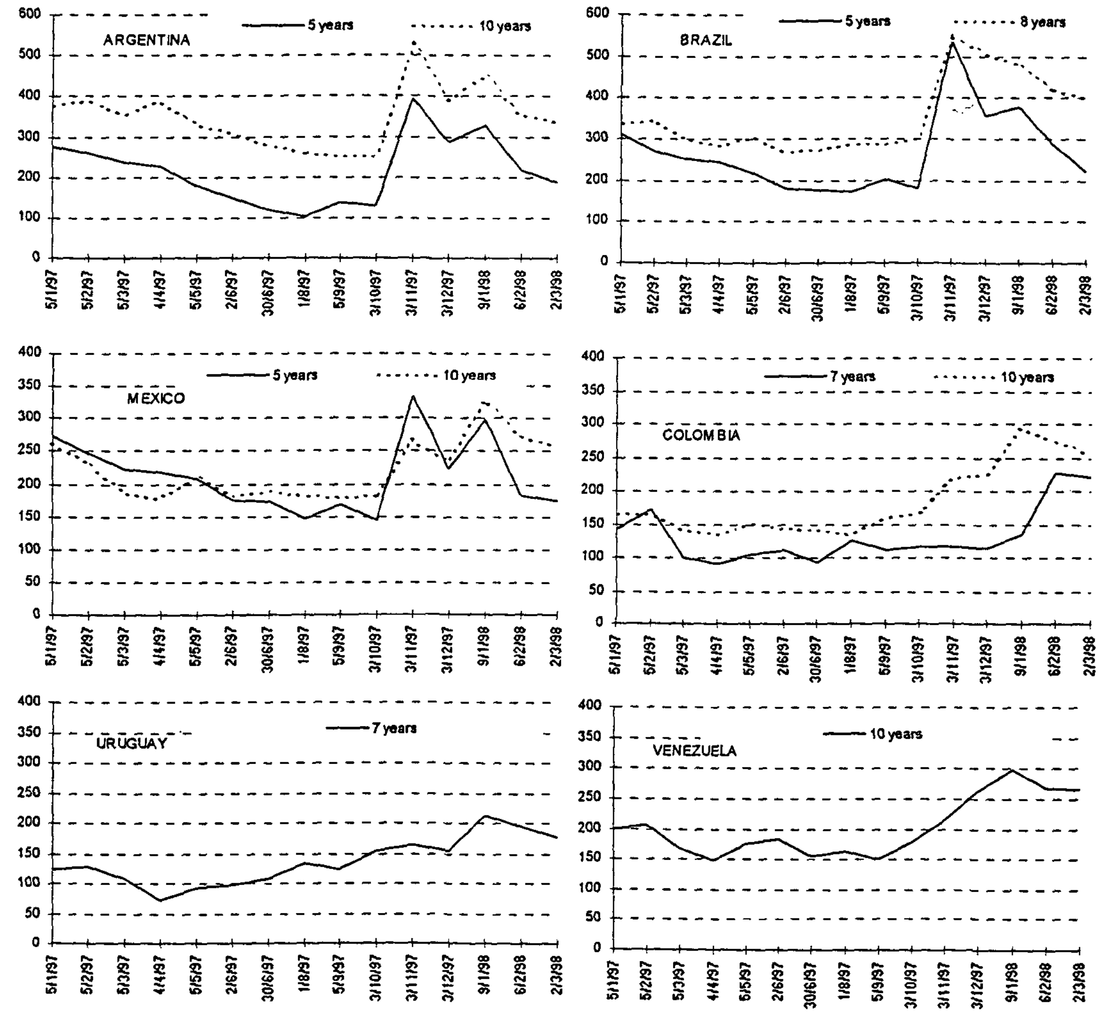
[16] See Bank of International Settlements, *The Maturity and Sectoral Distribution of International Bank Lending*, Basle, various issues.

Figure 5

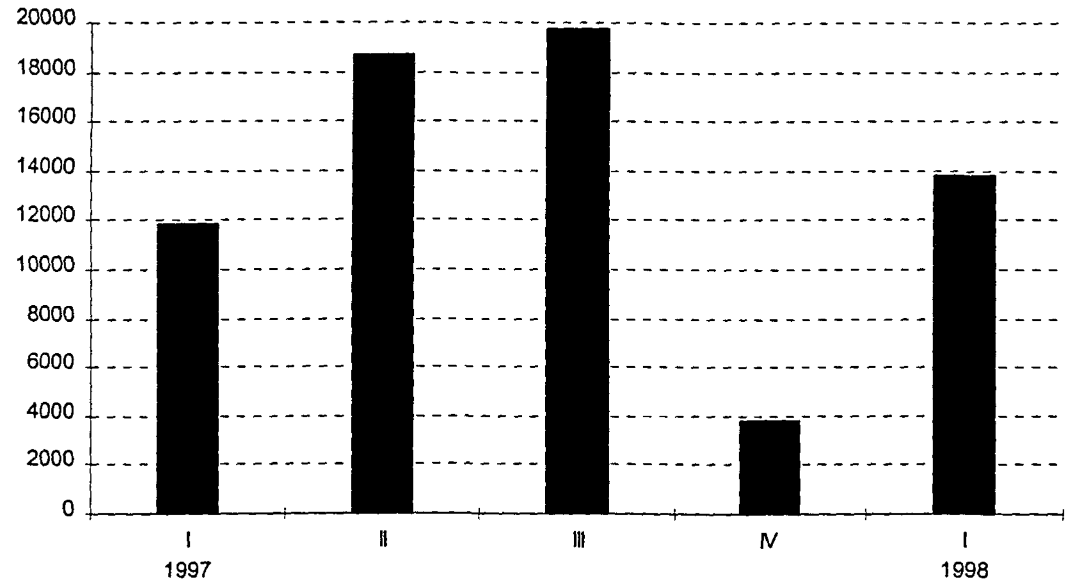
Average spreads on Eurobonds issued by Latin American countries, at different maturities

(Basis points over yield on United States Treasury bonds)



Source: On the basis of figures from Caisse des dépôts et des consignations, Paris.

Figure 6
Latin America: international bond issues
(Millions of dollars)



Source: International Monetary Fund, Research Department, Emerging Markets Studies Division.

Along with a decline in bond placements, some countries experienced flight of short-term capital; such outflows from Brazil reached US$ 8 billion in October, in effect an attack on the currency.[17] In Venezuela, the estimated outflow for the last quarter was US$ 700 million. Chile experienced currency pressures in December 1997 and January 1998; during those months it suffered a cumulative drop in international reserves of US$ 1.8 billion. On the other hand, there is no evidence that foreign direct investment in Latin America has been affected by the events in Asia. Long-term factors, such as the privatizations due to come in some countries, the liberalization of service markets and the funds attracted by integration programmes (especially in Mercosur), support the assumption that foreign direct investment will persist.[18]

International reserves shrank in Brazil, Ecuador and Paraguay in October and later in Chile, Colombia and Venezuela (see table A-13), but without causing major changes in exchange rates; Brazil was able to maintain its scheme of periodic mini-devaluations, and among the other countries only Paraguay experienced significant real depreciation (of

[17] In November and December, the loss was partially recouped, so that the net outflow for the quarter was US$ 5.075 billion.

[18] ECLAC, *La inversión extranjera en América Latina y el Caribe*, Informe 1997, Santiago, Chile, 1998.

around 10%) following the events of October 1997. Colombia, too, experienced significant depreciation, but that was prior to October and was the result of internal monetary and foreign exchange policy. The Chilean peso, the Peruvian sol and the Mexican peso all exhibited moderate slippage beginning in October-November 1997 (see table A-14). The Government of Ecuador adjusted the exchange rate band in March 1998, in effect a 7.5% devaluation.

In order to staunch (or prevent) the loss of reserves and the flight of deposits from the banking system, various countries resorted to raising domestic interest rates significantly (see table A-15). Thanks to these measures and the perception that banking systems were sounder (in comparison with their condition when the "tequila effect" hit), the tension in some foreign exchange markets was not accompanied by an appreciable loss of bank deposits (see table A-16). Had it been otherwise, the pressures on exchange rates might have been much greater, and a loss of deposits might have forced banks to cut lending, further slowing the pace of economic activity, as happened in Mexico and Argentina in 1995.

The country hardest hit by the financial repercussions of the Asian crisis was, as already mentioned, Brazil. At the end of October, the drop in the prices of its external debt paper reduced the interest rate differential by which it attracted external capital (domestic interest rates became insufficient, owing to the level of country risk), while at the same time the decline of the main international stock markets induced foreign investors to realize their gains on the Brazilian market. Both factors gave rise to a strong net demand for dollars, a drop in reserves and a contraction in liquidity; in response, the Central Bank increased its interest rate ("CBR") from 21.6% to 43.4% per annum. The increase added to the already heavy pressure of the domestic public debt on fiscal accounts.[19] The measure therefore had to be supplemented in November by fiscal adjustments equivalent to nearly 2% of GDP. From a longer-term perspective, in February 1998 Congress gave preliminary approval to two bills that should bring about a reduction in public expenditure; one bill sets a limit to salaries of civil servants and makes it easier to dismiss them; the other is aimed at reducing pension payments. The monetary and fiscal measures adopted slowed the increase in the trade deficit, but also depressed expectations of output growth. Recent figures indicate a decrease in industrial activity (8% between October 1997 and February 1998, based on seasonally adjusted figures), especially pronounced in the consumer durables industry (23% over the same period).[20] This reduction in growth has produced an increase in open unemployment from 5.7% in October 1997 to 8.2% in March 1998, inducing the Government of Brazil to accord the problem high priority.

Other countries, too, have been obliged to raise their interest rates to counteract or prevent a loss of reserves, but the effects on growth have been much less dramatic than in

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[19] The increase in domestic interest rates generated (owing to the size of the Brazilian public debt) extra fiscal expense estimated at around US$ 3 billion in 1997, which is expected to continue in 1998, but in decreasing amounts each month as the interest rate declines. See Instituto de Pesquisa Econômica Aplicada, *Carta de conjuntura no. 78*, Brasilia, February 1998.

[20] See Instituto Brasileiro de Geografia e Estatistica (IBGE), *Indicadores de conjuntura*, Rio de Janeiro, February 1998.

Brazil. In Argentina, the monthly average of the interbank rates jumped from 7.2% in September to 13.5% in November, while prime rates doubled, reaching 14.2% per annum. However, bank deposits and international reserves continued to increase, allowing interest rates and the supply of credit swiftly to return to normal.

In Chile, the prospects of a major deterioration of the current account balance because of the fall in the price of copper led to greater demand for dollars on the part of individuals and financial institutions. When the demand began to take on a speculative slant, the Central Bank, after a modest devaluation of the peso, decided to intervene. The Central Bank raised the real reference interbank interest rate from 6.5% to 7% in January 1998 and then again in February to 8.5%. It did not, however, try to make up for the illiquidity the banks themselves were generating by their purchases of dollars, a situation that pushed up the rate on interbank loans to very high levels and brought the rate on Central Bank discountable notes close to 19% in January and February 1998, compared to 10.6% in December 1997.

The problem of capital flight also confronted the Government of Colombia. The Bank of the Republic increased the supply of foreign exchange by drawing on its reserves to the tune of over US$ 500 million in the first two months of 1998; it lowered the reserve requirement on external credits (from 30% to 25%), shortened the length of time such deposits are held from 18 to 12 months and announced the country's receipt of foreign exchange obtained through privatization and bond issues (US$ 800 million pending receipt at the end of 1997). In addition, in order to influence general liquidity in the system, it raised the interest rate on its 30-day bonds (*títulos de participación*) to 23% (21.5% in August 1997) and in mid-February increased from 27% to 30% the interest rate on its one-day repurchase agreements. These measures caused the interbank rate to rise from 24% to 40%, later dropping back to 33%. Altogether, these decisions alleviated pressure on the price of the dollar, and although they may have slowed the recovery in the growth rate observable beginning in the second half of 1997, they should not prevent the country from achieving a rate clearly higher than the previous year's figure of 3%.

Financial conditions in the region have improved since the end of the first quarter of 1998. Both external spreads and domestic interest rates have come down, and for the moment it appears that the region will have no problem in obtaining external financing to cover the current account deficit (which should be larger in 1998 than in 1997). Moreover, the country with the largest deficit —Brazil— will have large inflows of capital due to privatization; in fact, by March 1998, Brazil had already comfortably exceeded its international reserve level prior to the crisis. After a temporary withdrawal, a number of Governments have returned to the international financial market to finance their current deficits and debt amortization. It would appear that the increase in the cost of external credit caused by the Asian crisis is not going to affect gravely the region's external and fiscal sectors, since, after an initial phase of sharp increases, spreads have tended to diminish. The main impact of the financial components of the Asian crisis should come essentially from the restrictive monetary policies and high domestic interest rates that Governments have been obliged to apply in order to avoid a loss of international reserves and bank deposits.

(b) The impact on trade

Though the effects of the Asian crisis in Brazil and Colombia, and, temporarily, Argentina were mainly felt through financial channels, in several other countries trade was the area most affected. In Chile, the financial effects were felt later than, and to a large extent were due to, the effects on trade. The available data show that in the majority of the countries the main impact of the crisis on trade so far has been a drop in prices for some commodities, rather than a contraction in export volumes.

During the second half of 1997, mixed trends were evident in the prices of different groups of commodities. The crisis does not appear to have had an effect on prices for food products and fertilizers, which showed no significant variation. Nor does it appear to have had an impact on beverage prices; their decline with respect to the high levels of the second quarter of 1997 would seem to reflect good prospects for the Brazilian coffee harvest. In contrast, declining prices were recorded for wood products, agricultural raw materials, metals and minerals, and oil, for all of which East and South-East Asia is an important market (see figure 7).

These price trends add up to worsening terms of trade for the region as a whole, though not for all countries. In the first two months of 1998, Brazil's terms of trade improved slightly, reflecting the fact that falls in prices for some imported goods (oil, wheat and cotton) and better prices for some exports (orange juice, soybean oil and pulp) more than made up for the effects of declining prices for soya, sugar and coffee.[21] In addition, the drop in oil prices benefited oil importers, such as Chile and the Central American countries.

In Chile, Ecuador, Mexico and Venezuela, lower prices for some commodities (chiefly copper and oil) have had an adverse effect on exports and government revenues, which are highly dependent on sales of these products. Colombia, which felt the same effect, though to a lesser extent, intends to offset the drop in oil prices by exporting greater volumes.

In Chile, the fall in copper prices meant that the Government had to revise its budget in order to deal with a projected shortfall of US$ 560 million (approximately 0.7% of GDP). As a consequence, planned investments by State-owned enterprises were reduced by US$ 340 million; the enterprises affected were the Corporación Nacional del Cobre (CODELCO), the Empresa Nacional del Petróleo (ENAP) and the Empresa Nacional de Minería (ENAMI). The worsening terms of trade are likely to mean that gross domestic income will grow at a significantly lower rate than gross domestic product in 1998 (3.2% and 5.5%, respectively).

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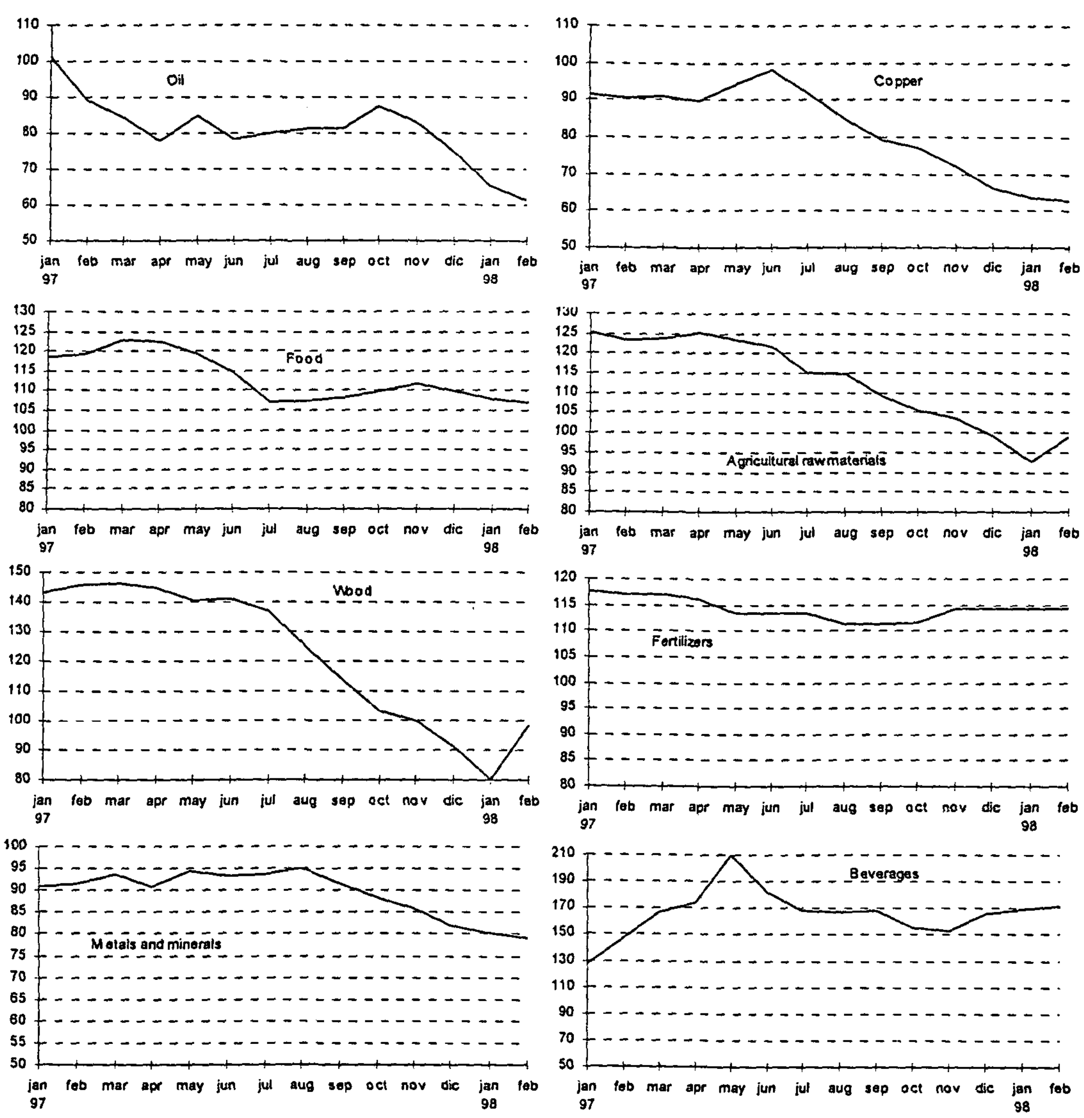
[21] See Brazil, Ministério da Fazenda, Secretaria de Política Econômica, *Boletim de acompanhamento macroeconômico*, Brasilia, March 1998.

Figure 7
Price trends for groups of commodities, January 1997-February 1998



Source: World Bank, "Commodity prices data", Washington, D.C., and IMF, *International Financial Statistics*, Washington, D.C.

A similar picture is expected in Venezuela: GDP is projected to decrease slightly, while GDP is expected to increase by not more than 3%. Both the limits placed on oil production under Organization of Petroleum Exporting Countries (OPEC) agreement and public spending cutbacks imposed by the reduction in oil revenues will have an adverse impact on GDP. In point of fact, Petróleos de Venezuela, S.A. (PDVSA) normally generates more than 50% of government revenues, and every dollar that the price of crude drops means a loss in fiscal income of US$ 1.2 billion.

In Mexico, the drop in oil prices is expected to mean that exports will grow at a slower pace than in 1997, despite the fact that exports of manufactures (including by the *maquila* industry) are expected to remain strong (the value of oil exports in January-February 1998 was 30% down from the same period in 1997). The impact on the fiscal sector is considerable: oil accounts for more than a third of non-financial public sector revenues. The result has been a reduction in budgeted expenditure of around 0.7% of GDP. In March 1998, the Bank of Mexico changed its monetary policy, choosing to issue less primary money. It did this to mitigate the effects of the drop in oil revenues on the exchange rate and inflation, in the light of the volatility in the financial markets. The measure was seen as a signal to the private sector, reaffirming government targets in respect of inflation (12%) and the average exchange rate for the peso in 1998 (8.74 pesos to the dollar). The resulting increase in interest rates raised the yield on government paper to 22% per annum, 3.8 points above its previous level.

Ecuador is another country hard hit by the decline in oil prices, since oil and gas sales account for 35% of its exports and generate about 30% of fiscal revenues. Should low oil prices persist, the public sector deficit will amount to close to 6% of GDP, compared to an initial target of 2.5%. The Government has decided to reduce budgeted spending by 5% and to raise tariffs; it also put a proposal to Congress to increase value added tax (VAT), but this was rejected. The fiscal and external difficulties (only partly attributable to the Asian crisis), combined with the havoc caused by the "El Niño" weather phenomenon, mean that growth forecasts have been scaled back from 3.5% to 2.5%.

Asia is a major export market for Peru, but Peru has largely been spared the effects of the Asian crisis. The fall in traditional exports (primarily copper and fishmeal) projected for 1998 is likely to be offset, at least in part, by the strength of non-traditional exports. Declining prices for copper (which makes up about 16% of total exports) are not having a significant impact on fiscal revenues, given the ownership structure of the industry; accordingly, no special policy measures have been implemented.

In Argentina, revenues have dipped owing to lower prices for oil and grains; in addition, growth in export volumes has faltered owing to slower growth in the Brazilian economy. This is expected to affect exports of certain products that cannot easily be redirected towards other markets, such as transport equipment. However, the value of exports is not likely to fall, as there is expected to be a simultaneous increase in export volumes, particularly commodities. In any event, real export growth will be modest. Moreover, the rise in the external deficit presents the Government with a dilemma, since the output elasticity of imports remains high, so that the maintenance of a rapid rate of growth could generate ever larger external imbalances. The exports of Paraguay and Uruguay are also likely to be affected by lower growth in the Brazilian economy.

Except in specific cases and categories such as those mentioned above, there has not so far been a perceptible drop-off in export volumes: falling demand for Latin American commodities in the Asian countries would appear to be balanced, at least in part, by the relative strength of other markets. The available data for 1998 show that, in the case of Brazil, declining demand from Asia has been more than offset by sales to the countries of the Latin American Integration Association (LAIA) and the European Union.[22] Chile is a possible exception, as in the first quarter of 1998, that country's exports are believed to have shrunk both in volume and in value.

Preliminary figures for Latin American trade for 1998 indicate that there has not been a massive influx of goods from East and South-East Asia. This would appear to be further proof of the difficulties countries of that region face in expanding their exports rapidly, despite having devalued their currencies. In fact, China, which has not devalued its currency, is one of the Asian countries that is continuing to increase its market share in Latin America and the Caribbean. However, the difficulties of East and South-East Asian countries are expected to be short-lived, and for that reason a number of Latin American countries have adopted or announced anti-dumping or safeguard measures in view of the risk of an influx of certain goods at very low prices. In Colombia, for instance, in late January the Supreme Council on Foreign Trade considered introducing safeguard measures which could block for up to four years the entry of foreign goods that threaten local production; Argentina streamlined procedures for anti-dumping investigations in the case of Asian imports (including watches, toys, footwear, textiles, electronic goods, food products and tools); and in Peru and Uruguay, manufacturers are demanding the introduction of safeguard clauses to protect the apparel and footwear industries.

The possibility that Latin American goods may lose ground in third country markets as a result of renewed competition from Asia is a latent threat that may materialize in the future when Asian exports have overcome their present difficulties. It is important, however, to remember the advantages that trading areas confer on a number of countries in the region. Thus, Mexico's *maquila* industry (one of the categories potentially threatened) is covered by agreements that protect its share in the United States market.[23] Though it is still too early to draw conclusions, preliminary data for Mexico for 1998 point not to a slowdown, but rather to sustained growth of such exports (up 18% in January-February, compared with the same period in 1997).

To sum up, in 1998, declines in some prices and in the volumes exported to East and South-East Asia are expected to be offset by increases in the volumes produced and exported to other markets (including the intraregional market). Most countries are likely to experience worsening terms of trade and export revenues will increase less rapidly than they might have, had the Asian crisis not occurred; however, the purchasing power of exports is not expected to decline from its 1997 level.

(c) Outlook for 1998

As the second quarter of 1998 begins, there is a feeling of modest satisfaction in the region regarding the Governments' handling of the crisis and the robustness of economies. Attacks on a number of currencies have been thwarted, stock market downturns have been halted and to some extent reversed, and domestic interest rates and rates on foreign loans

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[22] See Brazil, Ministério da Fazenda, Secretaria de Política Econômica, op.cit.

[23] Private-sector analysts in Mexico estimate that the greatest competition from Asia in the United States market for textiles comes from China and Hong Kong, neither of which has devalued its currency.

are gradually returning to pre-crisis levels. Nonetheless, the policies adopted to deal with the Asian crisis and the new international context entail costs for the region and affect growth opportunities.

Any attempt to quantify the impact of the Asian crisis on our region involves the difficulty of isolating that impact from the effects of other contemporary events which influence the economic performance of the Latin American countries and explain why forecasts for growth in 1998 have been revised downward. To the extent that these events are manifested through trade and financial channels, their effects are superimposed upon those of the Asian crisis; it is therefore difficult to make reliable estimates of the extent to which any phenomenon is due to the Asian crisis or to other unrelated factors.

An example of this overlapping of factors is seen in the pricing of certain commodities, especially oil. Lower demand in the countries of East and South-East Asia is not the only factor weakening oil prices, nor does it appear to be the most important one. On the demand side, lower energy consumption in the developed countries due to an exceptionally mild winter in the northern hemisphere has also played a part; on the supply side, there has been a substantial increase in production, both within and outside OPEC. A combination of factors seem to have influenced the fall in prices for other commodities. In addition to falling demand in Asia, good grain and oilseed harvests are expected, particularly in the United States. Also, while copper prices are perhaps the most deeply affected by the Asian crisis, the market had already been anticipating a fall from relatively high levels in the first half of 1997, owing to the magnitude of increases in production levels and stocks.

Many of the countries of the region have been or are being affected by the climatic phenomenon known as "El Niño". By altering ocean temperatures and rainfall patterns, it has not only caused human and material losses, but also affected fisheries and agriculture by producing drought in some areas and excess rainfall and floods in others. This has also led to problems with hydroelectric power generation (particularly in Central America), forest fires, and widespread destruction of dwellings and infrastructure. As a result, independently of the Asian crisis the "El Niño" phenomenon has reduced growth and export forecasts for a number of countries; it has also affected fiscal accounts.

Aside from the Asian crisis, growth forecasts for 1998 also take into account the difficulty certain countries are expected to experience in maintaining growth rates at the high 1997 levels, with rapid growth in external imbalances, or after using up previously underutilized production capacity.

Some of these factors were already taken into account in forecasts prepared by ECLAC before the Asian crisis (particularly in the cases of Argentina, Mexico and Peru); comparisons between those estimates and the current ones therefore provide an approximate picture of the impact of the Asian crisis on GDP growth (see table 3). Thus, although GDP is expected to increase by a little over 3% this year (a fall of more than two percentage points over 1997), it had already been expected to fall by one percentage point regardless of the Asian crisis. The latter will cut GDP growth in the region by roughly another percentage point. If the worsening terms of trade are also taken into account, income growth in the region will fall by about 1.5 percentage points over pre-crisis forecasts. This reduced growth rate will affect employment levels, making it more difficult to solve the problems of social marginalization which characterize the region.

Table 3
Gross domestic product and gross domestic income at constant 1990 prices
(Growth projections for 1998 made in September 1997 and March 1998)

	GDP 1998 September 1997 *(Percentage change in growth over 1997)* *(a)*	GDP 1998 March 1998 *(Percentage change in growth over 1997)* *(b)*	Difference *(b) - (a)*	GROSS DOMESTIC INCOME March 1998 *(Percentage change in growth over 1997)* *(c)*
Argentina	5.5	4.5	-1.0	4.2
Bolivia	5.0	4.5	-0.5	4.1
Brazil	3.5	1.1	-2.4	1.1
Chile	6.5	5.5	-1.0	3.2
Colombia	3.5	4.0	0.5	3.4
Costa Rica	3.5	3.5	0.0	3.9
Ecuador	3.5	2.5	-1.0	2.4
El Salvador	5.0	4.5	-0.5	4.7
Guatemala	3.5	5.0	1.5	3.9
Honduras	4.5	4.5	0.0	5.3
Mexico	5.0	5.0	0.0	4.2
Nicaragua	4.0	4.5	0.5	4.7
Panama	3.5	4.5	1.0	4.0
Paraguay	3.0	2.5	-0.5	3.0
Peru	4.5	4.5	0.0	4.8
Dominican Rep.	6.0	6.0	0.0	7.7
Uruguay	4.5	3.0	-1.5	5.2
Venezuela	5.0	3.0	-2.0	-0.1
TOTAL	4.4	3.2	-1.2	2.8

Source: ECLAC, Statistics and Economic Projections Division.

It can be seen from the above that the main impact of the South-East Asian crisis is on the growth forecast for Brazil, and also for its Mercosur partners, which are expected to be affected by the loss of dynamism in the Brazilian economy. For Argentina, the projection assumes some degree of adjustment to deal with the growing external deficit, resulting in a fall in growth from 8% in 1997 to 4.5% in 1998; about one percentage point of that fall can be attributed to the Asian crisis (see table 3).[24] It should also be noted that there is a marked difference between the growth rates of output and of income in certain countries hit by deteriorating terms of trade; this is particularly true of Chile and Venezuela.

[24] The economic authorities have announced their intention to deal with a growing trade and current account deficit through increased capital inflows, without having recourse to monetary or fiscal measures which might signal a "cooling-down" of the economy; this has led to a disagreement with the International Monetary Fund. If that policy is followed, the ECLAC projection would to some extent underestimate both GDP growth for 1998 and the size of the trade deficit.

Table 4
Latin America: external trade in goods (f.o.b.), in current dollars
(Growth rates over the previous year)

	1996		1997		1998 [a]	
	EXP	IMP	EXP	IMP	EXP	IMP
Argentina	13.6	18.3	6.3	25.1	4.0	11.0
Bolivia	3.0	18.6	3.9	19.6	4.6	18.0
Brazil	2.7	7.3	11.0	15.1	6.5	1.0
Chile	7.9	4.4	9.9	10.4	1.0	6.0
Colombia	-4.3	12.6	10.5	8.8	9.0	4.0
Costa Rica	2.7	-1.1	11.5	16.4	10.0	18.5
Ecuador	10.9	-9.6	5.9	22.5	1.0	15.0
El Salvador	61.2	-2.8	47.8	10.9	12.5	17.0
Guatemala	-5.5	-5.0	17.6	14.4	5.0	10.0
Honduras	9.7	12.0	13.3	4.6	8.2	7.5
Mexico	20.7	23.5	15.0	21.7	13.2	18.0
Nicaragua	26.8	20.2	14.7	25.7	14.0	15.0
Panama	-7.5	-9.7	11.6	12.0	8.0	7.8
Paraguay	-5.6	-10.1	0.4	3.7	-0.5	4.0
Peru	5.9	2.0	15.6	9.7	-2.0	7.0
Dominican Rep.	11.6	17.8	14.5	15.4	9.2	12.0
Uruguay	15.8	17.2	10.7	9.8	7.5	7.0
Venezuela	22.3	-7.4	2.8	30.4	-2.0	19.0
TOTAL	11.8	11.4	10.6	17.2	7.8	9.4

Source: ECLAC, Statistics and Economic Projections Division.
[a] Projected.

The value of exports will grow more slowly than in previous years, mostly owing to falls in various commodity prices. Slower growth in imports is also expected, although they will continue to grow faster than exports (see table 4). The region's trade and current account imbalances will thus continue to increase (see tables 5 and A-17).

This situation might place certain countries in a vulnerable position if the international situation were to deteriorate. In particular, the fact that certain countries' imports consistently grow faster than their exports is making sustained output growth difficult: a persistent and growing current account deficit and growing external debt may not be sustainable.

Table 5
Current account balance as percentage of GDP
(On the basis of current values)

	1996	1997 [a]	1998 [b]
Argentina	-1.3	-3.0	-3.8
Bolivia	-6.2	-7.0	-8.6
Brazil	-3.3	-4.2	-3.7
Chile	-5.4	-5.3	-6.2
Colombia	-5.6	-4.7	-4.7
Costa Rica	-1.7	-4.0	-6.1
Ecuador	1.6	-2.8	-5.0
El Salvador	-1.7	-0.6	-2.3
Guatemala	-3.0	-3.0	-3.7
Honduras	-4.8	0.6	0.9
Mexico	-0.6	-1.8	-2.9
Nicaragua	-25.2	-17.4	-21.0
Panama	1.6	-3.7	-4.3
Paraguay	-6.9	-7.5	-8.6
Peru	-5.9	-4.7	-5.6
Dominican Rep.	-0.8	-1.0	-0.5
Uruguay	-1.6	-1.1	-1.2
Venezuela	13.1	5.9	2.8
TOTAL	-2.1	-3.0	-3.5

Source: ECLAC, Statistics and Economic Projections Division.
[a] Preliminary estimates.
[b] Projection.

3. Pending problems that influence regional prospects

A return to the macroeconomic conditions that prevailed before the crisis, with the costs being limited to those described above, depends upon a set of circumstances that are mostly beyond the control of Governments in the region. One positive factor is the strength of the North American and European Union economies. According to the latest projections,[25] the effects of the crisis are not expected to amount to more than between 0.2 and 0.4% of these countries' output. Their real income is expected to benefit from an improvement in their

[25] For the United States, Project LINK March 1998 projections point to growth of 2.7% this year (compared with 3.7% in 1997), an upward revision of forecasts made before the Asian crisis. IMF April 1998 projections are for 2.9% and OECD projections for growth 2.7%; before the Asian crisis, both institutions were forecasting slower expansion. Growth at the rate currently forecast is in line with that considered sustainable without overheating the economy. Any recessionary effects of the Asian crisis may be replacing measures to cool down the economy, since the rate of growth would in any case have had to have slowed down. For the European Union, Project LINK projections for 1998 indicate similar growth to that in 1997, around 2.5%, whereas OECD and IMF anticipate growth of 2.7% and 2.8% respectively. See *Project LINK March Meeting*, New York, 1998; OECD *Economic Outlook*, No. 63, Paris, April 1998, and IMF, *World Economic Outlook*, Washington, D.C., April 1998.

terms of trade, and lower prices for raw materials are expected to lower previous estimates of inflation. Reduced investment in the developing countries, with consequent redirection of flows or greater retention of funds in the developed countries, explains the fall in long-term interest rates.

The Asian situation stills presents great potential risks. Developments in Asia in the first quarter of 1998 are positive. Initial agreements on renegotiating their debts may help redress the lack of liquidity the countries affected by the crisis were facing at the beginning of the year, the exception being Indonesia, which has still not yet managed to stabilize its balance of payments. Stock markets in the region are gradually recovering and the market value of several Asian currencies has appreciated. Financial systems have made progress towards stabilization, although the persisting credit squeeze, high interest rates and adjustment programmes will prolong problems of internal demand and debt repayment capacity. The fact that China has not devalued its currency and does not seem disposed to do so should also contribute to greater stability in Asia. Nevertheless, the most recent forecasts for the Asian countries affected by the crisis are more pessimistic than those made initially.

The greatest risks appear to stem from the financial situation of Japan. The difficulties hanging over its financial system since the start of the 1990s have been aggravated by the crisis in East and South-East Asia.[26] Commercial banks have suffered capital losses (because of falls in the value of listed securities, among other reasons), in circumstances in which they are being required to meet the Basle Committee's capital-to-assets ratio. Faced with this situation, they are having to curb the supply of credit and to have recourse to government assistance. If these measures prove inadequate, it is not out of the question that the Japanese banks' difficulties may affect the international financial system (for example, through the massive sale of financial assets abroad, which would drive up international interest rates). The public assistance package for the banking system and promised more active implementation of fiscal policy should prevent prospects worsening and the economy contracting by more than the -0.5% currently forecast. A set of fiscal measures to stimulate the economy by reviving internal consumption was announced in April 1998.

In view of the fact that balance-of-payments adjustment is basically being achieved through a sharp cut-back in imports and the prospects for Japanese growth have deteriorated and may provoke a reduction in forecast imports, it is to be feared that a downswing in intra-Asian trade will provoke greater recessionary pressures than have been expected. In particular, there is a potentially dangerous risk for Latin America and the Caribbean that the affected countries will pursue an aggressive policy of exporting manufactures at reduced prices. In such a case, some sectors, especially labour-intensive goods, could be adversely affected by greater competition both in internal sales and in exporting to third markets. Such pressure could intensify if the Asian crisis were to lead to new competitive devaluations in

[26] Among transnational banks, Japanese banks are the principal lenders to countries in the region. In June 1997, they provided 55% of external bank credit received by Thailand and 39% of that received by Indonesia; for Malaysia and the Republic of Korea, the percentages were 36% and 23%, respectively. See Bank for International Settlements, op. cit.

that region. This could cause a fall in inflation in the developed countries which in extreme cases could be transformed into deflation.

Lastly, it is being debated how long the affected countries will take to pull out of the crisis and what their economic momentum will be in the medium and long term. Of course, these questions will not unduly affect economic performance forecasts for 1998, but the speed and extent of the Asian economies' recovery will play an important role on certain markets that are significant for Latin America, and will be important elements in international forecasts for the medium and long term.

One market with an uncertain future that has a strong influence (albeit varying in nature and intensity) on countries in our region is the oil market. Asian recovery could strengthen demand, but a more crucial factor appears to be the trend in supply from the oil-exporting countries (whether members of OPEC or not). The behaviour of the principal Latin American exporters in this respect will have a direct effect on their economic growth, depending on the share of the oil industry in overall output.

III. LESSONS OF THE ASIAN CRISIS FOR LATIN AMERICA

An examination of the origins and magnitude of the Asian crisis and of the mechanisms through which its effects are being transmitted to Latin America reveals the nature and inherent danger of current international movements of capital. Several lessons can be drawn concerning the need to strengthen the capacity of the countries of our region to respond. Some proposals as to criteria and policies that might be adopted are set out below. Although interrelated, for the purposes of analysis they are separated into national and international categories.

1. National aspects

The diverse origins of the Asian crisis reflect the growing number of factors that increase countries' external vulnerability in the current international context. The three sets of factors involved are macroeconomic, institutional and those relating to production structure and competitiveness. Assigning responsibility to any one of them in isolation is generally not a sufficient explanation of vulnerability, and does not take into account the interrelationship between the various factors. By way of example, it was not in itself the weakness of the banking system that led to the crisis; this weakness coincided with strong growth and stable prices and reserves until the balance-of-payments capital account was liberalized and short-term foreign capital flooded in. All the same, financial openness would cause fewer problems if there were a well-regulated banking system and if macroeconomic policies were governed by medium- and long-term criteria. The combination of large balance-of-payments deficits, loss of confidence in export potential and competitiveness, and high-risk local bank portfolios created a climate of distrust, the effect of which was far greater than that of any one of these factors taken separately. In short, an important lesson to be learned from the Asian experience is that macroeconomic, institutional and competitiveness policies should be coordinated and should be consistent.

In the macroeconomic area, there is a need to examine the policies that preceded the crises. In both the Asian and the Latin American cases, policy management in periods of expansion had a considerable influence on subsequent difficulties. Beginning in the 1970s, countries in our region had to confront abrupt changes in external capital flows, in addition to the usual fluctuations in commodity export earnings. This accentuated outside influences on the sharp changes in output levels characteristic of most developing countries. There were thus successive periods of expansion and contraction, the contraction of the 1980s attaining the level of a prolonged crisis.

In the periods of expansion, external flows were channelled into a rapid expansion of public and private spending, with the encouragement of creditors. The external flows led many agents into overindebtedness, which prompted foreign banks to withdraw their loans abruptly in subsequent periods. When the flow of external capital was re-established at the beginning of the 1990s, several countries adopted policies to differentiate between different types of capital and to guard against inflows leading to situations of overindebtedness during periods of expansion. Nevertheless, the crisis that affected Mexico at the end of 1994 showed that not every country implemented policies capable of preventing such situations.

It would therefore seem desirable to adopt fiscal and monetary policies designed to even out spending over time. During periods of expansion, it is possible to exercise greater selectivity with regard to kinds and amounts of capital flows and to levy temporary taxes to discourage private spending. Such measures can act as a brake on the private spending boom in periods when there is a surge in external inflows, and vice versa. Moreover, instead of setting fiscal goals on the basis of the current deficit, policy makers might use a structural deficit indicator, as OECD countries do. This approach preferably entails sterilizing the transitory tax revenues characteristic of expansionary periods and setting up stabilization funds to manage the less stable types of fiscal revenues. Many countries may also find it beneficial to offset short-term trends in private spending (both expansionary and contractionary) in whole or in part through compensatory changes in public expenditure or revenue.

The application in practice of these fiscal policy criteria in the face of abrupt fluctuations in inflows calls for different efforts on the part of the countries of the region, depending on their stage of growth and reform. Those countries that have initiated sustainable growth and have made progress with reforms will be able to apply the proposed criteria more easily. Other countries are confronted by more serious problems which require additional efforts. The latter countries will need to increase investment considerably in order to overcome relative stagnation or very slow growth, redress social lags that seriously compromise equality of opportunity and the productive potential of human capital, and finance reforms that can be very costly, such as reform of the banking system, social security and the health and education sectors. In this context, advantage can be taken of periods of expansion to carry out spending programmes that can eliminate bottlenecks in the economy, thus overcoming stagnation. This requires, however, that programmes be put in place to ensure the efficient use of increased fiscal revenues and access to external credit and to prevent the effects of greater expenditure from overwhelming the economy's capacity to respond in a non-inflationary way.

In macroeconomic management, short-term approaches must be replaced by a vision for the medium or long term. As the Asian crisis has shown, in order to assess the dynamic equilibrium of the balance of payments, trends in four areas must be examined jointly: exports, imports, foreign capital and reserves. When changes in the evolution of any of these variables give rise to a significant deficit in the balance-of-payments current account, it is vital to be able to assess the sustainability of that deficit. A relevant example is that of imports growing faster than exports, systematically sustained by the inflow of capital —this proved to be the prelude to crisis in both Latin America and Asia. The internal counterpart of this disequilibrium relates to the evolution of public and private spending and the behaviour of the banking sector. In this and other cases, vulnerability, and especially the opinion in that regard formed by important external agents, is linked to the level and fluctuation of reserves. In addition, any assessment concerning the entry of capital must take into consideration the purposes for which such capital is intended, and in particular whether it is being invested in export sectors or is strengthening competitiveness in the production of tradable goods.

With respect to monetary policy, measures can be introduced to give it greater autonomy. One such measure is the use of mechanisms to discourage excessive inflows of short-term capital, such as the reserve requirements imposed in Colombia and Chile, and variable taxes on financial movements in Brazil. There is growing consensus that, despite their flaws, such mechanisms play a positive role in discouraging excessive inflows and decreasing the proportion of short-term flows.[27] The latter action, in particular, makes a country less vulnerable to exchange crises. Discouraging excessive capital inflows, moreover, helps lessen pressure to strengthen the value of the national currency excessively; this in turn helps to maintain export competitiveness and dynamism and to control the size of the balance-of-payments current account deficit.

In the institutional sphere, Latin America have made progress towards correcting an extremely weak banking situation, the legacy of the 1980s and 1994-1995 crises, and the lack of prudential control. In several countries, Brazil for example, this has involved reform of the State banks and intervention in some private banks. Other countries, such as Argentina, have preferred to consolidate and recapitalize the banking system, allowing for a higher proportion of foreign banks. And, in general, there has been increasing awareness of the need to ensure that bank portfolios do not present serious risks of insolvency.

Nevertheless, much still remains to be achieved. These reforms now require new capital investment and, in many cases, public resources. To be successful, the policies need to be backed by appropriate legislation and budgetary resources. There is wide consensus concerning the need to strengthen prudential control of banks. Among other measures, a much higher capital-to-assets ratio should be required for banks than is recommended by the Basle Committee, since currency crises in Latin American countries can be particularly detrimental to bank assets. In any case, as the Asian crisis again demonstrates, in the developing countries, financial openness should be strictly conditional upon the prior existence of strong prudential regulation.

The policies that are established in this area must coincide with a medium- and long-term macroeconomic vision. Prudential policy, and especially the rating of bank

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[27] See ECLAC, *América Latina y el Caribe: Políticas para mejorar la inserción en la economía mundial*, Santiago, Chile, ECLAC/Fondo de Cultura Económica, 1998, Parte tercera; Ricardo Ffrench-Davis and Helmut Reisen (eds.), *Flujos de capital e inversión productiva: lecciones para América Latina*, Santiago, Chile, McGraw-Hill, ECLAC and OECD, 1997; Guillermo Perry and Daniel Lederman, *Financial Vulnerability, Spillover Effects and Contagion: Lessons from the Asian Crises for Latin America*, World Bank, Washington D.C., 3 March 1998, p. 18.

portfolios, should be based on relative prices that are not limited to current prices, since the latter can be influenced by cyclical factors, such as the inflow of short-term external credits.

With respect to changing production patterns and competitiveness, study of the crisis and prospects in Asia is of special interest for our region. It reveals the rapid changes in international goods and non-financial services markets and permits an evaluation of Latin American external trade from that standpoint. For example, the entry of countries like China and India into the market for certain manufactured products can seriously affect prices and limit small countries' chances for market access, because of the huge production potential of continent-sized countries. On the other hand, the sharp fall in prices on semi conductor markets is an example of how manufactured goods can be subject to price fluctuations that used to be considered more typical of raw materials.

Hence, the environment created by the Asian crisis underscores the need for the countries of Latin America and the Caribbean to continue promoting export diversification. The expansion and diversification of exports so far achieved by a number of countries in our region cannot be considered self-sustaining. Continuous monitoring of competitiveness and of the evolution of external markets, including their possible saturation, is essential.

2. International aspects

As far as international financial arrangements are concerned, the most recent crises have brought out two problems: the major flaws in the international capital market and the great vulnerability of developing economies to shocks emanating from this market. With respect to the first of these phenomena, it has to be said that, if lack of adequate prudential regulation of their internal financial markets has been evident in the majority of the Asian countries affected by the crisis, the absence of appropriate international institutions to manage such a sophisticated but unstable financial market has been an even more damaging factor. The successive waves of excessive expansion followed by financial panic show that the market tends to grow and then contract much further than the fundamentals of the economies would warrant.

A common factor in the recent crises has been the great volatility of the most rapidly growing segment of international financial markets. The causes of this volatility are partly to do with the nature of money. But they are also related to inadequacies in macroeconomic coordination among the countries that have most influence in world markets and to the limitations of the international institutions in the areas of regulation, policy coordination and information at the global level. These inadequacies are not compatible with a balanced and efficient globalization process. No international institution exists that helps prevent unsustainable financial booms developing, and the International Monetary Fund only has limited capacity to manage the subsequent crises.

For their part, the rating agencies, which play a role on this front, tend to heighten these trends rather than to moderate them, as a recent OECD Development Centre study[28] shows. These agencies, like financial traders, play a very useful microeconomic role in development. They have also, however, perhaps without meaning to, played a role that has macroeconomic effects. Through their ratings (in the case of agencies) and with their expectations widely published in the economic press (in the case of financial traders), they have helped to strengthen financial flows towards "winner" countries, with the resulting continued rise in the price of financial and real estate assets and marked currency appreciation in the recipient markets. Regardless of the quality of prudential supervision of those markets, such macroeconomic signals help prolong a process that appears to be very efficient and sustainable (with good profits and loan collateral supported by the high prices of assets and the low prices of liabilities in dollars), but which in reality generates bubbles that, sooner or later, burst. At that point, all these signals, including the risk ratings, are reversed, accentuating the slide and deepening the crisis.

In theory, the countries that receive funds have a certain leeway to define their national policies regarding capital flows. They can passively allow external capital to be transmitted to their internal markets, or they can attempt to moderate or graduate the flows over time, to alter the composition of the flows and soften their effects on the exchange rate and aggregate demand. The predominant practice has been for recipient countries to be urged to adopt, and praised for adopting, a policy of accepting all the resources offered to them at the stage when capital inflows are increasing. With the pressures to open up the capital account, these countries are pushed into the disequilibrium which then provokes the crisis. The recriminations for having become excessively indebted come later, during the periods of massive outflow. There is an obvious contradiction between these two attitudes. There is also a contradiction in the fact that more energy is spent resolving crises than preventing them.

It is a good time then to rethink international financial arrangements, but not a good time to contemplate further liberalization of the financial market, a topic now being debated in connection with changing the By-Laws of the International Monetary Fund to give it a mandate with respect to capital account convertibility. The lessons of the Mexican crisis seem to be being overlooked surprisingly fast and the costly adjustments in the wake of the crashes caused by financial imbalances regarded with far too much complacency.

The existence of major imperfections in international capital markets clearly justifies considerable expansion of International Monetary Fund resources, to ensure that, in collaboration with other institutions and Governments, it can reduce the harmful effects of large-scale exchange rate and financial crises in individual countries and prevent the contagion from spreading to other emerging economies.

Moreover, steps should be taken to avoid the existence and activities of the International Monetary Fund leading to the problem of "moral hazard" —that is, international private investors and lenders taking on excessive risks, knowing that they will be rescued if the situation becomes critical. In the event of a crisis, private lenders should do

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[28] "Emerging Market Risk and Sovereign Credit Ratings", Technical papers, No. 124, OECD Development Centre, Paris, April 1997.

their part to overcome it by rolling over loans as they become due without demanding higher interest or government guarantees, so that the resources of international financial institutions and Governments can be devoted to financing the recovery of economies in crisis, rather than to paying off prior debts. Of course, the ideal is to prevent such situations from occurring, by taking action at the international level during periods of excessive optimism, in order to moderate the cycle of capital flows to emerging economies and thus ensure that such flows are more sustainable.

For this reason, it is important to improve and above all complete international prudential supervision arrangements. There appear to be two topics that require priority attention. First, it seems essential to improve the existing prudential supervision and regulation of short-term international credit in the developed countries. Second, some degree of prudential regulation of the portfolio investments of institutional investors, such as mutual funds, would also appear to be vital. There is a parallel here with the prudential measures of the central banks of developed countries, whereby provisions weighted by risk are required to balance possible losses resulting from bank loans to developing countries. The prudential requirements for institutional investors would follow the same principle, but would be duly adapted to the institutional characteristics of the mutual funds.

The prudential supervision of international credit and capital markets could be complemented with an international tax measure. A small tax at the global level on all foreign currency transactions would act as a relatively strong disincentive to very short-term speculative flows (which would involve frequent payments), and would have a very marginal impact on long-term flows. Such a tax would increase somewhat the autonomy of national economic authorities in making monetary policy. Moreover, by cutting back the more volatile flows, it would help emerging economies' exchange rates to reflect long-term fundamental variables to a greater degree, and to a lesser degree marked changes in short-term perceptions of risks or profitability.

STATISTICAL ANNEX

Table A-1

ECONOMIES OF EAST AND SOUTH-EAST ASIA: SELECTED ECONOMIC INDICATORS

	ANNUAL CHANGE IN GROSS DOMESTIC PRODUCT *(In percentages)*			ANNUAL CHANGE IN EXPORTS, IN CURRENT VALUES *(In percentages)*			ANNUAL CHANGE IN IMPORTS, IN CURRENT VALUES *(In percentages)*			CURRENT ACCOUNT BALANCE *(As percentage of GDP)*		
	1996	1997	1998 a/	1996	1997	1998 a/	1996	1997	1998 a/	1996	1997	1998 a/
China	9.6	8.5	7.0	17.9	21.0	5.0	19.5	2.3	13.8	1.5	4.4	1.3
Rep. of Korea	7.1	5.7	-2.0	4.1	7.2	5.1	12.2	-2.3	-8.2	-4.8	-2.0	3.6
Philippines	5.7	5.1	2.4	16.5	22.8	20.7	20.5	12.0	9.4	-4.0	-3.2	-3.0
Hong Kong (China)	5.0	5.4	3.0	4.0	4.0	4.3	3.0	5.0	4.2	-1.7	-4.1	-4.5
Indonesia	8.0	4.6	-3.5	9.7	8.3	3.3	5.7	-7.1	-11.2	-3.0	-0.5	0.3
Malaysia	8.6	7.3	2.0	6.0	4.5	-15.1	1.0	5.1	-16.4	-4.6	-4.3	0.2
Singapore	6.9	7.3	3.0	6.4	-4.7	-0.7	5.4	-5.0	0.0	16.2	16.1	12.9
Thailand	5.5	0.6	-2.5	-1.9	3.8	7.1	0.8	-13.4	-7.9	-8.0	-1.8	1.4
Taiwan (China)	5.7	6.2	4.0	3.6	8.1	1.5	-0.5	8.7	3.1	4.0	2.3	2.8

a/ Projected.

	ANNUAL INFLATION RATE (CPI) *(In percentages)*			ANNUAL CHANGE IN EXCHANGE RATE *(In percentages)*			CHANGE IN STOCK MARKET INDEX DURING THE PERIOD *(In percentages)*			
	1996	1997	1998 a/	1996	1997	1998 a/	3-97/9-97	9-97/12-97	12-97/3-98	INDEX
China	8.4	2.8	3.3	-0.4	-0.3	0.0	...	...	...	
Rep. of Korea	5.0	4.4	10.4	4.3	18.3	64.0	-5.9	-40.6	36.8	COMPOSITE
Philippines	8.4	7.2	9.9	1.6	12.4	37.9	-93.8	-5.0	21.1	COMPOSITE
Hong Kong (China)	6.0	5.8	4.3	0.0	0.1	0.0	26.7	-28.9	9.3	HANG SENG
Indonesia	8.0	6.5	8.0	4.2	24.5	156.5	-23.1	-20.0	25.0	COMPOSITE
Malaysia	3.6	2.7	1.0	0.5	11.8	22.7	-33.3	-25.0	20.8	COMPOSITE
Singapore	1.3	2.0	1.7	-0.5	5.3	6.7	-3.9	-22.4	10.5	STRAITS
Thailand	5.9	6.2	16.8	1.7	23.8	46.8	-20.0	-35.7	44.4	S.E.T.
Taiwan (China)	...	-0.4	5.4 b/	3.8	3.3	14.4	8.1	-0.6	9.8	WEIGHTED

a/ Projected. b/ Corresponds to the variation in the wholesale price index.

Source: *Project LINK, World Outlook*, New York, March 1998; Malcolm Dowling, *The Asian Currency and Economic Crisis - Macroeconomic Performance and Policy*, paper presented at the meeting of Project LINK, United Nations, New York, March 1998.

Table A-2

SELECTED INDICATORS OF THE ECONOMIES OF EAST AND SOUTH-EAST ASIA

		1985	1990	1992	1993	1994	1995	1996
Rep. of Korea	General govt. current balance a/	2.7	4.7	2.4	4.0	5.2	2.7	n.d.
	Current account balance a/	-0.9	-0.9	-1.5	0.1	-1.2	-2.0	-4.9
	Gross domestic saving a/	33.5	36.2	35.2	35.4	35.7	36.8	35.2
	Gross domestic investment a/	29.6	36.9	36.6	35.1	36.1	37.0	38.2
	International reserves b/	2881	14809	17137	20244	25656	32696	33771
	Share of manufacturing output c/	25.3	29.2	29.1	28.9	29.4	30.0	30.0
Philippines	Central govt. current balance a/	2.4	-0.3	1.8	2.1	2.8	3.3	3.5
	Current account balance a/	-0.3	-5.8	-1.6	-5.5	-4.6	-4.4	-4.3
	Gross domestic saving a/	18.8	18.7	14.9	13.8	14.9	14.6	15.7
	Gross domestic investment a/	14.3	24.2	21.3	24.0	24.1	22.2	24.9
	International reserves b/	672	3414	4538	4831	6165	6558	10179
	Share of manufacturing output c/	25.2	25.5	25.0	24.7	24.8	25.3	25.3
Hong Kong (China)	Central govt. current balance a/	2.9	3.8	5.1	5.6	4.3	2.8	2.3
	Trade balance a/	10.1	8.8	5.7	7.6	1.3	-3.4	-1.0
	Gross domestic saving a/	33.2	37.3	36.0	37.4	35.2	30.4	30.3
	Gross domestic investment a/	23.1	28.5	30.3	29.8	33.9	33.8	31.3
	International reserves b/	n.d.	28807	35174	42987	49253	55399	63277
	Share of manufacturing output c/	22.1	17.6	13.6	11.2	9.2	8.1	n.d.
Indonesia	Central govt. current balance a/	7.5	7.8	8.2	7.9	8.0	6.6	6.7
	Current general govt. results d/	n.d.	1.3	-1.2	-0.7	0.0	0.8	1.4
	Current account balance a/	-2.2	-2.6	-2.0	-1.3	-1.6	-3.6	-3.3
	Gross domestic saving a/	29.8	32.3	35.3	35.3	35.3	35.2	34.0
	Gross domestic investment a/	28.0	30.7	32.4	33.2	34.0	37.2	32.7
	International reserves b/	5093	7614	10599	11412	12291	13869	18254
	Industry as % of GDP (constant prices)	15.8	20.6	21.5	22.3	23.3	23.9	n.d.
Malaysia	Central govt. current balance a/	3.0	3.9	4.8	5.7	7.6	6.6	5.8
	Current account results a/	-2.0	-2.1	-3.8	-4.7	-6.4	-8.5	-5.3
	Gross domestic saving a/	32.7	33.4	37.1	35.9	38.8	39.5	41.7
	Gross domestic investment a/	27.6	30.4	35.1	37.8	40.4	43.2	43.0
	International reserves b/	5002	9871	17343	27365	25545	23898	26904
	Share of manufacturing output c/	19.7	26.9	28.9	30.1	31.6	33.1	34.5
Singapore	Central govt. current balance a/	7.4	10.3	11.4	13.6	8.9	4.7	n.d.
	Current account results a/	0.0	8.5	11.3	7.5	17.1	16.9	15.0
	Gross domestic saving a/	40.6	45.6	46.6	47.0	49.7	50.8	50.5
	Gross domestic investment a/	42.5	36.0	36.0	37.7	32.7	33.1	35.1
	International reserves b/	12846	27750	39885	48362	58178	68696	76208
	Share of manufacturing output c/	23.6	28.4	27.1	26.9	27.5	27.8	26.9
Thailand	Central govt. current balance a/	-0.6	7.4	6.5	6.9	8.3	8.3	7.4
	Current account balance a/	-3.9	-8.4	-5.5	-4.9	-5.4	-7.9	-7.8
	Gross domestic saving a/	24.8	35.0	35.9	35.6	35.2	36.2	35.9
	Gross domestic investment a/	28.2	41.3	40.0	40.4	41.0	43.3	42.8
	International reserves b/	2286	13429	20478	24593	59459	36112	37541
	Share of manufacturing output c/	22.5	27.8	29.5	30.3	30.4	32.2	32.6
Taiwan (China)	General govt. current balance a/	1.9	3.0	-0.2	0.8	0.9	0.8	-0.2
	Current account balance a/	14.8	6.8	3.9	3.0	2.5	1.9	3.8
	Gross domestic saving a/	32.9	28.1	27.0	27.0	25.8	25.6	25.2
	Gross domestic investment a/	19.2	23.1	24.9	25.2	23.9	23.7	21.4
	International reserves b/	22748	73117	82958	84228	93150	91017	87983
	Share of manufacturing output c/	37.1	33.6	32.2	31.1	30.8	30.8	30.5

Source: Based on Asian Development Bank figures, except where indicated otherwise.
a/ Percentage of GDP, at current values.
b/ In millions of dollars, at current values. **Source**: IMF, *International Financial Statistics*, Washington, D.C., various issues.
c/ Percentage of GDP, at constant values.
d/ **Source**: IMF, *World Economic Outlook*, Washington, D.C., December 1997.

Table A-3

TRENDS IN DOMESTIC LENDING BY BANKS IN ECONOMIES OF EAST AND SOUTH-EAST ASIA a/

		1985	1990	1992	1993	1994	1995	1996
Rep. of Korea	Lending as a percentage of GDP	51.9	54.0	54.9	55.5	57.4	56.9	58.3
	Real lending, 1985 = 100 b/	100.0	167.8	195.7	209.1	235.1	254.3	278.3
Philippines	Lending as a percentage of GDP	34.6	24.8	20.5	46.3	48.5	56.9	68.8
	Real lending, 1985 = 100 b/	100.0	90.3	74.4	171.5	187.7	230.5	294.3
Hong Kong (China)	Deposits as a percentage of GDP	147.1	209.6	200.3	204.5	190.9	198.0	198.9
	Real deposits, 1985 = 100 b/	100.0	209.7	219.0	233.6	233.6	275.9	290.3
Indonesia	Lending as a percentage of GDP	14.4	44.2	44.8	48.2	50.2	51.5	54.2
	Real lending, 1985 = 100 b/	100.0	447.9	529.4	611.9	683.0	759.9	861.7
Malaysia	Lending as a percentage of GDP	67.4	78.7	76.9	78.6	76.1	84.9	93.3
	Real lending, 1985 = 100 b/	100.0	162.4	185.9	206.2	218.3	266.0	315.8
Singapore	Lending as a percentage of GDP	111.3	100.7	103.3	100.3	98.9	105.7	111.1
	Real lending, 1985 = 100 b/	100.0	135.5	184.5	197.7	215.5	250.3	281.7
Thailand	Lending as a percentage of GDP	66.1	70.1	73.8	80.9	91.7	97.4	99.3
	Real lending, 1985 = 100 a/	100.0	173.4	214.1	254.0	313.1	361.7	393.6
Taiwan (China)	Lending as a percentage of GDP	74.9	103.5	135.5	147.6	158.4	162.1	159.9
	Real lending, 1985 = 100 b/	100.0	213.9	321.9	372.4	426.1	462.4	481.8

Source: Based on Asian Development Bank figures.

a/ For Hong Kong (China), deposits are indicated, no lending figures being available.

b/ The real values of balances were estimated using each country's GDP deflator.

Table A-4

FOREIGN BANK LOANS TO SIX ASIAN ECONOMIES
June 1992-June 1997

	Total credit balances (in millions of dollars)			Lending for less than one year (in percentages of the total)		
	June-92	June-94	June-97	June-92	June-94	June-97
Rep. of Korea	36889	48068	103432	70.6	72.6	67.9
Philippines	7114	5926	14115	40.3	44.7	58.8
Indonesia	27610	30902	58726	57.2	60.9	59.0
Malaysia	7722	13874	28820	41.0	59.1	56.4
Thailand	21372	36542	69382	68.6	74.3	65.7
Taiwan (China)	14559	18362	25163	93.0	92.7	87.3

	Banking sector borrowing (in percentages of the total)			Non-banking private sector borrowing (in percentages of the total)		
	June-92	June-94	June-97	June-92	June-94	June-97
Rep. of Korea	59.9	66.4	65.1	29.7	25.7	30.6
Philippines	23.2	19.2	38.9	20.8	34.3	48.0
Indonesia	19.7	23.2	21.1	55.4	56.5	67.7
Malaysia	29.7	36.3	36.4	25.3	43.0	57.1
Thailand	26.5	32.8	37.6	60.7	60.0	59.5
Taiwan (China)	59.6	67.1	61.6	35.4	29.1	36.8

Source: Based on Bank for International Settlements, *The Maturity and Sectoral Distribution of International Bank Lendings*, Basle, various issues.

Table A-5

ECONOMIES WITH THE FASTEST TRADE GROWTH IN CURRENT DOLLARS a/

(Annual averages for the period 1990-1996)

Exporting countries	Percentage growth in exports	Importing countries	Percentage growth in imports
Malaysia	18	Argentina	34
Philippines	17	Poland	22
China	16	Malaysia	18
Thailand	16	Philippines	18
Singapore	15	China	17
Mexico	15	Brazil	17
Ireland	13	Colombia	16
Kuwait	12	United Arab Emirates	15
Rep. of Korea	12	Chile	15
Indonesia	12	Mexico	14
Argentina	12	Singapore	14
India	11	Rep. of Korea	14
Spain	11	Thailand	13
		Indonesia	12
		Turkey	11
		Israel	11
		Taiwan (China)	11

Source: World Trade Organization.

a/ Countries whose exports or imports exceeded US$ 10 billion in 1996 and grew at a rate at least one and a half times the world average figure of 7% during the period 1990-1996.

Table A-6

EXPORTS FROM LATIN AMERICA TO THE ASIA AND PACIFIC REGION, 1996

(In thousands of dollars and percentages)

DESTINATION	Argentina		Bolivia		Brazil		Chile		Colombia		Ecuador	
	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%
EAST AND SOUTH-EAST ASIA	**1424230**	**6.0**	**2919**	**0.3**	**3246919**	**6.8**	**2177568**	**14.1**	**80723**	**0.7**	**344565**	**7.0**
Rep. of Korea	204001	0.9	550	0.1	838436	1.8	892210	5.8	30568	0.3	314421	6.4
Philippines	64878	0.3	...	...	322120	0.7	103211	0.7	1770	0.0	2432	0.0
Indonesia	222439	0.9	25	0.0	290744	0.6	147478	1.0	2738	0.0	224	0.0
Malaysia	303147	1.3	2169	0.2	233225	0.5	69584	0.5	2318	0.0	742	0.0
Singapore	43598	0.2	...	...	333121	0.7	88056	0.6	10801	0.1	115	0.0
Thailand	144803	0.6	16	0.0	395594	0.8	119016	0.8	6322	0.1	759	0.0
Taiwan (China)	225441	0.9	157	0.0	400968	0.8	652634	4.2	6716	0.1	22178	0.5
Hong Kong (China)	215923	0.9	2	0.0	432711	0.9	105379	0.7	19490	0.2	3694	0.1
Japan	**512457**	**2.2**	**3786**	**0.3**	**3047112**	**6.4**	**2530559**	**16.4**	**372441**	**3.3**	**138699**	**2.8**
SOUTH-EAST ASIA+Japan	**1936687**	**8.1**	**6705**	**0.6**	**6294031**	**13.2**	**4708127**	**30.6**	**453164**	**4.1**	**483264**	**9.9**
OTHER ASIAN COUNTRIES	**1146865**	**4.8**	**282**	**0.0**	**1883944**	**3.9**	**584831**	**3.8**	**28699**	**0.3**	**74466**	**1.5**
Bangladesh	72160	0.3	...	...	61953	0.1	7360	0.0	1	0.0	5	0.0
China	607449	2.6	274	0.0	1113819	2.3	372931	2.4	6987	0.1	67121	1.4
India	183327	0.8	6	0.0	184908	0.4	99161	0.6	1403	0.0	3646	0.1
Pakistan	68006	0.3	...	...	90553	0.2		0.0	818	0.0	...	...
OTHER COUNTRIES	**20725778**	**87.0**	**1079949**	**99.4**	**39567246**	**82.9**	**10113598**	**65.6**	**10700279**	**95.7**	**4331964**	**88.6**
TOTAL EXPORTS	**23809330**	**100.0**	**1086936**	**100.0**	**47745221**	**100.0**	**15406556**	**100.0**	**11182142**	**100.0**	**4889694**	**100.0**

DESTINATION	Mexico		Paraguay		Peru		Uruguay		Venezuela		CACM	
	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%
EAST AND SOUTH-EAST ASIA	**1000251**	**1.0**	**24983**	**2.4**	**536706**	**9.2**	**127815**	**5.3**	**63121**	**0.3**	**78437**	**1.1**
Rep. of Korea	191902	0.2	846	0.1	145133	2.5	11149	0.5	22868	0.1	18553	0.2
Philippines	14063	0.0	188	0.0	31972	0.5	296	0.0	457	0.0	1160	0.0
Indonesia	15663	0.0	241	0.0	29983	0.5	2942	0.1	870	0.0	698	0.0
Malaysia	17478	0.0	3	0.0	73747	1.3	12552	0.5	1439	0.0	320	0.0
Singapore	234232	0.2	...	...	10957	0.2	3763	0.2	8742	0.0	10454	0.1
Thailand	54895	0.1	2254	0.2	34943	0.6	1081	0.0	3414	0.0	315	0.0
Taiwan (China)	41020	0.0	19019	1.8	155380	2.7	6832	0.3	20420	0.1	4566	0.1
Hong Kong (China)	430998	0.5	2432	0.2	54591	0.9	89200	3.7	4911	0.0	42371	0.6
Japan	**1355646**	**1.4**	**691**	**0.1**	**388005**	**6.6**	**24908**	**1.0**	**144809**	**0.6**	**110879**	**1.5**
SOUTH-EAST ASIA+Japan	**2355897**	**2.5**	**25674**	**2.5**	**924711**	**15.8**	**152723**	**6.4**	**207930**	**0.9**	**189316**	**2.5**
OTHER ASIAN COUNTRIES	**62218**	**0.1**	**114**	**0.0**	**438181**	**7.5**	**118799**	**5.0**	**3004**	**0.0**	**3770**	**0.1**
Bangladesh	292	0.0	...	...	859	0.0	...	...	8	0.0	237	0.0
China	38205	0.0	...	...	419383	7.2	116341	4.9	755	0.0	924	0.0
India	20769	0.0	114	0.0	14962	0.3	2230	0.1	2146	0.0	2382	0.0
Pakistan	2952	0.0	...	...	2977	0.1	228	0.0	95	0.0	227	0.0
OTHER COUNTRIES	**93039785**	**97.5**	**1017219**	**97.5**	**4627225**	**79.3**	**2132720**	**89.0**	**22483745**	**99.2**	**7253846**	**97.5**
TOTAL EXPORTS	**95457900**	**100.0**	**1043007**	**100.0**	**5834737**	**100.0**	**2397410**	**100.0**	**22674259**	**100.0**	**7442366**	**100.0**

Source: ECLAC, based on figures from International Monetary Fund, *Direction of Trade Statistics*.

Table A-7

SHARE OF ASIAN ECONOMIES IN WORLD IMPORTS OF SELECTED PRODUCT GROUPS

(As a percentage of the world total)

1995	Food	Agricultural raw materials	Fuel	Minerals and metals	Manufacture	Total imports	Cereals	Fertil-izers	Petroleum	Textiles (inc. fibres)	Metals and metal manufactures
Japan	11.7	12.4	14.1	11.6	4.7	6.5	9.0	3.1	14.0	7.4	5.2
China	2.0	4.6	1.4	3.0	2.7	2.6	6.3	17.4	1.1	4.5	2.8
Rep. of Korea	1.6	4.8	5.0	4.5	2.3	2.6	3.4	1.2	5.1	1.9	3.3
Philippines	0.5	0.4	0.7	0.5	0.4	0.6	1.2	1.3	1.0	0.4	0.6
Hong Kong (China)	2.3	2.2	1.0	2.1	4.4	3.8	1.0	0.0	1.6	8.6	2.5
Indonesia	0.8	1.7	0.8	0.9	0.8	0.8	2.6	0.8	0.6	0.7	1.0
Malaysia	0.8	0.6	0.5	1.3	1.7	1.5	1.5	1.8	0.1	0.6	1.6
Singapore	1.2	0.7	2.6	1.5	2.7	2.4	0.6	0.0	3.0	1.1	1.9
Thailand	0.6	1.9	1.3	1.2	1.5	1.4	0.6	3.0	1.4	0.7	2.4
Taiwan (China)	1.2	2.8	1.9	3.3	2.0	2.0	2.4	0.5	1.8	1.0	3.2
Regional total	22.8	32.2	29.1	30.0	23.2	24.0	28.5	29.1	29.7	26.8	24.5
East and South-East Asia a/	9.0	15.2	13.7	15.4	15.8	14.9	13.3	8.6	14.6	14.9	16.6
World total	*100.0*	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

a/ Hong Kong (China), Indonesia, Malaysia, Republic of Korea, Singapore, Taiwan (China), Thailand.

Source: Based on UNCTAD, *Handbook of International Trade and Development Statistics, 1995*, Geneva, 1997.

Table A-8

STRUCTURE OF ASIAN AND LATIN AMERICAN EXPORTS BY PRODUCT AND DESTINATION

1995

(In percentages)

	WORLD	LATIN AMERICA AN THE CARIBBEAN	EUROPEAN UNION	UNITED STATES	JAPAN	EAST AND SOUTH -EAST ASIA
LATIN AMERICA AND THE CARIBBEAN a/						
Total exports (in millions of dollars)	215234	42028	34710	99448	8713	12121
Food	21.9	19.2	42.3	11.5	28.9	29.4
Agricultural raw materials	3.7	2.8	6.7	2.1	9.7	8.0
Metals and minerals	8.7	5.6	15.8	3.6	41.0	22.2
Fuel	14.5	15.7	7.5	18.6	5.5	3.2
Manufactures	49.5	56.2	24.5	63.1	14.9	36.9
Product total b/	100.0	100.0	100.0	100.0	100.0	100.0
EAST AND SOUTH-EAST ASIA c/						
Total exports (in millions of dollars)	789722	18133	107268	147315	117548	304543
Food	8.3	3.4	6.8	3.8	15.0	6.5
Agricultural raw materials	3.1	2.6	3.7	1.6	4.2	3.3
Metals and minerals	3.0	0.3	1.7	0.4	5.4	3.6
Fuel	5.5	2.1	1.3	1.1	12.8	6.5
Manufactures	77.5	88.4	83.7	90.3	59.2	76.3
Product total b/	100.0	100.0	100.0	100.0	100.0	100.0

Source: ECLAC, on the basis of official figures.

a/ Includes the following 32 countries: Antigua and Barbuda, Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, Uruguay and Venezuela.

b/ The sum of the parts may not add up to 100, since some products are excluded.

c/ Includes the following 11 countries or areas: Australia, China, Hong Kong (China), Indonesia, Malaysia, New Zealand, Philippines, Republic of Korea, Singapore, Taiwan (China) and Thailand.

Table A-9

ASIAN, LATIN AMERICAN AND CARIBBEAN EXPORTS TO OECD COUNTRIES, 1995

(10 main products in descending order of importance)

LATIN AMERICA AND THE CARIBBEAN a/

1	Petroleum oils, crude, and crude oils obtained from bituminous minerals	
2	Coffee and coffee substitutes	
3	Fruits and nuts (not including oil nuts), fresh or dried	
4	Motor cars and other motor vehicles principally designed for the transport of persons	
5	Feeding stuff for animals (not including unmilled cereals)	
6	Petroleum oils and oils obtained from bituminous minerals (other than crude)	
7	Motor vehicle parts and accessories	
8	Equipment for distributing electricity	
9	Ores and concentrates of base metals	
10	Special transactions and commodities not classified according to kind	
	Total of the 10 main products as a percentage of total exports to OECD countries	37%

ASIAN COUNTRIES b/

1	Automatic data processing machines and units thereof	
2	Thermionic, cold cathode or photo-cathode valves and tubes	
3	Parts and accessories (other than covers, carrying cases and the like) suitable for use solely or principally with office machines or automatic data processing machines	
4	Baby carriages, toys, games and sporting goods	
5	Other garments, women's, girls' and infants', of textile fabrics, other than knitted or crocheted	
6	Outer garments and clothing accessories, knitted or crocheted, not elastic nor rubberized	
7	Footwear	
8	Telecommunications equipment and parts and accessories for telecommunications and sound reproducing apparatus and equipment	
9	Radio-broadcast receivers	
10	Other garments, men's and boy's, of textile fabrics, other than knitted or crocheted	
	Total of the 10 main products as a percentage of total exports to OECD countries	41%

Source: ECLAC, on the basis of official figures.

a/ Includes the following 32 countries: Antigua and Barbuda, Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, Uruguay and Venezuela.

b/ Includes the following 11 countries or areas: Australia, China, Hong Kong (China), Indonesia, Malaysia, New Zealand, Philippines, Republic of Korea, Singapore, Taiwan (China) and Thailand.

Table A-10

LATIN AMERICA: STOCK EXCHANGE INDEXES, PRICES IN DOLLARS a/

(Indexes; June 1997 = 100)

	1996	1997					1998		
	December	June	September	October	November	December	January	February	March
Latin America	**72.5**	**100.0**	**103.4**	**83.7**	**85.9**	**90.6**	**80.0**	**83.7**	**89.2**
Argentina	82.1	100.0	106.4	86.6	91.9	96.3	87.3	94.1	97.9
Brazil	64.9	100.0	94.8	71.4	72.7	78.3	72.6	77.8	84.1
Chile	77.0	100.0	96.4	86.6	81.3	79.6	67.9	74.2	78.6
Colombia	80.5	100.0	107.0	105.5	97.3	99.9	89.5	78.2	76.0
Mexico	77.3	100.0	119.6	96.5	105.1	114.1	96.7	98.8	104.7
Peru	73.6	100.0	92.1	84.6	82.3	83.8	75.2	72.0	78.9
Venezuela	98.9	100.0	115.2	102.0	95.4	93.3	77.6	75.0	77.4
Asia b/	**126.7**	**100.0**	**77.4**	**64.6**	**57.7**	**53.9**	**53.3**	**62.8**	**62.4**

Source: ECLAC, on the basis of figures supplied by the International Finance Corporation.

a/ Values as of the end of each month. b/ Includes China, India, Indonesia, Malaysia, Pakistan, Philippines, Republic of Korea, Sri Lanka, Taiwan (China) and Thailand.

Table A-11

LATIN AMERICA: INTERNATIONAL BOND ISSUES a/

(Millions of dollars)

	1995	1996	1997	1997				1998
				First quarter	Second quarter	Third quarter	Fourth quarter	First quarter
LATIN AMERICA	**23071**	**47157**	**54165**	**11876**	**18726**	**19762**	**3800**	**13783**
Argentina	6354	13738	14791	4218	3038	6063	1471	5612
Barbados	-	-	-	-	-	-	-	-
Bolivia	-	-	-	-	-	-	-	-
Brazil	7041	11194	14722	1992	7056	4237	1437	3920
Chile	300	1750	1700	650	-	1050	-	-
Colombia	1083	1751	1000	1000	-	-	-	889
Ecuador	10	-	625	-	625	-	-	-
Guatemala	-	-	150	-	-	150	-	-
Jamaica	-	-	200	-	200	-	-	-
Mexico	7646	17823	13768	3316	6413	3146	892	3362
Panama	-	75	1315	500	-	815	-	-
Trinidad and Tabago	71	150	-	-	-	-	-	-
Uruguay	211	145	479	100	79	300	-	-
Venezuela	356	532	5415	100	1315	4000	-	-

Source: International Monetary Fund, Research Department, Emerging Markets Studies Division.

a/ Gross issues. Includes medium-term euronotes.

Table A-12

LATIN AMERICA: TERMS OF INTERNATIONAL BOND ISSUES a/

	1995	1996	1997 b/	1997				1998
				First quarter	Second quarter	Third quarter	Fourth quarter c/	First quarter d
				Maturities (in years)				
Latin America	**3.7**	**7.8**	**15.9**	**14.4**	**13.6**	**18.6**	**7.6**	**6.9**
Argentina	4.7	9.2	14.3	14.0	7.5	16.8	4.5	9.3 e/
Brazil	2.7	6.5	16.8	8.2	23.5	7.9	9.2 f/	4.6 f/
Chile	8.0	7.3	35.6	54.9	-	9.3	-	-
Colombia	9.7	6.9	15.0	15.0	-	-	5.0	6.5
Ecuador	-	-	5.0	-	5.0	-	-	-
Mexico	2.4	7.4	9.5	10.0	7.8	12.3	-	8.7
Panama	-	-	19.6	5.0	-	30.0	-	-
Uruguay	-	-	30.0	-	-	30.0	-	-
Venezuela	3.8	7.0	30.0	-	14.8	30.0	-	-
				Spreads g/				
Latin America	...	**370**	**288**	**271**	**308**	**286**	**450**	**399**
Argentina	...	383	301	340	264	278	355	416
Brazil	...	358	334	227	353	335	515	443
Chile	...	86	96	103	-	88	-	-
Colombia	...	188	140	140	-	-	155	290
Ecuador	-	-	470	-	470	-	-	-
Mexico	...	393	270	298	257	262	-	311
Panama	-	-	219	175	-	250	-	-
Uruguay	-	-	135	-	-	135	-	-
Venezuela	...	440	325	-	159	325	-	-

Source: To the third quarter 1997: ECLAC, on the basis of figures from the World Bank, *World Debt Tables, 1996* and *Financial Flows and the Developing Countries*, various issues. From the fourth quarter 1997: ECLAC, on the basis of official figures.

a/ To the third quarter 1997, includes issues of over US$ 150 million.
b/ Includes only the period from January to September.
c/ Includes only issues placed after the Hong Kong stock market crash of 27 October 1997.
d/ Preliminary estimates.
e/ Does not include the US$ 500 million additional global bond issue with a maturity of 29.5 years.
f/ Includes euronotes and certificates of deposit.
g/ Refers to the difference in yield between the bonds issued and United States Treasury bonds of similar maturities (100 basis points = 1% of yield).

Table A-13

LATIN AMERICA: INTERNATIONAL RESERVES

(In millions of dollars, at end of each month)

	1997							1998		
	June	July	August	September	October	November	December	January	February	March
ARGENTINA	19740	19644	19832	19364	19604	19956	22320	21167	21654	21213
BOLIVIA	1038	1159	1136	1150	1150	1115	1087	1020	951	938
BRAZIL	56795	59493	62266	61161	52852	51174	51359	52479	57417	67772
CHILE	17598	17488	18010	18130	18865	18823	17841	16831	17048	16937
COLOMBIA	10271	10280	10281	10229	10158	9986	9981	9747	9492	9422
COSTA RICA	1151	1151	1167	1223	1126	1173	1262	...	1141	...
ECUADOR	2286	2167	2101	2257	2142	2125	2093	1954	1970	1940
EL SALVADOR	1136	1154	1182	1126	1241	1226	1463 a/	1468 a/	1817 a/	1859 a/
GUATEMALA	1058	1050	1065	1109	1093	1035	1111	1019	1025	...
HAITI	101	71	62	73	76	73	...	...	...	...
HONDURAS	507	540	544	530	512	488	580	607	672	710 a/
MEXICO	23775	24566	25841	26966	28102	27002	28797	29186	28597 a/	29422 a/
NICARAGUA	319	286	297	242	303	320 a/	387 a/	357 a/	378 a/	387 a/
PANAMA	1095	1075	1068	1060	1167	1118	1148	1142	1119	...
PARAGUAY	825	758	738	735	692	639	695	615	609	627
PERU	9674	9769	9874	9768	10186	10202	10169	10192	10169	10248
DOMINICAN REP.	364	375	388	371	339	328	391	201 a/	188 a/	217 a/
URUGUAY	1301	1403	1453	1501	1463	1445	1159 b/	1561	1566	1673
VENEZUELA	16655	16476	18624	18330	18312	18910	17818	17131	17006	15762

Source: International Monetary Fund, *International Financial Statistics*, various issues, and national sources.

a/ Official figure of the country's central bank.

b/ Adjusted value.

Table A-14

LATIN AMERICA: EVOLUTION OF EXCHANGE RATES

(National currency to the dollar, at end of each month)

	1997							1998		
	June	July	August	September	October	November	December	January	February	March a/
ARGENTINA	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
BOLIVIA	5.23	5.25	5.27	5.29	5.32	5.34	5.37	5.39	5.41	5.45
BRAZIL	1.08	1.08	1.09	1.10	1.10	1.11	1.12	1.13	1.14	1.14
CHILE	416.17	416.78	414.73	415.20	420.87	435.41	439.81	453.39	452.00	452.40
COLOMBIA	1090.58	1109.65	1167.28	1246.27	1281.20	1303.10	1293.58	1338.50	1344.25	1365.66
COSTA RICA	232.85	234.89	236.71	238.61	240.74	242.49	244.53	245.60	248.22	250.13
ECUADOR	3989.00	4045.00	4108.00	4142.00	4260.00	4329.00	4428.00	4527.50	4570.00	4930.00
EL SALVADOR	8.76	8.76	8.76	8.76	8.76	8.76	8.76	8.76	8.76	8.79
GUATEMALA	5.90	6.05	6.08	6.14	6.20	6.24	6.18	6.26	6.21	6.32
HAITI	16.76	16.49	16.75	16.70	17.48	17.91	16.77	17.22	17.30	17.40
HONDURAS	13.07	13.08	13.08	13.09	13.09	13.09	13.25	13.20	13.25	13.35
MEXICO	7.96	7.81	7.75	7.82	8.10	8.20	8.14	8.40	8.57	8.52
NICARAGUA	9.44	9.53	9.62	9.71	9.81	9.93	9.99	10.08	10.20	10.26
PANAMA	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
PARAGUAY	2176.40	2190.00	2195.00	2210.00	2230.00	2260.00	2450.00	2475.00	2560.00	2580.00
PERU	2.65	2.66	2.65	2.65	2.71	2.72	2.76	2.80	2.86	2.85
DOMINICAN REP.	14.02	14.10	14.21	14.26	14.42	14.34	14.37	14.57	14.73	14.68
URUGUAY	9.49	9.60	9.71	9.74	9.91	9.92	10.07	10.09	10.15	10.24
VENEZUELA	485.75	497.00	496.50	497.75	500.00	500.75	504.25	510.50	517.00	523.50

Source: International Monetary Fund and national sources.

a/ Data as of 27.03.98.

Table A-17

LATIN AMERICA: EXTERNAL TRADE IN GOODS (FOB) AND CURRENT ACCOUNT BALANCE

(In millions of current dollars)

	1996				1997				1998 (*projected*)			
	EXP.	IMP.	BALANC GOODS	BALANCE CURR. ACT.	EXP.	IMP.	BALANCE GOODS	BALANCE CURR. ACT.	EXP.	IMP.	BALANCE GOODS	BALANCE CURR. ACT.
Argentina	23811	22162	1649	-4005	25306	27716	-2410	-9779	26318	30765	-4447	-12819
Bolivia	1073	1292	-219	-443	1115	1545	-430	-570	1166	1823	-657	-739
Brazil	47747	53286	-5539	-24347	52986	61358	-8372	-33439	56430	61972	-5541	-30098
Chile	15353	16500	-1147	-3744	16886	18110	-1224	-4057	17055	19197	-2142	-5040
Colombia	10651	12784	-2133	-4785	11769	13905	-2136	-4873	12828	14461	-1633	-5038
Costa Rica	2739	3127	-388	-149	3053	3641	-588	-422	3358	4314	-956	-680
Ecuador	4900	3680	1220	293	5190	4510	681	-671	5242	5186	56	-1255
El Salvador	1581	3032	-1451	-178	2338	3363	-1026	-70	2630	3935	-1305	-282
Guatemala	2227	2895	-667	-466	2619	3312	-693	-532	2750	3643	-893	-702
Haiti	148	499	-351	-73	194	510	-316	-135	233	522	-289	-129
Honduras	1642	1759	-117	-197	1860	1840	21	31	2013	1977	35	49
Mexico	96000	89469	6531	-1922	110378	109807	571	-7448	124948	129572	-4624	-12613
Nicaragua	675	1052	-377	-497	774	1323	-549	-420	883	1521	-639	-535
Panama	5889	6518	-630	131	6572	7301	-729	-298	7098	7870	-773	-358
Paraguay	2680	4059	-1379	-669	2690	4208	-1518	-824	2676	4376	-1700	-979
Peru	5897	7897	-2000	-3607	6814	8660	-1846	-3390	6678	9266	-2588	-4198
Dominican Rep.	4195	5727	-1532	-110	4802	6608	-1806	-151	5244	7401	-2158	-92
Uruguay	2440	3143	-703	-296	2700	3450	-750	-256	2903	3692	-789	-314
Venezuela	22900	9237	13663	8824	23535	12045	11490	5815	23064	14334	8730	2930
TOTAL	252547	248117	4430	-36240	281581	293211	-11630	-61488	303517	325829	-22312	-72892

Source: ECLAC, Statistics and Economic Projections Division, and Economic Development Division.

Table A-16

LATIN AMERICA: BANK DEPOSITS

(Total in millions of units of the national currency, at end of each month)

	1997							1998	
	June	July	August	September	October	November	December	January	February
ARGENTINA	63030	64570	65525	66161	66909	68916	69732	70844	71553
BOLIVIA	15088	15577	15790	16051	14269	16429	16771	...	...
BRAZIL a/	202475	206973	212262	219813	213138	219555	204395	...	...
CHILE	10918	10938	11028	11336	11578	11856	12077	12382	12465
COLOMBIA	16356200	16966800	19248300	19969200	20417300	21602600	22961100	...	...
COSTA RICA	594672	...	...	...	...	...	633757	...	...
ECUADOR	14987	15047	15432	15691	16706	17033	17193	...	...
EL SALVADOR	36255	36482	36445	36290	36478	37481	38840	39178	...
GUATEMALA	15200	16185	16500	16559	17229	17662	18048	...	...
HAITI	12874	12861	13087	13424	13768	13931	14411	...	...
HONDURAS	13942	14625	15141	15731	16267	16781	17993	...	...
MEXICO	1027643	1003452	1009339	1021021	1053545	1065642	1125819	1097511	...
NICARAGUA	2690	2783	2907	3004	3107	2965	3031	...	...
PANAMA	5503	...	...	5631	...	...	6028	...	...
PARAGUAY	4328609	4073515	4395657	4251454	...	...	...	...	...
PERU	30703	30979	31354	31850	32273	32857	33439	...	...
DOMINICAN REP.	40166	40512	42326	43451	44499	44910	47963	...	...
URUGUAY	57738.6	58295.5	58791	59134	60298	...	...	...	...
VENEZUELA	5807415	6351654	6298788	6569096	6942409	7548080	...	...	...

Source: Bulletins of the countries' central banks, and other national sources; International Monetary Fund, *International Financial Statistics*, March 1998.

... : No data available.

a/ Does not include two banks from June to August 1997, three banks in September 1997, four banks in October and November 1997 and 22 banks in December 1997.