Differences in the Economic Development of Latin American and East Asian countries

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I. Introduction.-

In the developing world there was a discussion about which economic model should countries adopt. Much of the discussion centered in the pattern of development followed by two group of countries, the Latin American and the East Asian ones.

There are many differences in the economic development (strategies) and its outcome between these two regions. Especially after the lost decade of the 1980s for Latin American countries compared with the impressive economic growth posted by the East Asian countries (up to 1997), these differences began calling the attention of researchers. Also, it is predicted that in the next following years (in the medium and long term) the East Asian countries on average will grown faster than Latin American ones.

Some of these differences are:

a. the rapid economic growth rates, present and projected, of the East Asian countries compared to the slow growth rates of Latin American ones. (table 1.1, 1.2, and 1.3)
b. the high share of manufactured goods in the total exports of the East Asian and the still predominant share of primary goods in the total exports of many Latin American ones. (table 2)
c. the great disparity in income between the rich and poor in Latin American countries and the more equal distribution of income in the East Asian ones (especially in the North East countries). (table 3)
d. the high degree of political and social instability in some Latin American countries compared with the more stable situation of East Asian ones.
e. the long persistence of the economic crisis in some Latin American countries and the fast pace of recovery in several East Asian countries (after the currency crisis of 1997).

In conclusion, the question is why East Asian countries are growing faster than Latin American ones, if, after the Second World War, in several aspects Latin American countries had several advantage over East Asian ones. Some of the advantages of Latin American countries at that time were: higher income per capita, higher level of industrialization, higher saving rate, higher education level, etc. In contrast to this, at that time most of East Asian countries have just began their economic development as independent countries (South Korea, Taiwan, Singapore, Malaysia, Indonesia, Philippines); others had their economies disrupted by the war (Japan) and also South Korea (after the Korean War of 1950-52). That's why when then, fifty years ago, many economists were quite pessimistic about the perspectives of economic development for East Asian countries (but quite optimistic about the prospects for Latin American ones).

First, we will consider for our analysis ten East Asian countries: Japan (this country is not a developing one but it is interesting to know its experience because the other Asian countries have tried to follow its example), the 4 NIES (New Industrializing Economies), 4 from ASEAN (from the Association of South East Asian Nations) and China. The 4 NIES are South Korea, Taiwan, Hong Kong and Singapore. The ASEAN 4 countries are Thailand, Malaysia, Indonesia, and Philippines. We will consider these countries in two groups: the **North East Asian** countries (Japan, China, South Korea, Taiwan, and Hong Kong) and the **South East Asian** ones (Singapore, Thailand, Malaysia, Indonesia, and Philippines) because each group share some common characteristics within them. Latin American countries are the ones in the Central and South region of the America continent; from Mexico to Chile and Argentina (we will consider ten of them –the biggest and most important countries- like Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Peru and Venezuela).

These differences in the economic performance between these two regions have to do with the historical background, with the cultural and social particularities of their societies, the endowment or not of natural resources, and the pattern of economic development followed by these countries. In the next analysis of these two regions' experience with economic development, we will examine these points following that order.

Table 1.1 Size of the Economy and Economic Growth Rates

	GDP Millions US$ 2001 (1)	GNI per capita US$ 2001 (1)	Average Annual Economic Growth Rates (GDP) %		
			1965-80	1980-90	1990-2001
Latin American					
Argentina	268,773	6,960	3.4	-0.7	3.7
Bolivia	7,960	940	4.4	-0.2	3.8
Brazil	502,509	3,060	9.0	2.7	2.8
Chile	63,545	4,350	1.9	4.2	6.4
Colombia	83,432	1,910	5.7	3.6	2.7
Costa Rica	16,156	3,950	6.3	3.0	5.1
Ecuador	17,982	1,240	8.8	2.0	1.7
Mexico	617,817	5,540	6.5	1.1	3.1
Peru	54,047	2,000	3.9	-0.3	4.3
Venezuela	124,948	4,760	3.7	1.1	1.5
East Asia and the Pacific					
China	1,159,017	890	7.3+	10.1	10.0
Hong Kong	162,642	25,920	8.6	6.9	3.9
Korea, Rep.	422,167	9,400	9.9	9.4	5.7
Singapore	92,252	24,740	10.0	6.7	7.8
Taiwan	309,377*	14,087*	9.9+	7.7+	5.4+
Thailand	114,760	1,970	7.3	7.6	3.8
Indonesia	145,306	680	7.0	6.1	3.8
Malaysia	87,540	3,640	7.4	5.3	6.5
Philippines	71,438	1,050	5.7	1.0	3.3
Japan	4,245,191	35,990	6.4	4.0	1.3

Source: (1) World Bank: "World Development Report 2003"

GDP Growth Rates: "World Development Report, several years"

* from Asian Development Bank: "Key Indicators 2002", refers to GNP for the year 2000

+ from ADB: "Key Indicators 2002" and Carlos Aquino: "Introduccion a la Economia Asiatica"

GDP: Gross Domestic Product

GNI: Gross National Income; comprises GDP plus net receipts of primary income from foreign sources.

Table 1.2 Long-term prospects for East Asian and Latin American countries

(Real GDP per capita, annual average percentage change)

			Forecast scenario	
			Medium term	Long Term
	1980s	1990s	2001-05	2006-2015
World Total	1.3	1.2	1.1	2.1
High-income countries	2.5	1.8	1.5	2.4
OECD	2.5	1.8	1.5	2.4
United States	2.2	2.2	1.6	2.4
Japan	3.5	1.2	0.4	2.0
European Union	2.1	1.7	1.9	2.4
Non-OECD countries	3.3	3.6	1.7	3.3
Developing Countries	0.7	1.6	2.4	3.5
East Asia and the Pacific	**5.6**	**6.4**	**5.1**	**5.4**
Europe and Central Asia	0.7	-1.9	3.3	3.4
Latin American and the Caribbean	**-0.9**	**1.6**	**0.3**	**2.6**
Middle East and North Africa	-0.6	1.0	1.3	1.3
South Asia	3.4	3.3	3.5	4.0
Sub-Saharan Africa	-1.2	-0.4	0.8	1.6

Source: “Global Economic Prospects 2003” page. 29, World Bank, November 2002

Table 1.3 East Asia and the Pacific (A), Latin America and the Caribbean (B), forecast summary

Growth rates/ratios (percent)	1991-2000	2001	2002	2003	2004	2005	2006-2015
Real GDP growth							
- (A)	7.7	5.5	6.7	6.1	6.7	6.6	6.2
- (B)	3.4	0.3	-0.8	1.8	3.7	3.8	3.8
Consumption per capita							
- (A)	5.5	4.1	6.1	5.3	6.5	6.5	5.8
- (B)	2.4	-0.9	-3.5	-0.1	1.8	1.9	2.3
GDP per capita							
- (A)	6.4	4.5	5.8	5.2	5.8	5.7	5.4
- (B)	1.7	-1.2	-2.3	-2.3	2.3	2.5	2.5
Gross Domestic Investment*							
- (A)	28.8	30.5	33.0	33.7	34.4	35.2	30.4
- (B)	19.8	19.1	18.0	17.6	18.4	18.4	22.6
Inflation**							
- (A)	6.8	2.6	3.3	3.7	4.6	2.8	
- (B)	12.0	5.5	4.7	4.1	4.0	4.0	
General gvt. Budget balance/GDP							
- (A)	-0.9	-3.3	-3.4	-3.4	-3.2	-2.9	
- (B)	-3.0	-1.8	-2.9	-2.0	-1.0	-0.6	
Export market growth***							
- (A)	8.3	-2.2	3.9	6.9	8.2	8.1	
- (B)	9.4	-1.2	0.5	5.0	8.6	7.2	
Export volume****							
- (A)	11.5	2.7	15.7	14.6	13.7	11.3	
- (B)	8.7	1.0	2.2	9.2	11.2	10.2	
Terms of Trade/GDP*****							
- (A)	-0.1	0.1	-0.1	0.6	-0.7	-1.1	
- (B)	1.7	-0.2	0.1	-0.4	0.1	-1.0	
Current account/GDP							
- (A)	0.4	2.7	3.2	1.9	2.1	1.2	
- (B)	-2.7	-2.7	-0.8	-0.5	-0.7	1-.0	
Memorandum items							
- GDP growth: East Asia and the Pacific excluding China	4.6	2.3	4.4	3.9	5.0	5.4	
- GDP growth: LAC excluding Argentina	3.2	1.2	1.0	1.5	3.6	3.9	

* For East Asia and the Pacific, Gross Fixed Investment/GDP, both fixed investment, measured in real terms

** Local currency GDP deflator, median

*** Weighted average growth of import demand in export markets

**** Goods and non-factor services

***** Change in terms of trade, measured as a proportion of GDP (percentage)

Source: World Bank: “Global Economic Prospects”, November 2003, Tables A1.1 and A1.3

Table 2 External Trade

	Merchandise trade Millions of dollars		Exports as a % of GDP	Manufactured Exports % of total merchandise exports	High Technology Exports % of manufactured exports
	Exports	**Imports**			
	2001	**2001**	**2001**	**2000**	**2000**
Latin America					
Argentina	26,655	20,311	9.9	32	9
Bolivia	1,257	1,673	15.8	29	--
Brazil	58,223	58,265	11.6	59	19
Chile	17,665	17,184	27.8	16	3
Colombia	12,414	12,947	14.9	34	7
Costa Rica	5,010	6,564	31.0	66	--
Ecuador	4,474	5,299	24.9	10	6
Mexico	158,542	176,162	25.7	83	22
Peru	7,140	8,656	13.2	20	3
Venezuela	28,610	18,775	22.9	9	3
East Asia and the Pacific					
China	266,155	243,567	22.9	88	19
Hong Kong	190,676*	202,252	117.2	95	23
Korea, Rep.	150,653	141,116	35.7	91	35
Singapore	121,731*	115,961	131.9	86	61
Taiwan	122,902	107,243	39.7	95	39
Thailand	64,223	60,190	55.9	76	32
Indonesia	56,716	31,170	39.0	57	16
Malaysia	88,521	74,384	101.1	80	59
Philippines	33,589	31,373	47.0	92	59
Japan	404,686	350,095	9.5	94	28

Source: World Bank: "World Development Report 2003" and Table 1

* Includes re-exports

High technology exports are products with high R&D intensity. They include high-technology products such as aerospace, computers, pharmaceuticals, scientific instruments, and electric machinery.

Table 3 Income Distribution

Percentage share of income or consumption

	Survey year	Gini Index	Lowest 10%	Highest 10%
Latin America				
Argentina	1996	44.4	2.3	35.2
Bolivia	1999	44.7	1.3	32.0
Brazil	1998	60.7	0.7	48.0
Chile	1998	56.7	1.3	45.6
Colombia	1996	57.1	1.1	46.1
Costa Rica	1997	45.9	1.7	34.6
Ecuador	1995	43.7	2.2	33.8
Mexico	1998	53.1	1.3	41.7
Peru	1996	46.2	1.6	35.4
Venezuela	1998	49.5	0.8	36.5
East Asia and the Pacific				
China	1998	40.3	2.4	30.4
Hong Kong	1996	52.2	1.8	43.5
Korea Rep.	1993	31.6	2.9	24.3
Singapore*	1992-93	39		
Taiwan*	1999	33		
Thailand	1998	41.4	2.8	32.4
Indonesia	1999	31.7	4.0	26.7
Malaysia	1997	49.2	1.7	38.4
Philippines	1997	46.2	2.3	36.6
Japan	1993	24.9	4.8	21.7
Sierra-Leone+	1989	62.9	0.5	43.6
Slovak Republic +	1992	19.5	5.1	18.2

Source: World Bank: "World Development Report 2002 and 2003"

* ADB: "Key Indicators 2002"

\+ Countries with the worst (Sierra-Leone) and the best (Slovak Republic) income distribution in the world.

Gini index: measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution. A Gini index of zero represents perfect equality, while an index of 100 implies perfect inequality.

II. Historical Background, Social Structure and Economic Resources.-

1. Historical Background:

Before the coming of Europeans to the American continent there were two advanced cultures in the region, the Inca in what is present day Peru and the Aztec in present day Mexico. **The Inca** comprised Quechua-speaking tribes round Cuzco (their capital) who formed a state contemporary and eventually superseding that of Chimu (a regional state in the northern part of Peru). The ruling dynasty was founded by Manco Capac around the year 1200 but real expansion did not take place until 1438, forming an empire stretching from northern Ecuador, across Peru, to Bolivia and parts of northern Argentina and Chile by 1525 (some 3,500 km. north to south). Inca technology was of high standard and included specialized factories and workshops producing ceramics, textiles and metal artifacts, with fine decorations incorporating many regional styles. Architecture included accurately fitted stone masonry. Agriculture was based on systems of hillside terracing and included the potato, quinoa, and maize, and the guinea pig (for food), domestic dog, llama, and alpaca. Religion was centralized, local gods being respected but secondary to the Sun cult as the divine ancestor of the ruling dynasty and Viracocha, the creator god. There was a vast administrative bureaucracy, which regulated a complex system of regional capitals, agriculture, food collection and distribution, craft production, and road and bridges. An efficient army, including a messenger system and strategically placed fortress kept control. Although writing was unknown records were kept on quipus, sets of cords of different colors and thicknesses tied with a system of coded knots.

The Aztec were Central American Indian people originally known as the Mexica (whence Mexico). During the early 13th century they migrated into the Valley of Mexico and eventually settled on an island in Lake Texoco (later mostly drained by the Spaniards). They proceeded through the 15th century to conquer other cities of the valley, and then crave out an empire stretching from coast to coast, north to the deserts, and south to the Maya kingdoms of Yucatan, by the early 16th century. Three things characterized their culture: their religion which demanded large-scale human sacrifices particularly to their god of war, Huitzilopochtli; their efficient use of chinampas (artificial garden islands built in regular girds out into lakes divided by canals) to feed their vast population; and their widespread trading network and system of tribute administration.

The American continent was discovered by Christopher Columbus in 1492 as the Europeans were looking for a route to India and China after the Otoman Turks captured Constantinople in 1453 cutting the Silk Road and the trade of Europe with Asia (trade that was dominated by Muslims Arabs). Portuguese and Spanish sailors began exploring the new discovered land and soon disputes emerged over the ownership of them. In 1494 these disputes were settled by the Treaty of Tordesillas. Pope Alexander VI had (1493) approved a line of demarcation stretching between the poles 100 leagues (about 500 km) west of Cape Verde islands. All to the west was Spanish, to the east Portuguese – an award disregarded by others nations. Portuguese dissatisfaction led to a meeting at Tordesillas where it was agreed to move the papal line to 370 leagues about (about 1,850 km) west of Cape Verde.

All Latin American countries from the 16th century to the 1810s were colonies of Spain.

(Brazil was colonized by Portugal, later Haiti was occupied by France, and Jamaica by England). The great Aztec Empire (in Mexico) and Inca Empire (in Peru) were conquered by Spain and destruction was brought on much of the achievement of those advanced cultures. "In Mexico as much as 90% of the indigenous population has died of European-introduced disease (smallpox) by the early 17th century". In Peru something similar also happened. The conquest was possible for several reasons: first, when the Spaniards came the Inca and Aztec empires were on civil war; second, they didn't have firearms and horses as the Spaniards; and third, they received the Europeans with open hands (they believed Spaniards were messenger of God or the God themselves).

They achieved independence from the 1810s onward. After independence they were under British influence and from the 20th century American influence is very strong. Independence from Spain didn't change at all the economic and social structure of these nations.

In **Brazil** occurred an interesting case. "By 1800 the prosperity of the colony had outstripped that of Portugal. As a result of the Napoleonic Wars, the Portuguese court was transferred to Rio de Janeiro, which was transformed into the center of the Portuguese Empire. When John VI returned to Lisbon in 1821, his son Pedro remained behind as regent. In 1822 he became Emperor Pedro I of Brazil in an almost bloodless coup, and established an independent Empire which lasted until the abdication of his son Pedro II in 1889. Brazil's neo-colonial economy based upon agricultural exports such as coffee and wild rubber produced on the fazenda (estate), and dependent on slave labor, remained virtually intact until the downfall of the country's two predominant institutions –slavery (1888), and the monarchy (1889). In 1891 Brazil became a republic with a federal constitution" (Oxford's Encyclopedia of World History, page 92).

Independence from Spain was achieved thanks in part to the fact that in the early 19th century Spain suffered as a result of the Napoleonic Wars and briefly came under French control (1808-14). During this period Creoles (colonial descendents of Spanish settlers) in Spanish America achieved a de facto economic independence, and with the abdication of Ferdinand VII (1808), political independence. The first declaration of independence was made in 1810 in Chile. Initially the movements were hampered by a counter-revolutionary drive by Spanish royalists. This precipitated the Wars of Independence in South America conducted by Simon Bolivar in the north and Jose de San Martin in the south. In Mexico Agustin de Iturbide proclaimed independence from Spain in 1821 but then proclaimed himself Emperor Agustin I (later, Mexican royalists invited the Austrian Archduke Maximilian to be Emperor of Mexico from 1864 to 1867).

Spain defeat in the war with US in 1898 led to them losing control of Cuba and Puerto Rico (and also of Guam and Philippines).

The US established the Monroe doctrine which warned European powers against further colonization in the New World and against intervention in the governments of the American hemisphere. The background of the doctrine spelt out in President James Monroe's annual message to Congress in 1823, was the threat of intervention by the Holy Alliance to restore Spain's South American colonies, and the aggressive attitude of Russia in the north-west Coast of America. The doctrine was infrequently invoked in the 19th century, but after the development of territorial interests in Central American and the Caribbean it became a tenet of US foreign policy. Thanks to this US have intervened militarily in several Latin American countries many times.

In the case of the **East Asian countries**, China, as the oldest civilization in the region, has a great influence in the formations of nations in East Asia, specifically in the North east ones.

With the exception of Japan, Thailand and Korea, all of East Asia fell under the domination of the European colonial powers from the 16th century onwards (China began under increasing pressure to open itself from the second half of the 19th century). The Spanish and the Portuguese were the first Westerners to enter East Asia, attracted by the spices grown in the Moluccas (the Spice Islands), where glove, nutmeg and mace existed. Vasco da Gama, the first European to discover a sea route to India, after rounding the Cape of Good Hope in 1497, reached the Malabar Coast in 1498.

Ferdinand Magellan in 1521 reached the Philippines after he crossed the Atlantic Ocean from Spain sailing down the coast of South America and through the long and tortuous strait that now bears his name. When he emerged into a peaceful new ocean to the west, he named it the Pacific. After reaching Philippines one of his ships returned to Spain by the Cape of God Hope, becoming the first vessel to circumnavigate the world.

In the year 1511 the Portuguese took Malacca. In 1514 they reached Guangzhou. The defeat in 1588 of the Spanish Armada by the British weakened Spain and encouraged the British to explore Asia routes. In the year 1600 the East Indian Company was created in London and begun acquiring trading privileges in Asia and that gradually transformed into a territorial empire centered in India. The creation of a Dutch East Indian Company in 1602 and the French East Indian company in 1664 also advanced the interests of these countries in South East Asia. The Dutch created a monopoly in the trade of spices through its control of the Moluccas in the first half of the 17h century. In 1619 they established Batavia (now Jakarta). In the year 1641 they captured Malacca but the British took it in 1795 and later controlled the Malay Peninsula. The illegal selling, by the British, of opium from India to China and the opposition of the Chinese government to this led to the Opium wars of 1840 to 1842 and then from 1856 to 1858.

Thailand was able to maintain its independence through a policy of conciliation with France and Britain, the dominant powers in South East Asia during the 17th to the 19th century. In 1853 US Commodore Perry headed an expedition to Japan demanding the opening of this country to foreign trade.

China has a recorded history beginning nearly 4,000 years ago, with the Shang who settled in the Huang He (Yellow River) valley. Under the eastern Zhou, from the 6th century BC, Confucius and Mencius formulated ideas that became the framework of Chinese society. Taoism appeared also during this time. A form of writing with characters representing meanings rather than sounds – and required by Shi Huangdi, the first ruler of a unified China, to be written in a uniformed style – bound together people divided by geography and different spoken dialects. From the Qin (221-206 BC), the concept of a unified empire prevailed, surviving periods of fragmentation and rule by non-Chinese dynasties such as the Yuan. Under strong dynasties, such as the Han and the Tang, China's power extended far west into Turkistan and south into Annam (present day Vietnam). On its neighbors, particularly Korea and Annam, it exercised a powerful influence. Barbarian invaders and dynasties usually adopted Chinese cultural traditions. Chinese were ahead of the West in technology until about the end of the Song dynasty (end of 13th century). The Song mastery of technology includes the making of firearms and bombs, shipbuilding, the use of compass, and clock making.

Through history, China, the "Middle Kingdom", as it is called by the Chinese, regarded itself as superior to all others. After the Manchu invasion of 1644, China was ruled by the Qing dynasty. Western countries attempted to establish trading links with the Qing dynasty but with little success. As the power of the Qing dynasty weakened towards the end of the 18th century, Western pressure for change built up, leading to direct European involvement in China. Contact with the West precipitated crisis and decline.

The **Japanese** are though to be descendants of people who migrated from various areas of mainland Asia. By the 5th century AD the Yamato clan loosely controlled much of Japan and began to establish imperial rule. The developing state was influenced by Chinese culture. In the 7th century Prince Shotoku was partially successful in establishing an administration system based on that of Sui China.

The growing strength of feudal lords and of Buddhist monasteries resulted in civil wars for most of the 12th century, the ultimate victor being Minamoto Yoritomo, who in 1192 became the first Shogun and established a military administration. From then the effective power lay with the shogun rather than the Emperor. In the late 16th century three warriors, Oda Nobunaga, Toyotomi Hideyoshi, and Tokugawa Ieyasu broke the powers of feudal lords (Daimyo), and Ieyasu's Tokugawa shogunate provided stable but repressive rule until the restoration of the emperor in 1868.

The earliest **Korean** state was Choson (Morning Calm), which flourished in about the 3rd century BC in northern Korea. Chinese influence, already strong, increased following conquest and colonization by the western Han (108 BC). Meanwhile the states in southern Korea acted as a cultural bridge between the mainland and Japan. In the first century Koguryo appeared in the north and by the 4th century Buddhism had reached Korea. Koguryo repulsed Chinese attacks but was overrun when the Silla kingdom, established in the south c. 350, allied itself with the Tang (688). The Silla become a tributary state of China and ruled a unified Korea for 200 years. A period of civil war ended with the supremacy of the Koryo kingdom (918-1312). After Mongol incursions the Koryo allied with them, but following the fall of the Yuan dynasty in 1392, Yi Song-gye, supported by the Ming, seized power.

Under the Yi dynasty (1392-1910) Korea was greatly influenced by Ming China. A new capital was built at Seoul, and Confucianism largely displaced an increasingly degenerate Buddhism. From the late 15th century the administration was weakened by factional disputes. The Japanese invasion, led by Hideyoshi in 1592, took six years to repel and further weakened the state.

In the 19th century, Korea became the object of intense Russian and Japanese rivalry. Opened to Japanese trade in 1876? Korea was granted independence by the Treaty of Shimonoseki in 1895, but become a battle ground during the Russo-Japanese war (1904-05) and was eventually annexed by Japan in 1910.

The **Thais**, akin to the Shans and Lao, originated in the Yunnan province of south-west China. Their name means "free". They set up their kingdoms in Sukhotai and Chiengmai, formerly under Khmer rule, became Theravada Buddhists, and adopted an Indian script. About 1350 Ayuthia became the capital of a new Thai kingdom which after prolonged fighting, captured Angkor in 1431.

Among Europeans who became active in Ayuthia the French were dominant. In 1684 Thai envoys presented Louis XIV with elephants, rhinoceroses, and a letter engraved on gold. The Burmese finally destroyed Ayuthia in 1767. Under the leadership of General Taskin, the Burmese were expelled from Siam by about 1777. His successor, general Chakri (later Rama I) founded the Chakri dynasty and established Bangkok as his capital. The Chakri dominated much of Laos and northern Malaya and succeeded in maintaining their country's independence through a policy of conciliation ceding their vassal state in Laos and Cambodia to France in late 19th and early 20th centuries (this was combined with astute international diplomacy, in which rival Britain and French interests were played off against each other). In the reigns of Mongkut (1851-68) and Chulalongkorn (1868-1912) Thailand achieved substantial modernization in both the administrative and economic spheres.

In **Indonesia** the Hindu Srivijaya Empire, based on Palembang, flourished between the 7th and 13th centuries AD. From the 10th to the 13th century it grew into a commercial empire extending from Java to Kedah, on the Malay Peninsula and had trading contacts with China. Towards the end of the 12th century the Majapahit kingdom (up to the latter part of the 15th century), which was based in Java began to dominate the area of present day Indonesia. During the 16th century the area was occupied by the Portuguese, the British and the Dutch. The Dutch East India Company had acquired control of most of the islands of Indonesia by the end of the 17th century, with headquarters in present day Jakarta (then Batavia).

Originally what is today **Malaysia** (in its western part, the Malay Peninsula) was inhabited by Negritos, but later was settled by people from Yunnan. By c. 400 Indian influence was apparent in Kedah and Perak in north-western Malaya. Later Srivijaya, Majapahit, and Siam exerted some control. It remained relatively backward until, following Malacca's foundation in 1402, Islam was introduced. Following visits by the Chinese admiral Zheng He, Malacca became a Chinese vassal, thus securing itself against Thai and Javanese attacks. By 1500 it was an entrepot trade where merchants traded in spices from the Moluccas, Chinese silk and porcelain, camphor from Borneo, teak from Burma, Indian clothes, and woolens from Europe. During the 16th century the merchants of Malacca greatly assisted the spread of Islam in south-east Asia. After it fell to the Portuguese in 1511, sultanates were established in Johore, Pahang and Perak.

The original Negrito inhabitants of the **Philippines** were largely displaced by waves of Malay peoples migrating from Yunnan province in south-west China after c. 2000 BC. By 1000 AD the islands were within the south-east Asian trade network. By the 16th century Islam was advancing from Mindanao and Sulu into the central islands and Luzon. After Spaniards under Magellan visited the islands in 1521, Spanish seamen discovered how to return eastbound across the Pacific to Mexico. In 1543 they named the islands after Prince Philip (Later Philip II of Spain).

Taiwan was sparsely populated by a non-Chinese people before the Portuguese explorers called it Formosa ("Beautiful Islands"). It was long a Chinese and Japanese pirate base. In the 17th century the Dutch (1624) and the Spaniards (1626) established trading posts, the Dutch driving out the Spaniards in 1642. With the fall of the Ming dynasty in 1644, opponents of the

Qing started to settle in the island and in 1661 'Koxinga' (Zheng Chenggong), a Ming patriot, expelled the Dutch. It was conquered by the Qing in 1683 and by the first time became part of China. Fighting continued between its original inhabitants and the Chinese settlers into the 19th century.

The island of **Singapore** was formerly known as Tumasik or Temasek. It was inhabited mainly by fishermen and pirates before becoming part of the Sumatran Empire of Srivijaya. It then passed to the Majapahit Empire in the 14th century and to the Ayuthya Empire of Siam. In the 15th century it become part of the Malacca empire, and subsequently came under Portuguese and then Dutch control. The island was acquired for the British East Indian Company by Sir Stamford Raffles in 1819 from the Sultan of Johore, and rapidly developed into an important trading port.

From the end of the 19th century Japanese influence was felt in China and South Korea. Japan becomes the dominant power in north-east Asia after defeating China in the 1894-95 war and Russia in the 1904-05 war. After the war with China it occupied Taiwan and after the war with Russia it advanced into the Korean peninsula. In 1931 it occupied Manchuria and created Manchukuo in 1933. It began a full scale war with China in 1937.

During the 2nd World War Japanese forces overran the colonial empires of south-east Asia at great speed and nearly all East Asian countries felt under the domination of Japan. With the defeat of Japan and the withdrawal of the Japanese army from these countries most of them achieved independence. Especially the ASEAN countries of Malaysia, Indonesia, Philippines, and Singapore are relatively new independent countries.

After the end of the Second War together with the independence of the South East Asian countries, we have the surge of communism and the Cold War in Asia. US occupied Japan and established military bases in South Korea and Philippines. After the defeat of the French by the Vietnamese in 1954 and the partition of the country in North and South Vietnam, US began giving economic and military support to South Vietnam and in the 1960's intervened military there. US wanted to avoid the spread of communism in South East Asia (under the doctrine of the domino theory).

North East Asian countries have received a lot of Chinese influence in the formation of their societies (from the writing system –the use of Chinese ideograms-, to religion -Buddhism and Confucianism, even if Confucianism more than a religion is a code of moral and ethical principles-). Also the kind of government organization they introduced at the beginning in these countries had many Chinese characteristics. More recently, the presence of Chinese immigrants on most East Asian countries (except Japan and South Korea) has a strong impact in the economic development and the formation of their societies.

In South East Asian countries the influence of India is strong, manifested in the religious beliefs carried out by Indian merchants, the Hinduism and Buddhism, and from the 13th century onwards, the Islam religion. Also, the Indian script of Thailand and other Indochina countries are witness of that influence. Finally, Indian laborers were brought by the British to Malaysia and Singapore.

It is important to know this historical background to see which model of economic development was adopted by these countries. In the case of the Latin American ones, the influence of Europe and the US was strong (Latin America region is called the backyard of US) and the ruling elites in Latin American countries tried to imitate that life style and introduced policies similar to those in that advanced countries. US presence in Latin American countries is manifested in the fact that for the region trade with the US represents around one third of its total and in most of them is the major foreign investor). In East Asia the influence of US nowadays is given by its military presence in Japan and South Korea, and its economic presence by the fact that it is an important trading partner for most countries in this region. Besides this the governments of North East ones had an authoritarian characteristic which derivates from the Confucianism influence coming from China. The authoritarian governments in South East Asia derived their legitimacy in the fact that they declared themselves nationalist governments, proclaiming that a strong government is needed to coalesce, to keep united a new independent country with so diverse ethnical groups living there. Besides this, most of these countries have tried to follow the Japanese experience of economic development.

Also it is important to see for example how the influence of colonization by Spain and Britain has affected the economic development of countries in both regions. It is said that colonization by Spain in Latin America and Philippines has left many problems like the great disparity of incomes due to the existence of the latifundia (big estates) in the rural area and also the instability in the political field. Former British colonies, like Malaysia (and US in the American continent) had been more successful in achieving economic development than Spanish colonies.

2. Social Structure:

The People. - (see Table 4)

Latin American countries (except Argentina and to a certain extent Chile), are multiracial societies, with a strong presence of the Aboriginal Indian in them (Brazil is also a multiracial society but has very little Indian population). Most of them are mestizo societies (at the beginning resulting from a mix of Indians with Spaniards, but later there was a mix with many races, like black people, European immigrants, and in some of them even with Asian people). A common feature in all countries is that white people (the descendants of the former conquerors and the immigrants mainly from Europe later), are usually the rich people and the dominant classes, while the aboriginal Indian people are usually the poor. Moreover, in many countries there is a strong racial discrimination against the aboriginal Indian and black people.

Peru is an example of how diverse is most of Latin American societies in terms of several ethnic groups living together. When the Spaniards came to Peru there were the aboriginal Indian people, specifically Quechua and Aymara. Then, a mix of Spaniards with these people ocurred. But the Spaniards brought many people from Africa to work in the big estates that they established along Peru Coast line that grow cotton and sugar cane. When the slave trade ended and the slave system itself was abolished in the middle of the 19th century Chinese laborers were brought in (from 1849 to 1870, one hundred thousand of them came to Peru). After this was interrupted, Japanese came to replace the Chinese (twenty six thousand of them came from 1899 to 1926). Besides this, from the end of the 19th century to the first decades of the 20th century immigrants from Europe came to the country. Lately, during the 1990's Chinese and Korean come to settle down in Peru (probably two thousand per year during that decade). Moreover in that decade even people from Pakistan, and Bangladesh, have came to establish themselves mostly in the southern cities of Tacna and Moquegua as traders in the business of importing second hand cars from Japan and South Korea (though they are very few in numbers).

Table 4 Ethnic groups, language and religion

	Ethnic group	Language	Religion
Latin America			
Argentina	White, mainly Spanish and Italian extraction 85%	Spanish (official)	Roman Catholic 92%
Bolivia	Mestizo 30%, Quechua 25%, Aymara 17%, White 15%	Spanish, Aymara, Quechua (all official)	Roman Catholic 92.5%
Brazil	Mulatto 22%, Portuguese 15%, Mestizo 12%, Italian 11%, Black 11%, Spanish 10%	Portuguese (official)	Roman Catholic 87.8%, Protestant 6.1%
Chile	Mestizo 91.6%	Spanish (official)	Roman Catholic 80.7%, atheist and non-religious 12.8%, Protestant 6.1%
Colombia	Mestizo 58%, White 20%, Mulatto 14%, Black 4%	Spanish (official)	Roman Catholic 95%
Costa Rica	European 87%, Mestizo 7%	Spanish (official)	Roman Catholic 88.6%, other (mostly Protestant) 11.4%
Ecuador	Quechua 49.9%, Mestizo 40%, White 8.5%	Spanish (official), Quechua	Roman Catholic 93.5%
Mexico	Mestizo 55%, Amerindian 30%, European 15%	Spanish (official), Amerindian languages	Roman Catholic 92.6%
Peru	Quechua 47%, Mestizo 32%, European 12%, Aymara 5%	Spanish, Quechua (both official); Aymara	Roman Catholic 92.4%
Venezuela	Mestizo 69%, White 20%, Black 9%	Spanish (official)	Roman Catholic 92%
East Asia and the Pacific			
China	Han (Chinese) 93.3%, Chuang 1.33%, Hui 0.72%, Uighur 0.59%, Yi 0.54%, Miao 0.5%, Manchu 0.53%, others	Mandarin Chinese (official), six others dialects of Chinese	Non-religious 59.2%, Chinese traditional religions 20.1%, atheist 12%, Buddhist 6%, Muslim 2.4%
Hong Kong			
Korea Rep.	Korean 99.9%	Korean (official)	Atheist or non-religious 57.4%, Buddhist 19.9%, Protestant 16.1%, Roman Catholic 4.6%, Confucian 1.2%
Singapore	Chinese 77%, Malay 15%, Indian and Sri Lankan 6%	Malay, Mandarin, Tamil, English (all official); Chinese	Buddhist 28.3%, Christian 18.7%, Muslim 16%, Taoist 13.4%, Hindu 4.9%
Taiwan+	Taiwanese 84%, Mainland Chinese 14%, Aborigine (Indonesian) 2%	Mandarin Chinese (official), Chinese dialects	Buddhist 43%, Taoist 21%, Christian 7%,
Thailand	Siamese 54%, Lao 28%, Chinese 11%, Malay 4%, Khmer 3%	Thai (official), Lao, Chinese, Malay, Mom-Khmer languages	Buddhist 95%, Muslim 4%, Christian 1%
Indonesia	Javanese 40.1%, Sundanese 15.3%, Bahasa Indonesian 12%, Madurese 4.8%, Chinese minority	Bahasa Indonesian (official); also Javanese, Sundanese, and many others	Muslim 86.9%, Christian 9.6%, Hindu 1.9%, Buddhist 1.0%
Malaysia	Malays groups 60%, Chinese 31%, Indians 8%	Malay (official), English, Chinese, Tamil	Muslim 52.9%, Buddhist 17.3%, Chinese popular religions 11.6%, Hindu 7%
Philippines	Tagalog 29.7%, Cebuano 24.2%, Ilocano 10.3%,	English, Pilipino (based on Tagalog), (both official), Cebuano, Ilocano, local languages	Roman Catholic 84.1%, Muslim 4.3%

High Income Countries			
Japan	Japanese 99.4%	Japanese (official)	Joint adherents of Shinto and Buddhism 80%, Christian 1.2%
United States	European origin (White, of whom Hispanic 6.4%) 83.2%, Black 12.4%, Asian and Pacific Islander 1.5%	English (official), Spanish, numerous minority or immigrant languages	Protestant 49.1%, Roman Catholic 29.6%, other Christian 8.4%, Jewish 2.7%, Muslim 1.9%

Source: Oxford Encyclopedia of World History, 1998

In **the East Asian** case, the South East Asian countries also have multiracial societies while the North East ones are mostly of a homogeneous race. Japan and Korea are probably the most racial homogeneous countries in the world. The main difference with Latin American countries is that in some of the multiracial countries of South East Asia, like Malaysia, the governments have protected and privileged the indigenous people over the rich member of these societies (mainly Chinese immigrants). That is, there is no discrimination against the aboriginal people but the opposite.

Another characteristic of East Asian countries is the China diaspora present in many of them, where they have big economic clout despite the fact that in some of them they are few in numbers. According to the February 26, 1998 edition of the magazine "Far Eastern Economic Review": "in Singapore the Chinese are 77% of the total population but control the 81% of the capital of the companies listed in the local Stock Exchange Market, in Malaysia they are 29% of the population but control the 69% of capital of companies in the Stock Exchange, the figures for Thailand is 10% and 81% , in Indonesia is 3.5% and 73%, and in Philippines they are 2% of the population but control between 50% ad 60% of capital of companies listed in the Stock Exchange Market".

Overseas Chinese are business oriented people and had acted as a factor of change and competition for the indigenous people, specially in countries like Malaysia and Indonesia.

Language and religion. - (Table 4)

Regarding **language**, the majority of people in **Latin America** speak a common language (Spanish, even if aboriginal people in different countries speak their own different dialects -for example Quechua and Aymara in Peru-, and the Portuguese language is spoken in Brazil). Regarding religion all countries share the same belief in the Christian religion, mainly Roman Catholic.

As most indigenous dialects in Latin American countries have no writing system on their own, and as the education given in nearly all countries is only in Spanish language (or Portuguese in Brazil), it is said that these dialects will disappear in the future.

The Christian religion is based in the belief that Jesus Christ is the incarnate son of God and on his teachings. Christianity was originally a sect of Judaism and shares the Jewish belief in one omnipotent God. Jesus, who was a Jew, was believed to be the Messiah and son of God. He proclaimed a new covenant between God and humanity. Central to Christianity is the belief that Jesus is the incarnate Son of God, from which developed the doctrine of the Trinity, whereby God is three persons, the Father, the Son, and the Holy Spirit, yet one God. Jesus is both God and man, one person in two natures. Jesus' death by crucifixion represents a sacrifice or atonement through which humanity may be redeemed from its sinful condition, and his resurrection from the dead symbolizes the hope of eternal life.

The Christian holy book is the Bible. The Christian church is divided into three main groups, the Roman Catholic Church, The Orthodox Churches, and the Protestant Churches.

In **East Asian** countries, there are as many languages as countries and within some of them several dialects are spoken (even if Malaysia and Indonesia share a similar Malay language). Japan and Korea adopted the Chinese writing system at the beginning but in 1448 Korea created its own writing, the Hangul. Japan has continued using the Chinese writing but with modifications to suit its own needs.

Also different religions are worshiped in all countries and within some of them different religions coexist (again Malaysia and Indonesia have a major common religion, the Islam, -from the Sunni branch-, and Buddhism is followed by the North East countries and Thailand -even if of different branches, Mahayana in the North East ones and Hinayana in Thailand-).

Buddhism was influenced by **Hinduism**. These are a complex mixture of elements from the Indo-European culture brought by the Aryan invasions of 1500 BC onwards, and from the indigenous pre-Aryan and Dravidian societies. Because of its evolution over such a long period, Hinduism embraces a vast diversity of religious beliefs and practices, and is neither dogmatic nor evangelical. Despite the lack of binding theological creed, several features unify Hindu consciousness. One is respect for the Vedas, the earliest sacred texts. Fundamental to many schools of Hindu philosophical thought (in particular Vedanta) is the belief in an eternal and all-pervading principle of ultimate reality, Brahman. Brahman itself is without individual personality, but for most Hindus, religious worship on a practical level is directed toward numerous personal gods and goddesses, the most important being Vishnu, Shiva, and the Great Goddess (Shakti, Druga, or Kali). Each of these is the object of monotheistic devotion, and their individual cult (Vaishnavism, Shaivism, and Shaktism) constitute in practice the major forms of Hinduism.

Most Hindus regard the sacredness of the land of India and the Caste System as central to their religion. The caste system stems from the tripartite social division of the Aryans; however the Hindus developed theological and legal rationale for caste. The three divisions or varnas consisted of Brahmins (priests and professionals), Kshatriyas (rulers, warriors, and administrators), and Vaishyas (farmers and merchants). Later a fourth varna developed, the Shudras, (artisans and laborers). Each varna classifies many jatis or castes, traditionally determined by occupation, but often linked through geographical locality, marriage or dietary customs. Those who carried out the most polluting tasks become known as 'untouchables''. Untouchables are outside the varna system, although still part of the caste system.

Other common teachings of Hinduism concern the moral law of cause and effect (karma, or the sum of one's action in successive states of existences), the nature of the soul (atman), reincarnation (samsara, or a cyclical sense of time and rebirth), the dharma (duties defined by the religious caste system), and for many Hindu traditions, the possibility of union with Brahman through moksha, or spiritual liberation.

Presently Hinduism is followed in the South East Asia region by some people in Indonesia, mostly in Bali, and by the Indian communities present in Malaysia and Singapore.

Early **Buddhism** developed from Hinduism through the teaching of Siddhartha Gautama (the Buddha) and his disciples, around the 5th century BC in northern India. Offering a way to salvation that did not depend on caste or the ritualism of the Brahmin priesthood of Hinduism, and strengthened by a large, disciplined monastic order (the sangha), it made a very great impact; but by the end of the 1st millennium AD it has lost ground to a resurgent Hinduism, and the subsequent Muslim invasion virtually extinguished it in India. Meanwhile however, monks had taken the faith all over Asia.

Owing to its linguistic diversity and geographical extent, Buddhism teaching, scriptures, and observance are complex and varied, but certain main doctrines are characteristic. Buddhism recognizes no creator God with a monopoly over knowledge and power; instead it asserts that all phenomena are linked together in an endless chain of dependency. Buddhism teaches that the suffering of the world is caused by desire conditioned by ignorance, but by following the path of the Buddha, release from the cycle of rebirth can be achieved.

During the centuries following the Buddha's death, many different schools emerged, usually grouped into two 'vehicles': the Mahayana, 'the great vehicle' dominant in North Asia, and 'the lesser vehicle', Hinayana, of which the only form now remaining is the Theravada Buddhism of south and south-east Asia. This, the most conservative form of Buddhism, persists today in Sri Lanka, Thailand, Myanmar (Burma), and Laos; it is noted by for its analytical and monastic approach. More widespread today is the teaching developed by the Mahayana school, which arose between 150 BC and 100 AD and became dominant in China, Japan, Vietnam, and Korea. It differs from the Theravada in giving a greater status to the Buddha, who is sometimes seen as an eternal being rather than a man, and in making it the aim of all Buddhists to become a Bodhisattva, a being who works for the salvation of all.

Islam is the religion of Muslims, revealed through Muhammad, the Prophet of Allah. The name came from Arabic meaning 'submission' to God. The cardinal principle of Islam is tawhid (making one), the absolute unity of God, Allah, the universal creator whose omnipotence is supreme. This is expressed in the shahadad: "There is no god but Allah and Muhammad is the Messenger". Human authority lies with a succession of prophets, of whom the most important are Noah, Abraham (regarded by Muslims as 'the father of Islam'), Moses, Jesus, and Muhammad as the final 'Seal of the Prophets'. Divine origin and authority are attributed to the Koran, the 'recitation' of the word and will of God, as revealed by the Angel Gabriel to Muhammad, and the Sunna, Muhammad's words and actions recorded by his companions but not written by him. Religious practice is based upon the observance of the Five Pillars of Islam: to accept the basic creed ('I testify that there is no god but Allah and that Muhammad is the prophet of Allah'); to offer prayers five times a day; to pay zakat, a charitable levy; to fast during daylight in the month of Ramadan; and, once in a lifetime, to undertake the hajj, the pilgrimage to the Kaaba Mecca.

The two major sects of Islam are the Sunni, comprising the main community in most Muslim countries today, and the Shiite, which is now centered chiefly in Iran. Both adhere to the same body of tenets, but differ in community organizations and in theological and legal practices. Central to this is the Shiite belief that only the descendants of the prophet Mohammad may adopt the title and role of the imam (spiritual leader), while the Sunni choose the latter by consensus.

Shinto, ('the Way of the Spirits') is a Japanese religion dating from prehistoric times, based on the worship of ancestors and nature-spirits. Things that inspire awe – twisted trees, contorted rocks, dead warriors – are believed to enshrine kami ('spirits'). In early times each clan had its kami. With the supremacy of the Yamato, its sun-goddess, Amaterasu, enshrined at Ise, became paramount. Shinto is not a highly conceptualized religion; it is tolerant and adaptable, laying emphasis, on high standards of behavior and on daily rituals, rather than on doctrine. It offers no code of conduct or philosophy but stress ritual purity.

The name Shinto was adopted in the 6th century AD to distinguish it from Buddhism and Confucian cults. There is no official Shinto scripture. During the 5th century AD, the spread of Confucianism introduced ancestor worship to Shinto and in the 6th century Buddhist beliefs became incorporated into the ancient religion.

During the 19th century the rise of the unified Japanese state saw the development of state Shinto: the emperor came to be worshipped as a descendant of the sun goddess Amaterasu. State Shinto was not classed as a religion but as a code of conduct requiring loyalty and obedience to the divine emperor; it informed all public life and encouraged extreme nationalism, until it was rescinded by the emperor (under US pressure) in 1945. It was replaced by the older form; shrine Shinto, the worship of kami in shrines or sanctuaries, tended by priests.

Confucianism is the Chinese religious world-view and code of conduct loosely based on the teachings of Confucius (551-479 BC). The principal texts of Confucianism are the various works which are divided into groups know as the Five, Six, Nine, Twelve, or Thirteen Classics, the last two which include the Analects of Confucius. Most of these are not specifically Confucian; The Sishu (a collection of four independent books), was used as a basic educational text for many years. The philosophical and ethical code worked out by Confucius was adopted and developed into a state cult under the Han dynasty (206 BC-220 AD), with elaborate state ceremonies honoring the emperor and those who has served the empire well. The civil-service examination and educational system were based in the study of the Five Classics, and temples were built in veneration of Confucius throughout the empire.

In China also developed the **Taoism.** The founder of Taoism was Lao Zi. He was a contemporary to Confucius (a little older than him).

It is interesting to see that the European colonial powers were not able to impose their religion in most of the colonized Asian countries (except Spain in Philippines with the Catholic religion) but did so in the Latin American ones. In Japan at the end of the 16th century Spanish and Portuguese priests tried to introduce the Catholic religion there but were rejected by the leaders of the country because they saw them as spies of the European colonial powers. It is said that in East Asia the European powers conquered only physically the countries but in Latin America they were able to conquer physically and spiritually the native people.

There has been a discussion about the role of religion in economic development. Max Weber, a German philosopher, argued in his book “The Protestant Ethic and the Rise of Capitalism”, that the Protestant religion was more conducive to capitalism than Catholicism. He pointed out that especially the northern European Protestantism emphasized hard work, abstention from luxury, reason, and the steady accumulation of wealth; that financial and professional success came to be identified as outward sign of Good’s favor; by contrast, Roman Catholicism held that individual grace was not dependent on merit. Later, Weber also pointed out that

Confucianism in China was a hindrance to economic development in that country and one of the reasons why China could not meet the challenges of the West at the end of the 19th century.

But nowadays as East Asian countries like Japan, Korea, China, and Taiwan are achieving economic success, Confucianism is cited as one of the reasons for that. It is said that thanks to Confucianism, that stress discipline, respect for the authority, emphasis in education, hard work, these economies have developed faster and had been social and politically stable.

All of these characteristics regarding population, language, and religion, are interesting to know because it explains the nature of the economical and political system in these countries. For example, it is said that the poor condition of peasants in Latin American countries (where the majority are of Indian origin) it is because the elite governing the countries (mostly of White extraction) look down at them. This explain the low emphasis put by these countries in the development of the agricultural sector, except to a some extent for some export crops like coffee, sugar cane, and cotton. In the other hand the diversity in East Asian countries of many nationalities (ethnic groups) has a strong influence in the process of nation building and explains the policies adopted by the governments of countries like Malaysia and Indonesia, which have tried to help improve the lot of their indigenous population compared to the rich Chinese communities there. Also the existence of a soft branch of the Islam religion, the Sunni branch, in these same countries explains the efforts of governments to check the influence of Muslim radicals of other branches.

3 . Economic resources: (Table 5)

Latin American countries usually possess plenty of natural resources, be it agricultural and livestock (wheat and meat in Argentina and Uruguay), mineral (gold and silver in Peru and Mexico and copper in Chile) and energy (petroleum in Mexico and Venezuela, and natural gas in Bolivia). Several Latin American countries are big in territorial size, and some of them, like Argentina and Brazil, have plenty of arable land.

Some of these countries also have large population, like Brazil (more than 170 million people), Mexico (100 million) and Colombia and Argentina (43 and 38 million each one).

Table 5 Population and territory

	Population Millions 2001	Surface area Thousands of sq. km 1999 (1)	Arable land Hectares per capita 1995-97 (1)	Net energy imports % of commercial energy use 1997 (1)
Latin America				
Argentina	37.5	2,780	0.71	-30
Bolivia	8.5	1,099	0.23	-40
Brazil	172.6	8,547	0.33	30
Chile	15.4	757	0.14	65
Colombia	43	1,139	0.05	-122
Costa Rica	3.9	51	0.07	57
Ecuador	12.9	284	0.13	-168
Mexico	99.4	1,958	0.27	-58
Peru	26.1	1,285	0.15	19
Venezuela	24.6	912	0.12	-255
East Asia and the Pacific				
China	1,271.9	9,597*	0.10	1
Hong Kong	6.9	1	0.00	100
Korea Rep.	47.6	99	0.04	86
Singapore	4.1	1	0.00	100
Taiwan+	22.4	36		
Thailand	61.2	513	0.28	42
Indonesia	213.6	1,905	0.09	-60
Malaysia	23.8	330	0.09	-53
Philippines	77.0	300	0.07	57
High Income Countries				
Japan	127.1	378	0.03	79
United States	284.0	9,364	0.67	22

Source: World Bank: "World Development Report 2003"

+ ADB: "Key Indicators 2002"

***** includes Taiwan

(1) From "World Development Report 2000/20001", a negative value indicates that a country is a net exporter

In the case of **East Asian** countries, North East ones have few natural resources but the South East ones have plenty of them (except Singapore). Especially arable land is scarce in Japan, South Korea, Hong Kong and even China. South East Asian countries (except Singapore that had nothing like Hong Kong) have more arable land, but even so, less than Latin American countries. Malaysia and Indonesia have plenty of energy resources, both are important exporters of petroleum and Indonesia also of natural gas.

Rubber seed was brought to Malaysia from Brazil at the end of the 19th century and this allowed that country to become at the beginning of the 20th century the biggest exporter of rubber in the world.

One main characteristic of Asian countries is that they are populous countries. Some of them have especially large population like China (nearly 1,300 million, the biggest in the world) Indonesia (more than 210 million, the fourth biggest) and Japan (127 million). (Table 5). It is said that the reason for that is that their main staple food is still rice. Rice is original to Asia and had mainly three varieties: indica, japonica and javanica. The cultivation of rice can sustain more people per hectare that the cultivation of wheat or maize (because rice produced 7 times as many calories per hectare of land as any other grain). Besides this, the cultivation of rice has traditionally required intensive farming, a sophisticated system of water control and communal cooperation. The cultivation of rice requires abundant water that is available from the numerous rivers in the region and from the rain brought out by the Monsoon season. Also the Monsoon brings the typhoon that from time to time causes big disasters to the region.

Some countries have tried to control the growth of the population like Singapore and China. Singapore was too successful in this and they reversed the policy later. China, from the end of the 1970's, implemented a policy of "one child per family" trying to control a population that had doubled from 450 million at the end of the 1940's to more than 900 millions at the end of the 1970's. By contrast, Malaysia tried to encourage the Malay people to have more children.

It is important to know if a country has or not natural resources or if it has a big or small internal market (given, to a certain extent, by its population size) because it helps to explain the kind of development strategy that was introduced. For example, Japan and the 4 NIES with few natural resources to export had to pursue to a certain extent an export oriented industrialization policy. On the other hand the existence of natural resources and big internal markets in the case of Mexico and Brazil explain the long persistence of import substitution industrialization policies in these countries.

III. Strategies of Economic Development in Latin America and East Asia.-

1. Initial conditions

As we saw before, independence from Spain didn't change at all the economic and social structure of most Latin American countries. Only in Mexico after the revolution of 1910 to 1940 and after some Agrarian Reforms and expropriations of foreign interests took place in the region from 1930s onwards, things began to change.

In most of the cases the people that come to power most of the times were representative of the economically dominant dass of society. Even when there were military and authoritarian governments, they had to answer to the interest of some sectors. They have to take in consideration the demands of vested interests, like those from the business class (or the landowners), sometimes from the labor unions and even from their own bureaucracy.

After independence from Spain during most of the 19th century in many Latin American countries political instability was common. In the 20th century in many countries civilian governments ruled the countries but from time to time the army steeped in because economic crisis led to political instability (and the danger of insurgence of leftist movements). Chile until the 1970's was an exception. Also Mexico after the revolution form 1940 onwards. Costa Rica also was a special case. Especially after the Cold War began the army was very watchful of events in Latin American countries. The army was an arbiter of politics in many cases and itself a kind of political party (the same applies to countries in other regions). In many cases the US also supported army interventions, that happened until the 1970's.

In Argentina the military coup of 1930 saw the emergence of the Armed Forces as the arbiter of Argentina politics. The economic problems began with the government of Juan Domingo Peron in 1946 (himself a military). He was president from 1946 to 1955 (then toppled by a military coup), and again from 1973-74 (he died in 1974) but his wife governed until 1975 when a new military coup occurred. The military governed in the period 1976-83 and left the government after losing the Falkland War of 1982.

In Bolivia in 1930 a popular revolution elected a reforming President, Daniel Salamanca. In 1936 following the disastrous Chaco War, military rule returned. In 1952 the Bolivian National Revolution overthrow the dictatorship of the junta, and Paz Estenssoro, leader of the MNR (Movimiento Nacionalista Revolucionario) Party returned from exile and was installed as President. Tin mines were nationalized, adult suffrage was introduced an a bold program of social reforms begun. Paz was re-elected in 1960 but overthrow in 1964 by a military coup. Military regimes followed each other quickly. In 1982 civilian rule was restored. Paz Estenssoro resumed the presidency in 1985-89.

In Brazil the military intervened in 1930 and remained with Getulio Vargas as President until 1945 (when he was deposed by the army. He first governed from 1930 to 1934, then as constitutional President elected by Congress from 1934 to 1937 and then as dictator from 1937 to 1945). He was elected by popular vote as President from 1950 to 1954 (he committed suicide in that year). Juscelino Kubitschek governed from 1956 to 1961 and Joao Goulart from 1961 to 1964 when he army again intervened. President Figueiredo (1978-1984) established democratic rule

Chile had traditionally democratic governments. Eduardo Frei Montalva as President from 1964 to 1970 initiated a program of Agrarian Reform and the 'Chileanization' of the cooper industry (whose controlling interest had until them been held by US companies). In 1970 Salvador Allende, an avowed Marxist, was elected President. He was deposed by Pinochet and the army in 1973, which governed until 1989.

In Colombia the War of the Thousand Days (1899-1902) encouraged by US led to the separation of Panama from Colombia (1903). Violence broke out again in 1948 and moved from urban to rural areas, precipitating a military government between 1953 and 1958. A semi-representative democracy was restored that achieved a degree of political stability. The drug traffic and the existence of guerrilla groups, from the Left and the Right, continue to be a major problem.

In Ecuador between 1944 and 1972 the Caudillo Jose Maria Velasco Ibarra alternated with the military as a ruler, being elected five times. The discovery of oil in the 1970s might have brought new prosperity, but in fact the masses of the population remained poor and illiterate, with the great Haciendas surviving intact. Democratic government was restored in 1979.

In Mexico Porfirio Diaz governed as a dictator from 1876 to 1911. Then there was a long period of revolution from 1910 to 1940. This was a period of political and social turmoil. A leader, Emiliano Zapata, implemented (in the territories he controlled) a partial agrarian reform by returning the land appropriated by the Haciendas to the peasant and the ejidos (the former Indian communal system of ownership). President Avila Camacho was elected in 1940 and the process of reconciliation began. Since then a succession of governments dominated by the PRI (Partido Revolucionario Institutional) continued until the 1990s.

In Peru the military intervened in Peruvian politics from time to time. In 1968 a left-wing military junta seized power seeking to nationalize US-controlled industries. It also began a program of agrarian reform. In 1980 a civilian government was elected. At the same time an ultra-left Maoist group, Sendero Luminoso (Shining Path) began armed action.

In Venezuela oil was discovered before World War I and by 1920 Venezuela was the world's leading exporter of oil. Military juntas continued to dominate until Romulo Betancourt completed a full term as a civilian President (1959-64), to be peacefully succeeded by Raul Leoni (1964-1969). Since then, democratic politics continued to operate, with two parties, Accion Democratica and Christian Democrat, alternating in power, until the economic crisis of the nineties brought to power a new populist leader (Hugo Chavez).

Costa Rica was remarkable in the late19th and early 20th centuries for its democratic tradition.

After World War II left-wing parties emerged, including the communist party. The socialist presidents, Otilio Ulate (1948-53) and Jose Figueres (1953-58, 1970-74), tried to disband the army, nationalize banks and curb US investment. A new constitution, granting universal suffrage an abolishing the armed forces, was introduced in 1949.

In the case of most **East Asian countries** strong governments implemented policies, most of the time free of the pressure of vested interests. The leaders in the government were not representative of the economically dominant classes. Especially governments in the North East countries (and Singapore) had a high level of autonomy (freedom) to change policies when it was necessary, for example, to shift from an import substitution industrialization (ISI) strategy to an export oriented industrialization (EOI) one. Also in some South East Asian countries, like Malaysia and Indonesia, leaders in the governments were not representative of the economically dominant class (the Chinese community and some foreign companies). Most of the time this has meant that a strong leader or a strong or unique party has held power alone for many years (Malaysia's Mahathir, the last strong leader in East Asia, retired in October 2003, after 22 years in government).

Japan after the Meiji Restoration embarked in a process of modernization trying to catch up with the west. The samurai of Choshu and Satsuma that toppled the Shogunate guided it. They were successful and by the First World War Japan emerged as a military power. But from the 1930 the army began taking greater control of the government and preparing for total war. The state took increasing control of the economy. The military lead Japan to the Second World War and to its defeat. However, even after some reforms were implemented by the US with the aim of diminishing the power of the bureaucracy, the government controlled the economy for several years after the end of the Second World War.

Japan occupied militarily most of South East Asian countries in the Second War. After its defeat they achieved independence. Korea and Taiwan, that were occupied by Japan from the beginning of the 20th century, also became independent countries.

After Japan left South Korea in 1945 US occupied it until 1948. The Korean war of 1950 to 1953 left the economic infrastructure of the country nearly destroyed. Syngman Rhee, who became the first President in 1948 and was re-elected in 1952 and 1956, was overthrow in 1960. The military led by General Park Chung Hee seized power in 1961 and began a process of economic development under authoritarian rule for nearly three decades. Park himself governed from 1961 to 1979.

Taiwan was ruled by the Nationalist Party who lost the civil war in China and fled to the island in 1949. Chiang Kai-Shek (Jiang Jie-shi) with 2 million refuges came to Taiwan and his party has dominated the island politics for nearly four decades in an authoritarian rule (martial law was in force from 1949 to 1987). The first democratic elections were held in 1996. The Nationalist Party lost power in the 2000 elections.

Singapore after the defeat of Japan returned to British rule but from 1959 enjoyed internal self-government under the leadership of Lee Kuan Yew. It joined the Federation of Malaysia in 1963, but Malay fear that its predominantly Chinese population would discriminate in favor of the non-Malays led to its expulsion in 1965. The People's Actions Party has governed the country from 1965 under Lee leadership. He retired in 1990.

Hong Kong received an influx of refugees and capital, especially from Shanghai, following the communist victory in China. The United Nations embargo on trade with China during the Korean War stimulated the development of industry and financial institutions. It returned to China sovereignty in July 1997.

Thailand was largely ruled by the army until the early 1970s, Marshal Pibul Songgram maintaining near personal rule from 1946 to 1957. Severe rioting resulted in a partial move to civilian government and the introduction of a democratic constitution in 1973 (but again in 1976 there was a military coup). The army has continued having great influence and in 1991 a military coup was followed by a new constitution and general elections in 1992.

The Federation of Malaysia was established in 1963. The Malays dominated politics of the country from the beginning. Tungku Abdul Rahman became its first Prime Minister in 1963 (up to 1970). In 1969 inequalities between the politically dominant Malays and economically dominant Chinese resulted in riots in Kuala Lumpur. The United Malay National Organization has ruled the country in a coalition, the National Front. Mahathir bin Mohamed became its leader and Prime Minister from 1981 until it retired in October 2003.

Indonesia was occupied again by the Dutch after the Japanese left the country in 1945. Fight for independence began and the Dutch were gone by 1949. Sukarno, who proclaimed independence after the Japanese left the country, becomes its first President. By 1957 parliamentary democracy had given way to the semi- dictatorship or 'Guided Democracy' of President Sukarno. In 1965-66 the country was in economic problems and General Suharto took advantage of a bungled coup of leftist officers to carry out a bloody purge of the Communist Party (PKI) and deposed Sukarno in 1967. He governed the country in an authoritarian manner until 1998. Problems with separatist movements in some regions, like Aceh and Irian Jaya, occurred (and still occurs), and also in East Timor, which became an independent country in the year 2000.

Philippines became independent after Japanese forces left the country in 1945. The US maintained military bases. In 1972 President Marcos (elected in 1965) declared martial law and governed until it was ousted in 1986. Communist and Islamic guerrilla groups have been fighting the regular army frequently. In 1991 the eruption of Mount Pinatubo led to the withdrawal of US military bases in the country.

China came under Communist Party rule in 1949. In the 1950s land reform led to the Communes and the Great Leap Forward. The disruptions caused by the Cultural Revolution of 1966 to 1976 ended with Mao Zedong death. At the end of the 1970s Deng Xiaoping introduced economic reforms.

2. The Land Problem and Development of the Agriculture Sector.-

Some Latin American countries still have a problem of land concentration in a few hands. The problem of the existence of big landowners (with their latifundia -big tracts of land-) in one hand, and a lot of poor farmers with just too little land in the other hand was a common feature in many Latin American countries. In several of them a kind of agrarian reform program was implemented (in Mexico, Bolivia, Chile and Peru) but still many problems subsist. The development of the agriculture sector has not been among the highest priorities in many countries. In the East Asian countries, the problem of land concentration in a few hands is mostly felt in Philippines, while in most of other countries some kind of land redistribution (agrarian reform) program was carried out. This factor is important to bear in mind because it helps to explain one of the main differences between Latin American and East Asian countries, that is, the fact that Latin American ones have a great concentration of wealth in a few hands while the latter (especially the North Asian ones) have a more equal distribution of income.

It is important the theme of agrarian reform because the development of agriculture was the starting point of development in many countries. The now developed countries have wealthy farmers. These are mostly protected from foreign competition even if they represent just a small part of the population and agriculture represent a small share of GDP (for example, in Japan, US, France). They even receive subsides from their governments.

Land reform: Is it necessary? If so, how should be done to be successful?

In many developing countries there is a high inequality in the distribution of land, with excessively large farms (latifundia) and excessively small farms (minifundia).

Land reform is important to improve the lot of peasants, to lessen the inequality of income, to create a market for industrial goods, etc. It is specially important to achieve social and political stability necessary for economic development.

But to develop agriculture and to improve the living conditions of peasants land reform is just the starting point. This should be accompanied by a program of agrarian development involving education to farmers, credit, creation of agricultural cooperatives, building of agricultural infrastructure, protection from foreign competition (if needed), etc.

France carried out the first agrarian reform in modern history in 1789 during the French Revolution.

In East Asia: Japan began in 1946 a process of Agrarian reform under American pressure as also did Korea and Taiwan. As can be seen from Table 6, in Japan by 1950 (after Agrarian Reform) owner cultivated land was 88.9% of the total land, and tenancy felt to only 10.9% of the total (of rice land).

Table 6. Ownership and Tenancy of Cultivated Land in Japan, 1941, 1947 and 1950

I. Rice Land

	Owner-cultivate land		Tenant-cultivated land		Total	
	'000 cho	%	'000 cho	%	'000 cho	%
1941	1,489	(46.9)	1,686	(53.1)	3,176	100
1947	1,594	(55.9)	1,256	(44.1)	2,850*	(100)
1950	2,592	(88.9)	319	(10.9)	2,914+	(100)

II. Upland land

	Owner-cultivate land		Tenant-cultivated land		Total	
	'000 cho	%	'000 cho	%	'000 cho	%
1941	1,689	(62.7)	1,003	(37.2)	2,693	100
1947	1,437	(66.5)	725	(33.5)	2,162*	(100)
1950	2,084	(91.2)	195	(8.5)	2,286+	(100)

* The apparent post-war decline in the total area cultivated is largely illusory, being due to under-registration.

+ Totals do not add for 1950 owing to the specification of a small amount of land 'neither tenant nor owner-cultivated'

1 cho = 0.99174 hectares = 2.45072 acres

Source: "Land Reform in Japan" R.P. Dore, 1984 edition, page 175

Korea, by the Land Reform Law of June 1949, roughly followed the Japanese model by removing tenancy, creating small ownerships and implementing the law thoroughly and promptly (Table 7). As in Japan, reform was successful because it depended heavily on nonagricultural (basically industrial) employment to absorb labor and supplement farmers' income.

Table 7. Land under different occupational groups in Korea, 1947 and 1964

Category	*Share of land held %* *1947*	*1964*
Owner	16.5	71.6
Part owners	38.3	23.3
Tenants	42.1	5.2
Farm laborers	3.1	0

Source: "Development Economics", Debraj Ray, 1998, page 460

Malaysia did a program of agrarian reform by gradually transforming the landless into hereditary tenants in newly reclaimed and settled plantations. This program was carried out by the government through the FELDA (Federal Land Development Authority, created in 1956) and later with FELCRA (Federal Land Consolidation and Rehabilitation). In Malaysia there were no big landowners, the problem was farmers with no land or too small farms and this was solved through collective settlement, a colonization program of vast areas of under cultivated land (see "Tonan Ajia no Tochi seido to Nogyo henka").

In Thailand introduction of technology have allowed a rapid growth of agriculture but still persist the problem of farmers with small plots of land. Also Chinese merchants, as moneylenders, have played a role as providers of credits to many farmers.

Indonesia has benefited from the Green Revolution. Thanks to this, output of many crops increased rapidly. In 1984 the government declared self sufficiency in rice (thought lately it began importing rice again).

In Philippines there were several intents of Land Reforms (before and during Marcos' rule and under Corazon Aquino presidency) but it has only involved some distribution of public lands and the big estates (latifundia) has remained untouched. The vested interests of powerful landowners has avoided a truly Land Reform (See table 8).

Table 8. Distribution of farmland in Philippines

Number of Owners (Total: 1.99 million of families)	*Number of hectares held (Total: 10 million)*
5.5 %	44% (more than 12 hectares)
14.7%	26% (3 to 12 hectares)
79.8%	30% (less than 3 hectares)

Source: Asiaweek, March 5, 1992

In China the Communist Revolution of 1949 began Agrarian Reform in a national scale with the expropriation of landowners' property and distribution of it to peasants.

In Latin America: The problem in this region is the existence of large plantations and of tiny plots of land. Land reform programs were implemented in some countries but still the problems of peasants with tiny plot of land and living in poverty is present.

The panorama of inequality of land was acute as can be seen in **Table 9** that shows the situation at the beginning of the 1960's. After this there were some programs of Agrarian reform and the panorama has changed in some countries (Table 10).

Table 9. Structure of Property of Agricultural land in Seven Latin American countries (early 1960's)

(As % of the total farm units and total land in each country)

		Minifundia	Family Farms	Medium scale farms	Latifundia
Argentina	Farm units	43.2	48.7	7.3	0.8
	Land area held	3.4	44.7	15.0	36.9
Brazil	Farm units	22.5	39.1	33.7	4.7
	Land area held	0.5	6.0	34.0	59.5
Chile	Farm units	36.9	40.0	16.2	6.9
	Land area held	0.2	7.1	11.4	81.3
Colombia	Farm units	64.0	30.2	4.5	1.3
	Land area held	4.9	22.3	23.3	49.5
Ecuador	Farm unit	89.9	8.0	1.7	0.4
	Land area held	16.6	19.0	19.3	45.1
Guatemala	Farm units	88.4	9.5	2.0	0.1
	Land area held	14.3	13.4	31.5	40.8
Peru	Farm units	88.0	8.5	2.4	1.1
	Land area held	7.4	4.5	5.7	82.4

Minifundia: Small plot of land not enough to give employment to 2 persons in a year
Family Farms: Extension of land enough to give proper employment from 2 to 4 persons in a year
Medium scale farms: Land enough to employ 4 to 12 persons
Latifundia: Land enough to employ more than 12 persons
Source: "Ajia Tochi Seisakuron Josetsu", Ajia Keizai kenkyujo, 1976 page. 116 (this was taken from Barraclough, S.J., & Domike, A. "Agrarian structure in seven Latin American countries", 1966)

Mexico was the first country to begin a program of land redistribution. During the Mexican Revolution the country implemented a Land Reform program in 1915 that dealt mainly with lands of Indian villages that had been illegally absorbed by neighboring haciendas. Legally there was no serfdom; but the Indian wage workers, or the peons, were reduced to virtual serfdom through indebtedness. Thus the landlords were masters of the land and of the peons. The immediate aim of reform was to restore the land to its legal owners, settle the title, and use public land to reconstruct Indian villages. There were many problems with the implementation and effective reform came only after the passage of the Agrarian Code of 1934. The reform restored many villages and freed the peons but land concentration and poverty continued.

Chile in 1965 introduced a program to make the agricultural workers owners of the land they have cultivated previously. The socialist regime that came into office in 1970 expedited the expropriation process and the creation of settlement groups or cooperative farms under peasant committees. By 1972 all the potential land, which had been in farms larger than 80 hectares had been expropriated and reallocated. However, the new regime that took over in 1973 decided to privatize the land and reverse much of the reform by returning large areas to the former owners, dissolving the cooperatives, and creating private ownership in their place. Nevertheless, most of the excess land on farms of more than 80 hectares remained in the hands of the former beneficiaries.

Peru expropriated the feudal estates in the land reform program that began in 1969 under a leftist military government. These estates were run by cooperatives but they were not efficiently done so former economically efficient enterprises have gone most of the time bankrupt. From the 1980’s some of them have break up in small units.

Others countries like Cuba in 1959 and Nicaragua in 1979 carried out land reform programs under socialist regimes. Bolivia did also in 1952. But still many Latin American countries have not solved the land problem, that is, the coexistence of large estates (most of them modern, exporters of commercial crops like sugar, tobacco, cocoa, coffee, and banana) with, in the other hand, small tracts of land producing staple items like potato and corn, cultivated by poor farmers.

Anyway, after some land reform programs were carried out in some Latin American countries, the structure of land property has changed. In the table 10 below, taken from the book of Eliana Cardoso and Ann Helwege “Latin America’s Economy”, page 261, we can see this.

Table 10. Latin America Agrarian Reforms

Country	Year initiated and modified	Beneficiaries as percentage of rural households (a)		Percentage of affected forest and agricultural surface (b)	Organization of production (c)
Cuba	1959, 1963	70 (1963)			SF, IH, CO
Mexico	1917, 1971	69 (1971)	42.9 (1970)	43.4 (1970)	Ejidos
Peru	1963, 1969	37 (1975)	30.4 (1982)	39.3 (1982)	CO and some IH
Bolivia	1952	33 (1970)	74.5 (1977)	83.4 (1977)	IH
Nicaragua	1979, 1981	30 (1983)			SF, IH, CO
Chile	1962, 1970	20 (1963)	9.2 (1982)	10.2 (1982)	Asentamientos
Venezuela	1960	17 (1970)	30.6 (1979)	19.3 (1979)	IH, CO
El Salvador	1980	12 (1983)	22.7 (1985)	21.8 (1985)	IH, CO
Colombia	1961, 1973	10 (1975)			IH, CO
Costa Rica	1961	9 (1975)	5.4 (1980)	7.1 (1980)	IH, CO
Honduras	1962, 1975	8 (1978)			IH, CO
Ecuador	1964, 1973	7 (1972)	10.4 (1983)	9.0 (1983)	IH, CO
Dominican Republic	1962	3 (1970)	8.5 (1983)	14.0 (1983)	IH, CO
Panama	1968		13.3 (1977)	21.9 (1977)	IH, CO

a. Total number of beneficiaries until the year in parentheses divided by number of rural households in that year

b. Affected area until year in parentheses

c. SF, state farms; IH, Individual holdings; CO, cooperatives

Source: Eliana Cardoso and Ann Helwege: “Latin America’s Economy”, 1999

It is interesting to know why land reform was carried out in East Asian countries and not in some Latin American countries (and also not in Philippines). For example USA forced programs of land reform in Japan, South Korea and Taiwan, countries that were under its direct influence following the end of the Second World War. It didn't do that in Philippines, also under American influence in the same period. The reason is that American businesses had working relationship with landowners in Philippines and the government of the United States didn't want to disrupt it. This was not the case in the other North East Asian countries where US forced land reform programs (it did in these countries to eliminate the influence of communist movements among the peasants and to democratize the economy).

Also, as we saw in the Latin American countries, the social and economic structure didn't change when they achieved independence from Spain or Portugal. The ruling elites continued to be nearly the same; the landowners continued having political power. Only after some revolutions or under strong governments, agrarian reforms were done in some of them. In Philippines until recently more than half of members of Congress were landowners. For example, the World Bank in its book "The East Asian Miracle" in an article in page 169 titled "Vested Interests Doom Philippines Agrarian Reform" says the following:

"Philippines policymaking has historically been captive to powerful vested interests that have shaped economic policy to protect and enhance their privileged position, often to the detriment of national well-being. The difficulty of reforming the economy in the face of their opposition was especially evident after the 1986 "People Power" revolt that toppled Ferdinand Marcos and swept Corazon Aquino to power.

Aquino, herself a member of a prominent plantation-owning clan, had pledged during her campaign to carry out land reform, and the promise had wide public support. She did not do while she had the emergency powers at the start of her term, however. When the new Congress, dominated by landowners interest, finally passed a land reform law, it was riddled with loopholes. Moreover, although some bureaucrats were dedicated to reform, they lacked the cohesion to implement such a complex undertaking. Like previous attempts at land reform in the Philippines, the program attempted under Aquino achieved little.

The many loopholes in the land reform law illustrates the hazards of a weak bureaucracy, which can easily permit vested interests to shape key economic policies. While the ostensible goal of the reform was redistribution, enforcement was nearly impossible. The law set an ownership ceiling of five hectares, but landowners were permitted to pass up to three hectares to each child older than fifteen years and had ten years to comply. In practice, many landowners nominally distributed their land to distant offspring while retaining control. Alternatively, thep keep title to the land, confident that they had plenty of time to lobby a future administration for more favorable provisions. Penalties for noncompliance were

negligible: a standard fine equal to half a hectare regardless of the size of the evasion attempted.
The failure of the Philippine program is a sharp contrast to the highly successful land reform programs in Japan, Korea, and Taiwan, China. In each of those instances, land reform was backed and in some cases actively guided by U.S. officials who had little interest in protecting the landed elites. As a result, land retention limits were lower, compensation formulas were straightforward, and the pace of reform was too rapid to avoid for delays tactics and widespread evasion. In each of these economies, successful land reform helped lay the foundation for the rapid shared growth that has continued to elude the Philippines".

Besides this, Latin American countries have not implemented a comprehensive program of agrarian development (except perhaps in Chile). That is why in some countries, like in Peru, it is said that the Agrarian Reform carried out was a failure because peasants standard of live didn't improve and production levels fell. It is important to notice that mainly the problem of poverty in Latin America began when the Spanish conquerors took away the land of the aboriginal people for themselves. After that, few governments have worried about the fate of these people.

In summary, among others things, Agrarian Reform and the posterior agrarian development program carried out by East Asian countries (except in Philippines) allowed those countries to achieve social stability conducive to economic growth. Economic activity found a stable environment in East Asia. In Latin America, except in countries like Mexico and Chile, this have not been the case.

3. Patterns of Economic Development

3.1 In Latin America -

The big **Latin American** countries like Brazil, Mexico and Argentina began a process of industrialization at the end of the 19th century. This process received a boost following the Great Depression of the 1930s when the prices of raw materials they exported fell to one half or less of its value (See Table 11.1 and 11.2). Some countries just exported one or two products, for example by 1930 in Bolivia tin represented 84% of total exports, in Brazil coffee represented 68%, in Colombia coffee 64% of total, in Costa Rica coffee 67% and banana 25%, in Cuba sugar 68% and tobacco 17%, in Venezuela oil 82% of total (Rosemary Thorp: "Progress and Exclusion", data from table VII.3 in the Appendix, page 347).

Table 11.1 Latin America: Purchasing Power of Exports, GDP and Manufactures, 1927-38 (Indices 1928=100)

	Argentina			Brazil			Chile			Colombia		
	PPE	GDP	Manuf.	PPE	GDP	Manuf.	PPE	GDP	Manuf.	PPE	GDP	Manuf
1927	85	99	100	89	90	97	91	80	103	84	93	99
1928	100	100	100	100	100	100	100	100	100	100	100	100
1929	60	101	98	102	101	97	110	110	122	103	104	103
1930	60	93	93	69	99	94	69	99	123	107	103	98
1931	62	95	86	71	96	95	44	82	91	112	101	96
1932	59	92	86	61	100	94	18	60	104	96	108	110
1933	68	94	91	68	109	98	35	70	115	87	115	129
1934	101	102	100	78	119	108	74	84	125	131	123	136
1937	177	124	128	109	143	141	140	107	154	140	135	192
1938	105	124	135	73	150	146	86	102	139	117	144	195

Source: Rosemary Thorp: "Progress, Poverty and Exclusion –An Economic History of Latin America in the 20th century", 1998, Table 4.2

Table 11.2 Latin America: Purchasing Power of Exports, GDP and Manufactures, 1927-38 (Indices 1928=100)

	Mexico			Peru		Venezuela		Costa Rica		
	PPE	GDP	Manuf.	PPE	GDP	PPE	GDP	PPE	GDP	Manuf
1927	111	99	103	95	94	71	87	89	95	88
1928	100	100	100	100	100	100	100	100	100	100
1929	95	96	106	108	110	130	112	94	96	91
1930	72	90	105	79	98	133	113	93	101	98
1931	65	93	100	59	90	105	96	95	99	103
1932	47	79	73	48	86	96	100	63	92	99
1933	51	88	97	75	96	135	98	78	109	120
1934	79	94	108	129	109	300	105	57	97	114
1937	100	113	143	147	127	246	136	68	130	153
1938	78	115	149	126	129	282	144	63	138	180

Source: Rosemary Thorp: "Progress, Poverty and Exclusion –An Economic History of Latin America in the 20th century", 1998, Table 4.3

With a fall in export revenues, Latin America also confronted following the Great Depression of 1929 a default in its external debt. Government's revenues fell because of trade taxes felt and debt service rose in real terms. Also protectionist policies in developed countries affected exports of Latin America from 1930 onwards (for example with the introduction of the Smoot-Hawley tariff in that year in US and in other countries). Besides this, the abandonment of convertibility meant that the depreciation of the exchange rate made the burden of the debt in the public budget intolerable. By 1934 only Argentina, Honduras, Haiti and the Dominican Republic had not defaulted. Many countries under grave economic crisis saw the rise of military governments.

Latin American countries were left with no foreign currency to import the manufactured goods and so they began replacing it with national production (a natural process of import substitution industrialization began). During this time and up to the Second World War many countries nationalized the primary and extractive sectors of their economies that were in hands of foreign capital (during a period of nationalist governments).

State Interventionism and Import Substitution Industrialization in Latin America.?

Governments began setting up agencies to promote industry. International trends favored the move toward a strong role for governments. Following the Great Depression governments in developed countries applied Keynesian policies of increase in government spending. Besides this, the Soviet Union and its post-revolution industrialization drive, as well as the Fascist experiences in Italy and Germany, had a clear influence on Vargas in Brazil, Cardenas in Mexico and Peron in Argentina. Mexico created PEMEX, the state oil company in 1938, Chile in 1939 created CORFO, a state industrial development agency.

During the Second World War few imports came from developed countries, as they were busy producing military goods for the war effort, and again a process of ISI began, but this time governments took a leading role in it. Latin American countries implemented policies to make this possible, protected their economies from foreign competition and attracted foreign investment by giving them incentives to produce for the internal markets. They also established state owned enterprises in many fields. Their exports continued to be of primary products.

This policy of ISI was given a theoretical support by economists like Raul Prebish which recommended industrialization to avoid what he described as “the deterioration in the terms of trade” that happens when developing countries export primary goods in exchange for imports of industrial goods from developed countries (ECLAC, the Economic Commission for Latin America and the Caribbean, was created in 1948 as ECLA and in this institution Prebish worked). But Latin American countries, busy with their ISI policies, closed themselves to the outside world, when the world was opening itself to a more free trade regime thanks to institutions set up by the Bretton Woods agreement (GATT, IMF and the WB, institutions set up to regulate trade and stabilize international finance).

Tariffs were raised through Latin America, but also changes happened in exchange rates and foreign capital legislation (see Table 12). Multinational subsidiaries arrived in large numbers. Development banks were also created as the National Development Bank of Brazil (BNDE) in 1956. In Chile in 1958 CORFO was reformed to give more emphasis to its role as provider of credit and less to its entrepreneurial functions. A regional development bank, the IADB, Inter-American Development Bank, was created in 1960.

Table 12 Nominal Protection in Latin America, circa 1960 (In percent)

	Nondurable Consumer goods	Durable consumer goods	Semi-manufactured Goods	Industrial raw materials	Capital goods	Overall average
Argentina	176	266	95	55	98	131
Brazil	260	328	80	106	82	168
Chile	328	90	98	111	45	138
Colombia	247	108	28	57	18	112
Mexico	114	147	28	38	14	61
Uruguay	23	24	23	14	27	21
EEC	17	19	7	1	13	13

Note: Nominal protection has been calculated as the simple arithmetic mean of approximate incidence (in ad valorem terms) of duties and charges. In the case of Uruguay, it has been calculated as the simple arithmetic mean of theoretical incidence (excluding surcharges and prior deposits) on the CIF value of imports

Source: Bulmer-Thomas, 1994, Table 9.1

Economic growth from 1945 to 1972 was outstanding in Latin America; GDP grew at 5.3% a year while output per capita rose at nearly 3% (Rosemary Thorp, 1998, table II.2, Appendix). For the first time manufacturing became the engine of growth and its share of GDP increased (see Table 13). Countries with biggest internal markets like Argentina, Brazil, Colombia, Mexico, but also Chile and Uruguay, advanced faster.

Table 13 Share of Manufacturing in GDP (1970 prices)

(In percent)

	Argentina	Brazil	Chile	Mexico	Peru	Colombia	Ecuador	Venezuela (1)	Bolivia	Costa Rica
1940	22.6	15.2	19.7	16.6	n.a.	9.1	16.9	7.8	n.a.	n.a.
1945	24.7	17.3	22.1	18.8	n.a.	10.7	18.2	7.2	n.a.	11.3
1950	23.8	20.8	23.3	18.6	14.1	13.1	17.1	6.3	12.3	11.6
1960	26.7	26.5	25.5	19.5	16.9	16.9	15.5	11.3	11.3	12.5
1970	30.6	28.3	28.0	23.3	20.7	17.5	17.6	13.7	12.8	15.1

Note: Figures are three-year averages (circa). Ranking according to 1970 manufacturing share in GDP figures.

(1) Venezuela: manufacturing without refining/nonoil GDP

Source: Rosemary Thorp, 1998, Table 6.1

Some countries like Brazil instituted some schemes to promote exports of manufactures (like subsides). Also the creation of a regional integration agreement, the LAFTA (Latin American Free Trade Area) in 1960, encouraged exports of manufactures within the region. Mexico at the middle of the 1960's set up the Maquiladora (a kind of export processing zone) for export to the US market.

However the ISI policy brought some problems. Exports revenues from mainly primary goods were not large enough to allow increasing imports of capital and intermediate goods needed for the industry. Many industries, under high protective barriers, were not internationally efficient. Industries were capital intensive and absorbed not much labor and so the problem of unemployment was not solved. Also government spending, which rose after the Second World, created deficits (Table 14). As taxes were not enough, in the 1970's governments recurred to external loans.

Table 14 Central Government Revenue and Expenditure

(Percent of GDP)

	Total government Expenditure			Tax revenue			Tax revenue minus total government expenditure		
	1950	1960	1970	1950	1960	1970	1950	1960	1970
Argentina	22.5	21.4	25.2	17.0	14.2	15.0	-5.5	-7.2	-10.2
Brazil	17.5	25.3	33.3	16.0	20.1	27.0	-1.5	-5.2	-6.3
Chile	17.0	29.3	34.6	16.7	16.5	21.8	-0.3	-12.8	-12.8
Colombia	13.4	11.2	17.3	12.0	10.4	13.4	-1.4	-0.8	-5.6
Mexico	12.6	10.7	13.5	7.5	7.1	7.9	-5.1	-3.6	-5.6
Peru	13.9	14.6	21.5	14.0	14.9	18.9	0.1	0.3	-2.6
Latin America	n.a.	20.7	25.7	n.a.	14.4	17.2	n.a.	-6.3	-8.5

Source: Rosemary Thorp, 1998, Table 6.2

The lost decade of the 1980's.-

During the 1970 decade governments began taking foreign loans to finance their spending (see Table 15). Short-term debt share in the total increased (Table 16). Revenues from taxes were low as also was the country' saving rate. Latin America saving rate is very low for several reasons.

Table 15. Latin America External Debt (US$ millions)

	1970	**1980**	**1990**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**
Argentina										
(1) Total	**5,810**	**27,157**	**62,233**	**98,802**	**111,378**	**128,411**	**141,549**	**145,294**	**145,879**	**136,709**
(2) Long-term	5,171	16,774	48,676	71,316	81,588	90,555	105,151	111,401	112,508	102,733
(3) Public	1,880	10,181	46,876	55,250	62,519	67,144	77,285	84,081	86,599	85,337
(4)Short-term	**639**	**10,383**	**10,473**	**21,355**	**23,497**	**31,988**	**30,956**	**29,415**	**28,315**	**20,000**
Bolivia										
(1) Total	**588**	**2,702**	**4,275**	**5,275**	**5,195**	**5,237**	**5,616**	**5,548**	**5,797**	**4,682**
(2) Long-term	491	2,274	3,864	4,701	4,544	4,559	4,938	4,889	5,174	4,095
(3) Public	480	2,182	3,687	4,462	4,259	4,133	4,296	4,246	4,148	3,116
(4) Short-term	**91**	**303**	**154**	**307**	**374**	**429**	**413**	**413**	**402**	**380**
Brazil										

(1) Total	**5,734**	**71,527**	**119,964**	**160,505**	**181,322**	**198,024**	**241,010**	**243,711**	**238,797**	**226,362**
(2) Long-term	5,020	57,987	94,427	129,126	145,327	163,138	206,291	205,654	206,052	189,748
(3) Public	3,314	41,382	87,756	98,295	96,352	87,305	98,175	92,118	93,370	93,467
(4) Short-term	**714**	**13,540**	**23,716**	**31,328**	**35,927**	**34,854**	**29,894**	**29,231**	**30,977**	**28,277**
Chile										
(1) Total	**2,977**	**12,081**	**19,266**	**22,038**	**23,049**	**22,809**	**30,175**	**34,269**	**36,997**	**38,360**
(2) Long-term	2,567	9,398	14,687	18,607	20,414	21,522	28,565	33.,098	34,466	35,803
(3) Public	2,066	4,705	10,425	7,178	4,883	4,367	5,005	5,655	5,204	**5,544**
(4) Short-term	**409**	**2,560**	**3,382**	**3,431**	**2,635**	**1,287**	**1,610**	**1,171**	**2,531**	**2,557**
Colombia										
(1) Total	**2,236**	**6,941**	**17,222**	**25,048**	**28,900**	**31,941**	**33,083**	**34,424**	**33,934**	**36,699**
(2) Long-term	1,580	4,604	15,784	19,503	23,016	26,182	26,851	30,459	31,062	32,961
(3) Public	1,297	4,089	14,671	13,950	14,854	15,436	16,749	20,220	20,803	21,777
(4) Short-term	**602**	**2,337**	**1,438**	**5,545**	**5,884**	**5,759**	**6,232**	**3,965**	**2,871**	**3,738**
Costa Rica										
(1) Total	**287**	**2,744**	**3,756**	**3,802**	**3,491**	**3,476**	**3,954**	**4,207**	**4,443**	**4,586**
(2) Long-term	246	2,112	3,367	3,348	3,116	2,938	3,263	3,430	3,487	3,424
(3) Public	134	1,700	3,063	3,133	2,923	2,767	3,026	3,186	3,251	3,208
(4) Short-term	**41**	**575**	**377**	**430**	**374**	**538**	**690**	**777**	**956**	**1,161**
Ecuador										
(1) Total	**364**	**5,997**	**12,107**	**13,994**	**14,495**	**15,418**	**15,640**	**15,305**	**13,252**	**13,910**
(2) Long-term	245	4,422	10,029	12,508	12,764	13,216	13,299	14,059	12,122	12,220
(3) Public	195	3,301	9,865	12,068	12,444	12,876	13,089	13,556	11,337	11,149
(4) Short-term	**106**	**1,575**	**1,814**	**1,312**	**1,586**	**2,069**	**2,272**	**1,247**	**982**	**1,500**
Mexico										
(1) Total	**6,969**	**57,378**	**104,442**	**166,637**	**157,498**	**148,703**	**159,904**	**167,250**	**158,478**	**158,290**
(2) Long-term	5,967	41,215	81,809	113,508	114,381	111,755	125,202	138,715	139,546	140,290
(3) Public	3,197	33,915	75,974	93,159	94,041	84,373	87,974	88,698	82,653	86,199
(4) Short-term	**1,002**	**16,163**	**16,082**	**37,300**	**29,839**	**27,860**	**26,321**	**24,062**	**18,932**	**18,000**
Peru										
(1) Total	**3,211**	**9,386**	**20,064**	**30,852**	**28,981**	**29,681**	**30,535**	**29,210**	**28,703**	**27,512**
(2) Long-term	2,655	6,828	13,959	20,215	21,597	22,117	23,353	23,877	24,188	24,087
(3) Public	856	6,218	13,629	18,927	20,219	19,221	19,316	19,499	19,250	18,831
(4) Short-term	**546**	**2,084**	**5,350**	**9,681**	**6,459**	**6,553**	**6,278**	**4,598**	**3,957**	**3,038**
Venezuela										
(1) Total	**1,422**	**29,356**	**33,171**	**35,538**	**34,490**	**35,403**	**37,437**	**37,261**	**37,837**	**34,660**
(2) Long-term	954	13,806	28,159	30,236	29,560	29,541	33,992	34,457	33,565	30,931
(3) Public	718	10,625	24,509	28,223	27,746	27,054	28,035	27,654	27,433	24,916
(4) Short-term	**468**	**15,550**	**2,000**	**3,063**	**2,734**	**4,245**	**2,219**	**2,063**	**4,070**	**3,729**

1. Total debt stocks
2. Long-term debt
3. Public and Publicly guaranteed
4. Short-term debt

World Bank: “Global Development Finance 2003”

Table 16 Latin America Economic Indicators and External Debt (US$ millions)

	1970	1980	1990	1995	1996	1997	1998	1999	2000	2001
Argentina										
1) GNI	**30,396**	**76,287**	**135,150**	**253,363**	**266,648**	**286,641**	**291,542**	**276,126**	**276,832**	**260,544**
(2) RES	533	6,719	4,592	14,288	18,104	22,320	24,752	26,252	25,147	14,533
(3) CAB	….	-4,774	4,552	-5,175	-6,825	-12,243	-14,532	-11,902	-8,879	-4,554

(4) ST/EDT (%)	**11.0**	**38.3**	**16.8**	**21.6**	**21.1**	**24.9**	**21.9**	**20.2**	**19.4**	**14.6**
Bolivia										
1) GNI	**1,134**	**2,784**	**4,643**	**6,510**	**7,170**	**7,729**	**8,337**	**8,083**	**8,130**	**7,759**
(2) RES	33	106	167	660	955	1,087	948	975	926	896
(3) CAB	..	-6	-199	-303	-380	-554	-666	-488	-447	-293
(4) ST/EDT (%)	**15.5**	**11.2**	**3.6**	**5.8**	**7.2**	**8.2**	**7.4**	**7.4**	**6.9**	**8.1**
Brazil										
1) GNI	**41,729**	**227,300**	**452,628**	**693,103**	**762,769**	**791,571**	**769,439**	**512,337**	**574,968**	**482,815**
(2) RES	1,142	5,769	7,441	49,708	58,323	50,827	42,580	34,796	32,448	35,740
(3) CAB	..	-12,831	-3,823	-18,136	-23,248	-30,491	-33,829	-25,400	-24,632	-23,211
(4) ST/EDT (%)	**12.5**	**18.9**	**19.8**	**19.5**	**19.8**	**17.6**	**12.4**	**12.0**	**13.0**	**12.5**
Chile										
(1) GNI	**8,513**	**26,544**	**28,564**	**62,504**	**65,901**	**72,548**	**71,124**	**71,254**	**73,171**	**63,920**
(2) RES	342	3,123	6,068	14,140	14,973	17,573	15,869	14,617	15,035	14,379
(3) CAB	..	-1,971	-485	-1,350	-3,145	-3,668	-4,008	-301	-1,078	-1243
(4) ST/EDT (%)	**13.7**	**21.2**	**17.6**	**15.6**	**11.4**	**5.6**	**5.3**	**3.4**	**6.8**	**6.7**
Colombia										
(1) GNI	**6,995**	**33,185**	**38,193**	**89,491**	**93,171**	**104,317**	**97,131**	**82,386**	**80,433**	**79,475**
(2) RES	189	4,831	4,628	8,349	9,845	9,803	8,651	8,008	8,916	10,154
(3) CAB	-293	-206	542	-4,596	-4,755	-5,885	-5,225	353	356	-1,780
(4) ST/EDT (%)	**26.9**	**33.7**	**8.4**	**22.1**	**20.4**	**18.0**	**18.8**	**11.5**	**8.5**	**10.2**
Costa Rica										
(1) GNI	**969**	**4,615**	**5,460**	**11,491**	**11,660**	**12,580**	**13,625**	**13,915**	**14,654**	**15,764**
(2) RES	14	146	521	1,047	1,000	1,262	1,063	1,460	1,318	1,330
(3) CAB	..	-664	-424	-358	-264	-481	-521	-680	-758	-702
(4) ST/EDT (%)	**14.3**	**21.0**	**10.0**	**11.3**	**10.7**	**15.5**	**17.5**	**18.5**	**21.5**	**25.3**
Ecuador										
1) GNI	**1,645**	**11,310**	**9,476**	**17,015**	**18,017**	**18,741**	**18,552**	**12,382**	**12,197**	**16,210**
(2) RES	55	1,1013	838	1,628	1,858	2,093	1,620	1,642	947	840
(3) CAB	..	-642	-360	-1,000	-55	-457	-2,099	918	921	-800
(4) ST/EDT (%)	**29.1**	**26.3**	**15.0**	**9.4**	**10.9**	**13.4**	**14.5**	**8.1**	**7.4**	**10.8**
Mexico										
(1) GNI	**35,091**	**188,759**	**254,084**	**272,877**	**318,398**	**388,079**	**407,744**	**467,561**	**565,340**	**604,078**
(2) RES	568	2,960	9,863	16,847	19,433	28,797	31,799	31,782	35,509	44,741
(3) CAB	..	-10,422	-7,451	-1,576	-2,500	-7,666	-16,073	-13,900	-17,740	-17,683
(4) ST/EDT (%)	**14.4**	**28.2**	**15.4**	**22.4**	**18.9**	**18.7**	**16.5**	**14.4**	**11.9**	**11.4**
Peru										
(1) GNI	**7,119**	**19,697**	**25,509**	**51,878**	**54,374**	**57,852**	**55,342**	**50,016**	**52,014**	**52,844**
(2) RES	296	1,980	1,040	8,222	10,578	10,982	9,565	8,730	8,374	8,672
(3) CAB	..	-101	-1,419	-4,168	-3,681	-3,413	-3,357	-1,483	-1,568	-1,098
(4) ST/EDT (%)	**17.0**	**22.2**	**26.7**	**31.4**	**22.3**	**22.1**	**20.6**	**15.7**	**13.8**	**11.0**
Venezuela										
(1) GNI	**12,685**	**69,703**	**47,149**	**75,446**	**68,818**	**86,296**	**93,918**	**101,793**	**120,054**	**123,402**
(2) RES	637	6,604	8,321	6,283	11,788	14,378	11,920	12,277	13,088	9,239
(3) CAB	-104	4,728	8,279	2,014	8,914	3,467	-3,253	3,599	13,030	3,931
(4) ST/EDT	**32.9**	**53.0**	**6.0**	**8.6**	**7.9**	**12.0**	**5.9**	**5.5**	**10.8**	**10.8**

(%)										

1. GNI: Gross National Income
2. RES: International Reserves
2 CAB: Current Account Balance
4. ST: Short-term debt EDT: Total debt stocks

World Bank: “Global Development Finance 2003”

Money was abundant as international commercial banks were full with petrodollars (as a result of the increase in the price of oil in 1973-74) and have to recycle it. Interest rates were also low (real interest rate was negative, see Table 17). Most of the debt was government or government guaranteed debt (Table 15). The Latin American countries export revenues were high during the 1970’s as prices of most primary goods were also high (see Table 18 and Table 19). So, for the banks, Latin American countries were good borrowers.

Table 17 International interest rates, 1974-1984

Year	U.S. prime rate, real terms	London interbank offer rate, real terms
1974	-2.2	-1.9
1975	-2.9	-3.1
1976	-1.3	-2.0
1977	-1.4	-1.8
1978	1.7	1.1
1979	3.2	2.6
1980	3.0	2.8
1981	8.1	6.0
1982	6.8	5.3
1983	5.5	4.6
1984	6.9	6.1

Note: The financial terms of lending are higher than reported in this table because they include a spread. In 1975 and 1976, all publicized variable-rate Eurocurrency loans to Latin American countries paid a spread higher than 1 percent

Source: Eliana Cardoso, 1992, Table 5.3

Table 18. Commodity Prices (Wholesale Prices and Unit Value), Country of origin

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Coffee (US cents/pounds) Brazil(New York)	52.57	69.19	73.34	82.58	149.48	267.14	165.29	178.47	208.79	186.38	143.68
Copper (US cents/pounds) London	48.58	80.58	93.23	56.10	63.64	59.41	61.92	89.49	99.12	79.05	67.21
Fish Meal	238.	542.00	372.00	245.	376.17	453.92	409.92	394.92	504.42	467.50	353.75

(US $/metric ton) (Any origin Hamburg)	67			33							
Gold (US $/fine ounce) London	58.16	97.33	159.25	161.03	124.82	147.72	193.24	306.67	607.86	459.75	375.80
Petroleum, spot (US cents/barrel) Average crude price	2.89	3.24	11.60	10.96	12.23	13.28	13.39	30.21	36.68	35.27	32.45
Rice (US $/metric ton) New Orleans	200.28	367.32	515.26	388.45	285.67	309.87	370.38	353.68	459.36	524.64	340.21
Silver (US cents/troy ounce) New York	168.4	225.8	470.8	441.9	435.3	462.3	540.1	1,109.0	2,057.7	1,051.8	794.9
Tin (US cents/pound) (Any origin London)	169.64	217.83	371.23	311.92	344.08	490.08	584.01	700.68	761.03	642.69	581.95
Wheat (US $/bushel) Argentina	1.81	2.65	5.26	4.68	3.65	2.63	3.20	3.98	5.01	5.27	4.54
Zinc (US cents/pound) London	17.14	38.16	56.13	33.83	32.32	26.74	26.92	33.61	34.52	38.37	33.78

Source: IMF: "International Finance Statistics Yearbook 2002"

Commodity Prices (Wholesale Prices and Unit Value), Country of origin

	1983	**1984**	**1985**	**1986**	**1987**	**1988**	**1989**	**1990**	**1991**	**1992**
Coffee (US cents/pounds) Brazil(New York)	142.75	149.65	148.93	231.19	106.37	121.84	98.76	83.80	72.88	56.26
Copper (US cents/pounds) London	72.23	62.46	64.29	62.13	80.79	117.93	129.15	120.72	106.07	103.64
Fish Meal (US $/metric ton) (Any origin Hamburg)	452.50	373.17	280.08	320.58	383.42	544.42	409.08	412.17	477.85	481.52
Gold (US $/fine ounce) London	422.47	360.36	317.18	367.68	446.52	437.15	381.28	383.51	362.18	343.42
Petroleum, spot (US cents/barrel) Average crude price	29.64	28.55	27.37	14.17	18.20	14.77	17.91	22.99	19.37	19.04
Rice (US $/metric ton) New Orleans	351.12	352.32	354.87	318.07	300.16	398.85	379.76	361.48	387.94	372.28
Silver (US cents/troy	1,144.1	814.1	614.2	546.9	700.9	653.5	549.9	482.0	404.0	393.6

unce) ew York										
in US cents/pound) ny origin London)	589.11	554.76	523.40	279.48	303.45	319.86	387.12	276.03	253.83	276.88
heat US $/bushel) rgentina	3.91	3.60	3.13	2.66	2.44	3.18	4.05	3.93	2.44	3.27
inc US cents/pound) ondon	34.68	41.82	35.53	34.20	36.20	56.26	75.12	68.55	50.86	56.33

Source: IMF: “International Finance Statistics Yearbook 2002”

Commodity Prices (Wholesale Prices and Unit Value), Country of origin

	1993	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**
offee US cents/pounds) razil(New York)	66.58	143.32	145.98	120.29	166.80	121.81	88.92	79.80	50.50	45.03
opper US cents/pounds) ondon	86.86	104.58	133.00	104.03	103.20	75.01	71.33	82.31	71.68	
ish Meal US $/metric ton) ny origin Hamburg)	364.69	376.66	495.00	586.18	606.25	661.55	392.18	412.74	482.72	597.37
old US $/fine ounce) ondon	359.73	384.22	384.16	387.82	331.10	294.20	278.78	279.00	271.09	310.04
etroleum, spot US cents/barrel) verage crude rice	16.79	15.95	17.20	20.37	19.27	13.07	17.98	28.24	24.28	24.96
ice US $/metric ton) ew Orleans	357.05	427.44	389.50	463.97	441.53	446.45	450.65	367.29	306.58	
ilver US cents/troy unce) ew York	429.8	528.4	519.2	518.3	489.2	553.4	525.0	499.9	438.6	462.5
in US cents/pound) ny origin London)	234.40	247.66	281.11	279.36	255.85	251.12	244.55	246.57	203.64	
heat US $/bushel) rgentina	3.57	3.57	4.47	5.46	4.30	3.35	3.18	3.13	3.35	
inc US cents/pound) ondon	43.73	45.28	46.77	46.49	59.64	46.46	48.80	51.15	40.23	

Source: IMF: “International Finance Statistics Yearbook 2002”

Currencies become overvalued in many countries during the 1970's as a way to make imports cheaper (mainly because of higher inflation rates). But this also encouraged more loans from abroad.

But beginning the 1980's problems began to appear. Interest rates have been increasing from the end of the 1970's as US government run into budget deficit that generated inflation and interest was raised to confront it. (see Table 17). Besides this, beginning 1981 prices of raw materials tended to decrease as growth in developed countries came to a slowdown.

Many Latin American countries were affected (but Mexico and Venezuela benefited) by the increase in the price of oil at the end of the 1970's (by another oil shock in 1979-80), by the increase in their debt service and by lower revenues from exports at the beginning of the 1980's as the price of most raw materials were decreasing (See Table 18 and Table 19). Mexico declared in August 1982 a moratorium in its external debt. They could not repay it. The rest of Latin American countries followed and the region entered into a lost decade of low economic growth rate (See table 20).

Table 19 Latin American Exports (fob), billions of US dollars

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Argentina	1,941	3,266	3,931	2,961	3,916	5,652	6,400	7,810	8,021	9,143	7,625
Bolivia	.201	.261	.557	.444	.568	.632	.629	.760	.942	.912	.828
Brazil	3,991	6,199	7,951	8,670	10,128	12,210	12,659	15,244	20,132	23,293	20,175
Chile	.855	1,231	2,481	1,522	2,083	2,190	2,478	3,894	4,705	3,837	3,706
Colombia	.808	1,169	1,509	1,465	1,874	2,403	3,010	3,411	3,924	2,916	3,024
Costa Rica	.281	.345	.440	.493	.593	.828	.865	.934	1,002	1,008	.870
Ecuador	.326	.532	1,124	.974	1,258	1,436	1,558	2,104	2,481	2,451	2,237
Mexico	1,694	2,250	2,958	2,904	3,417	4,167	6.005	8,982	18,031	23,307	24,055
Peru	.944	1,112	1,503	1,291	1,360	1,726	1,941	3,491	3,898	3,255	3,259
Venezuela	3,166	3,298	11,153	8,800	9,299	9,551	9,187	14,317	19,211	20,980	16,590

Source: IMF: "International Finance Statistics 2002"

Latin American Exports (fob), billions of US dollars

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Argentina	7,836	8,107	8,396	6,852	6,360	9,135	9,579	12,253	11,978	12,235
Bolivia	.755	.725	.623	.638	.570	.600	.822	.926	.849	.710
Brazil	21,899	27,005	25,639	22,349	26,224	33,494	34,383	31,414	31,620	35,793
Chile	3,831	3,651	3,804	4,191	5,224	7,052	8,078	8,373	8,942	10,007
Colombia	3,001	3,462	3,552	5,102	4,642	5,037	5,717	6,766	7,232	6,917
Costa Rica	.873	1,006	.976	1,121	1,158	1,246	1,415	1,448	1,598	1,841
Ecuador	2,348	2,620	2,905	2,173	1,928	2,192	2,354	2,714	2,852	3,007
Mexico	25,953	29,101	26,757	21,804	27,600	30,691	35,171	40,711	42,688	46,196
Peru	3,015	3,147	2,979	2,531	2,661	2,701	3,488	3,231	3,329	3,484
Venezuela	13,937	15,997	14,438	8,660	10,577	10,244	13,286	17,497	15,155	14,185

Source: IMF: "International Finance Statistics 2002"

Latin American Exports (fob), billions of US dollars

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Argentina	13,118	15,659	20,967	23,811	26,370	26,441	23,333	26,341	26,610	25,352
Bolivia	.728	1,032	1,101	1,137	1,167	1,104	1,051	1,230	1,285	1,310
Brazil	38,555	43,545	46,506	47,747	52,994	51,140	48,011	55,086	58,223	60,632
Chile	9,199	11,604	16,024	15,657	17,902	16,353	17,162	19,210	18,466	18,340
Colombia	7,116	8,419	10,056	10,587	11,522	10,852	11,576	13,040	12,257	12,001
Costa Rica	2,625	2,869	3,453	3,730	4,268	5,511	6,577	5,865	5,010	5,258
Ecuador	2,904	3,820	4,307	4,900	5,264	4,203	4,451	4,927	4,678	5,030
Mexico	51,886	60,882	79,542	96,000	110,431	117,460	136,391	166,368	158,547	160,682
Peru	3,515	4,555	5,575	5,897	6,841	5,757	6,113	7,028	7,100	7,688
Venezuela	14,686	16,089	18,457	23,060	21,624	17,193	20,190	31,802	27,049	24,482

Source: IMF: “International Finance Statistics 2002” and “IFS” august 2003

Table 20. Latin America GDP Volume Measure (percent change over previous year)

	1972	**1973**	**1974**	**1975**	**1976**	**1977**	**1978**	**1979**	**1980**	**1981**	**1982**
Argentina	3.7	5.5	5.6	-1.3	-3.9	6.6	-3.4	8.4	-0.3	-5.7	-3.1
Bolivia	5.8	6.7	5.1	6.6	6.1	4.2	3.4	1.8	0.6	0.3	-3.9
Brazil	12.0	13.9	8.1	5.2	10.2	4.9	5.0	6.8	9.2	-4.2	0.8
Chile	-1.2	-5.6	1.0	-13.3	3.2	8.3	7.8	7.1	7.7	6.7	-13.4
Colombia	7.7	6.7	5.7	2.3	4.7	4.2	8.5	5.4	4.1	2.3	0.9
Costa Rica	8.2	7.7	5.5	2.1	5.5	8.9	6.3	4.9	0.8	-2.3	-7.3
Ecuador	14.4	25.3	6.4	5.6	9.2	6.5	6.6	5.3	4.9	3.9	1.2
Mexico	8.5	8.4	6.1	5.6	4.2	3.4	8.3	9.2	8.3	8.5	-0.6
Peru	2.9	5.4	9.3	3.4	2.0	0.4	0.3	5.8	4.7	5.5	-2.6
Venezuela	2.7	6.3	6.1	6.1	8.8	6.7	2.1	1.3	-2.0	-0.3	0.7

Source: IMF: “International Finance Statistics Yearbook 2002”

Latin America GDP Volume Measure (percent change over previous year)

	1983	**1984**	**1985**	**1986**	**1987**	**1988**	**1989**	**1990**	**1991**	**1992**
Argentina	4.2	2.0	-6.9	7.1	2.6	-1.9	-6.9	-1.8	10.6	9.6
Bolivia	-4.0	-0.2	-1.7	-2.6	2.5	2.9	3.8	4.6	5.3	1.6
Brazil	-2.9	6.4	7.5	7.0	3.4	-0.1	4.0	0.4	1.0	-0.5
Chile	-3.5	6.1	3.5	5.6	6.6	7.3	10.6	3.7	8.0	12.3
Colombia	1.6	3.4	3.1	5.8	5.4	4.1	3.4	4.3	2.0	4.0
Costa Rica	2.9	8.0	0.7	5.5	4.8	3.4	5.7	3.6	2.3	9.2
Ecuador	-2.8	4.2	4.3	3.1	-6.0	10.5	0.3	3.0	5.0	3.6
Mexico	-3.5	3.4	2.2	-3.1	1.7	1.3	4.2	5.1	4.2	3.6
Peru	-9.9	5.2	2.8	10.0	8.0	-8.7	-11.7	-3.7	2.2	-0.4
Venezuela	-5.6	-1.4	1.4	6.3	4.5	6.2	-7.8	6.9	9.7	6.1

Source: IMF: “International Finance Statistics Yearbook 2002”

Latin America GDP Volume Measure (percent change over previous year)

	1993	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**
Argentina	5.7	5.8	-2.8	5.5	8.1	3.9	-3.4	-0.8	-4.5	
Bolivia	4.3	4.7	4.7	4.4	5.0	5.0	0.4	2.4	1.2	
Brazil	4.9	5.8	4.2	2.7	3.3	0.2	0.8	0.8		

Chile	7.0	5.7	10.6	7.4	6.6	3.2	-1.0	4.4	2.8	
Colombia	5.4	5.8	5.2	2.1	3.4	0.6	-4.2	2.7	1.4	
Costa Rica	7.4	4.7	3.9	0.9	5.6	8.4	8.2	2.2	0.9	
Ecuador	2.0	4.3	2.3	2.0	3.4	0.4	-7.3	2.3		
Mexico	2.0	4.4	-6.2	5.2	6.8	4.9	3.7	6.6	-0.3	
Peru	4.8	12.8	8.6	2.5	6.7	-0.5	0.9	3.1	0.2	
Venezuela	0.3	-2.3	4.0	-0.2	6.4	0.2	-6.1	3.2		

Source: IMF: “International Finance Statistics Yearbook 2002”

The economic problem was complicated as governments began incurring in big budget deficits and inflation rates began increasing since the middle of the 1970’s and continued through the 1980’s (See Table 21). Why? Increase in oil prices and irresponsible governments. Populist governments increased salaries and subsidies by printing money.

Table 21. Latin America Consumer Prices (Percent change over previous year)

	1972	**1973**	**1974**	**1975**	**1976**	**1977**	**1978**	**1979**	**1980**	**1981**	**1982**
Argentina	58.4	61.2	23.5	182.9	444.0	176.0	175.5	159.5	100.8	104.5	164.8
Bolivia	6.5	31.5	62.8	8.0	4.5	8.1	10.4	19.7	47.2	32.1	123.5
Brazil										101.7	100.5
Chile	74.8	361.5	504.7	374.7	211.8	91.9	40.1	33.4	35.1	19.7	9.9
Colombia	13.4	20.8	24.3	22.9	20.2	33.1	17.8	24.7	26.5	27.5	24.5
Costa Rica	4.6	15.2	30.1	17.4	3.5	4.2	6.0	9.2	18.1	37.1	90.1
Ecuador	7.9	13.0	23.3	15.4	10.7	13.0	11.7	10.3	13.0	16.4	16.3
Mexico	5.0	12.0	23.8	15.2	15.8	29.0	17.5	18.2	26.4	27.9	58.9
Peru	7.2	9.5	16.9	23.6	33.5	38.1	57.8	66.7	59.1	75.4	64.4
Venezuela	2.8	4.1	8.3	10.2	7.6	7.8	7.1	12.4	21.5	16.0	9.7

Source: IMF: “International Finance Statistics Yearbook 2002”

Latin America Consumer Prices (Percent change over previous year)

	1983	**1984**	**1985**	**1986**	**1987**	**1988**	**1989**	**1990**	**1991**	**1992**
Argentina	343.8	626.7	672.2	90.1	131.3	313.0	3,079.8	2,314.0	171.7	24.9
Bolivia	275.6	1,281.3	11,749.6	276.3	14.6	16.0	15.2	17.1	21.4	12.1
Brazil	135.0	192.1	226.0	147.1	228.3	629.1	1,430.7	2,947.7	432.8	951.6
Chile	27.3	19.9	29.5	20.6	19.9	14.7	17.0	26.0	21.8	15.4
Colombia	19.8	16.1	24.0	18.9	23.3	28.1	25.8	29.1	30.4	27.0
Costa Rica	32.6	12.0	15.1	11.8	16.8	20.8	16.5	19.0	28.7	21.8
Ecuador	48.4	31.2	28.0	23.0	29.5	58.2	75.6	48.5	48.8	54.3
Mexico	101.8	65.5	57.7	86.2	131.8	114.2	20.0	26.7	22.7	15.5
Peru	111.2	110.2	163.4	77.9	85.8	667.0	3,398.0	7,481.7	409.5	73.5
Venezuela	6.3	11.6	11.4	11.5	28.1	29.5	84.5	40.7	34.2	31.4

Source: IMF: “International Finance Statistics Yearbook 2002”

Latin America Consumer Prices (Percent change over previous year)

	1993	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**
Argentina	10.6	4.2	3.4	0.2	0.5	0.9	-1.2	-0.9	-1.1	25.9
Bolivia	8.5	7.9	10.2	12.4	4.7	7.7	2.2	4.6	1.6	0.9
Brazil	1,928.0	2,075.9	66.0	15.8	6.9	3.2	4.9	7.0	6.9	8.4

Chile	12.7	11.4	8.2	7.4	6.1	5.1	3.3	3.8	3.6	2.5
Colombia	22.6	23.8	21.0	20.2	18.9	20.4	11.2	9.5	8.7	6.3
Costa Rica	9.8	13.5	23.2	17.5	13.2	11.7	10.0	11.0	11.2	9.2
Ecuador	45.0	27.4	22.9	24.4	30.6	36.1	52.2	96.1	37.7	12.5
Mexico	9.8	7.0	35.0	34.4	20.6	15.9	16.6	9.5	6.4	5.0
Peru	48.6	23.7	11.1	11.5	8.6	7.2	3.5	3.8	2.0	0.2
Venezuela	38.1	60.8	59.9	99.9	50.0	35.8	23.6	16.2	12.5	22.4

Source: IMF: "International Finance Statistics Yearbook 2002" and "IFS May 2003"

As the economic crisis ensued governments have to cut back spending (consumption and investment, see Table 22), imports have to be also reduced (Table 23) and the economic activity entered in recession. IMF stabilization programs were being adopted from the end of the 1970's. Net external flows became negative as lending diminished and the repayment of external debt became heavier (See Table 24). Currencies were devaluated and this increased the burden of the debt (and the inflation rate, Table 25)

Table 22 Latin America Gross Capital Formation as Percentage of GDP

	1972	**1973**	**1974**	**1975**	**1976**	**1977**	**1978**	**1979**	**1980**	**1981**	**1982**
Argentina	19.0	17.1	18.4	26.6	27.1	27.2	23.9	22.6	25.3	22.7	21.8
Bolivia	19.8	20.7	16.4	24.4	21.2	20.8	24.7	20.8	14.6	13.3	12.5
Brazil	27.7	28.5	33.7	25.7	23.0	22.0	23.0	22.8	23.2	23.2	21.5
Chile	12.2	7.9	21.2	13.1	12.8	14.6	17.8	17.8	21.0	22.7	11.3
Colombia	18.4	18.1	21.5	17.0	17.6	18.8	18.3	18.2	19.1	20.6	20.5
Costa Rica	22.0	24.0	26.7	21.6	23.7	24.3	23.5	25.3	26.6	29.0	24.7
Ecuador	20.0	19.5	22.5	26.7	23.8	26.5	28.4	25.3	26.1	23.2	25.2
Mexico	20.3	21.4	23.2	23.7	22.3	22.8	23.6	26.0	29.6	27.5	22.7
Peru	14.2	15.6	18.9	19.8	17.9	15.0	14.2	21.6	28.9	34.3	33.6
Venezuela	31.2	29.3	24.0	30.9	34.4	41.5	42.8	31.6	24.7	22.9	25.9

Source: IMF: "International Finance Statistics Yearbook 2002"

Latin America Gross Capital Formation as Percentage of GDP

	1983	**1984**	**1985**	**1986**	**1987**	**1988**	**1989**	**1990**	**1991**	**1992**
Argentina	20.9	20.0	17.6	17.5	19.6	18.6	15.5	14.0	14.6	16.7
Bolivia	12.2	10.6	16.9	13.6	13.5	14.0	11.6	12.5	12.5	15.6
Brazil	17.2	15.3	21.3	19.1	22.2	22.7	28.6	20.2	19.8	18.9
Chile	9.8	13.6	17.2	18.9	22.2	22.8	25.1	25.1	22.6	23.8
Colombia	19.9	19.0	19.0	18.0	20.0	22.0	20.0	18.5	16.0	17.2
Costa Rica	24.2	22.7	25.9	25.2	27.1	24.5	26.6	27.3	17.9	20.2
Ecuador	17.6	17.2	18.2	20.9	22.7	21.5	20.7	17.5	22.2	21.2
Mexico	20.8	19.7	20.8	18.1	19.2	23.9	24.6	24.6	25.2	25.3
Peru	24.3	20.2	18.5	20.2	21.1	22.1	18.1	16.5	17.3	17.3
Venezuela	11.8	18.1	19.1	20.8	25.2	27.9	12.9	10.2	18.7	23.7

Source: IMF: "International Finance Statistics Yearbook 2002"

Latin America Gross Capital Formation as Percentage of GDP

	1993	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**
Argentina	19.7	20.0	18.5	19.6	20.9	21.0	19.9	17.5	15.7	

Bolivia	16.6	14.4	15.2	16.2	19.6	23.6	18.8	17.2	13.0	
Brazil	20.8	22.1	22.3	20.9	21.5	21.1	20.3	21.7	21.0	
Chile	26.5	24.1	25.8	27.4	27.7	26.9	21.3	22.5	20.7	
Colombia	21.2	25.5	25.7	22.1	20.8	19.6	12.8	13.2		
Costa Rica	20.9	20.0	18.2	16.0	18.1	20.5	17.1	16.6	18.2	
Ecuador	21.1	19.0	18.7	17.3	20.2	24.7	12.9	16.8		
Mexico	21.0	21.7	19.8	23.1	25.8	24.4	23.5	23.6	20.7	
Peru	19.3	22.2	24.8	22.8	24.0	23.6	21.5	20.1	18.4	
Venezuela	18.8	14.2	18.1	16.6	21.0	21.9	18.1	17.2		

Source: IMF: "International Finance Statistics Yearbook 2002"

Table 23 Latin American Imports (cif), billions of US dollars

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Argentina	1,905	2,230	3,635	3,947	3,033	4,162	3,834	6,700	10,541	9,430	5,337
Bolivia	.185	.230	.390	.558	.555	.618	.808	.894	.665	.917	.554
Brazil	4,783	6,999	14,168	13,592	13,726	13,257	15,054	19,804	24,961	24,079	21,069
Chile	1,086	1,290	2,148	1,525	1,864	2,539	3,408	4,808	5,797	7,181	3,989
Colombia	.859	1,062	1,597	1,495	1,662	1,880	2,971	3,364	4,739	5,201	5,480
Costa Rica	.373	.455	.720	.694	.770	1,021	1,166	1,397	1,540	1,209	.889
Ecuador	.319	.397	.678	.987	.958	1,189	1,505	1,600	2,253	2,246	2,169
Mexico	2,718	3,814	6,057	6,580	6,028	5,489	8,109	12,086	22,144	28,462	17,742
Peru	.796	1,019	1,531	2,550	2,037	1,911	1,175	1,820	2,499	3,482	3,601
Venezuela	2,463	2,812	4,148	6,000	7,663	10,938	11,767	10,670	11,827	13,106	12,944

Source: IMF: "International Finance Statistics 2002"

Latin American Imports (cif), billions of US dollars

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Argentina	4,504	4,585	3,814	4,724	5,818	5,322	4,203	4,076	8,275	14,872
Bolivia	.577	.489	.691	.674	.766	.591	.611	.687	.970	1.090
Brazil	16,801	15,210	14,332	15,557	16,581	16,055	19,875	22,524	22,950	23,068
Chile	3,085	3,574	3,072	3,436	4,396	5,292	7,233	7,742	8,207	10,183
Colombia	4,963	4,498	4,141	3,862	4.322	5,002	5,004	5,590	4,906	6,516
Costa Rica	.988	1,094	1,098	1,148	1,383	1,410	1,717	1,990	1,877	2,441
Ecuador	1,487	1,616	1,767	1,810	2,252	1,714	1,855	1,865	2,399	2,431
Mexico	12,476	16,691	19,116	17,573	19,696	29,402	36,400	43,548	52,315	65,049
Peru	2,548	2,212	1,835	2,909	3,562	3,348	2,749	3,470	4,195	4,861
Venezuela	6,419	7,774	8,106	8,504	9,659	12,726	7,803	7,335	11,147	14,066

Source: IMF: "International Finance Statistics 2002"

Latin American Imports (cif), billions of US dollars

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Argentina	16,784	21,527	20,122	23,762	30,450	31,404	25,508	25,280	20,321	8,998
Bolivia	1,206	1,209	1,424	1,635	1,851	1,983	1,755	1,830	1,708	1,770
Brazil	27,740	35,997	53,783	56,947	64,995	60,631	51,759	58,631	58,351	49,580
Chile	11,134	11,820	15,900	19,123	20,825	19,880	15,988	18,507	17,814	17,093
Colombia	9,832	11,883	13,853	13,684	15,378	14,635	10,659	11,539	12,834	12,738
Costa Rica	3,515	3,789	4,036	4,300	4,924	6,230	6,320	6,372	6,564	7,175
Ecuador	2,562	3,622	4,153	3,935	4,955	5,576	3,017	3,721	5,363	6,431
Mexico	68,439	83,075	75,858	93,674	114,847	130,948	148,648	182,702	176,18	176,60

									5	7
Peru	4,859	6,691	9,224	9,473	10,264	9,867	8,075	8,797		
Venezuela	12,511	9,187	12,650	9,880	14,606	15,818	14,064	16,213	18,022	11,840

Source: IMF: "International Finance Statistics 2002" and "IFS", august 2003

Table 24.1 Latin America: Net capital inflows and resource transfer

(Billions of dollars)

Year	**Net capital inflows**	**Net payments of profits and interest**	**Resource transfers**	**Exports of goods and services**
1980	30.9	18.9	12.0	106.9
1981	40.2	29.1	11.1	115.6
1982	20.5	38.9	-18.4	105.2
1983	8.0	34.5	-26.5	105.4
1984	13.3	37.5	-24.2	117.5
1985	4.3	35.5	-31.2	112.8
1986	9.7	32.7	-23.0	99.2
1987	12.8	30.9	-18.1	113.3
1988	3.4	34.6	-31.2	130.2
1989	9.6	39.1	-29.5	145.8
1990	17.0	34.4	-17.4	161.4
1991	35.8	31.6	4.2	164.0
1992	56.9	30.4	26.5	177.6
1993	66.2	34.7	31.5	194.1
1994	46.7	36.6	10.1	223.3
1995	60.2	40.9	19.4	266.0
1996	65.4	42.8	22.7	294.3
1997	80.6	48.2	32.3	326.1
1998	78.4	51.2	27.2	326.1
1999	49.1	52.2	-3.1	341.0
2000	53.3	53.4	-0.2	407.4
2001	50.1	54.7	-4.6	392.0
2002*	13.7	52.5	-38.8	392.5

* Preliminary estimates

Source: ECLA "Statistical Yearbook 2002", table 10

Table 24.2 Latin America: Net transfer of resources

(millions of dollars)

Pais	**1980**	**1985**	**1990**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**
Argentina	664	-2,326	-5,830	8,145	446	5,259	9,391	10,653	5,768

Bolivia	-352	-148	-45	45	249	458	433	638	324
Brazil	2,318	-11,490	-7,345	-896	19,598	19,743	7,664	7,291	-1,250
Chile	2,240	-539	868	2,004	-625	1,748	4,374	-39	-2,575
Colombia	868	287	-2,237	2.413	2,994	4,414	3,804	2,070	-2,342
Costa Rica	544	87	64	272	311	1	447	-97	-660
Ecuador	298	-1,038	-589	543	-108	-739	-317	468	-2,717
Mexico	4,829	-12,101	2,395	-1,741	-1,464	-9,659	5,387	4,944	1,661
Peru	-157	-662	-138	3,729	3,044	3,721	3,319	1,140	-502
Venezuela	-636	-3,860	-4,677	-5,590	-5,864	-4,076	-2,797	-2,042	-4,484

Negative figures indicate an outward transfer of resources

Net resource transfers are equal to net capital inflows (including non-autonomous balance the capital) less the balance of income (net payments of profits and interest)

Source: ECLA "Statistical Yearbook 2002", Table 280

Table 24.2 Latin America: Net transfer of resources (millions of dollars)

Pais	**2000**	**2001**	**2002***
Argentina	1,055	-15,741	-19,780
Bolivia	182	48	98
Brazil	4,521	6,776	-9,956
Chile	-1,385	-2,111	-1,319
Colombia	-2,069	5	-689
Costa Rica	-697	-42	568
Ecuador	-2,019	-669	568
Mexico	6,156	11,498	6,300
Peru	-104	254	738
Venezuela	-9,001	-8,170	-13,472

Negative figures indicate an outward transfer of resources

Net resource transfers are equal to net capital inflows (including non-autonomous balance the capital) less the balance of income (net payments of profits and interest)

* Preliminary estimates

Source: ECLA "Statistical Yearbook 2002", Table 280 and Table 11

Table 25. Latin America Official exchange rate (end of period, national currency units per U.S. dollar)

	1972	**1973**	**1974**	**1975**	**1976**	**1977**	**1978**	**1979**	**1980**	**1981**	**1982**
Argentina	0.0500	0.050	0.050	0.60885	2.745	5.975	0.100	0.01619	0.01993	0.07248	0.48545
Bolivia	20.0	20.0	20.0	20.0	20.0	20.0	20.0	24.5	24.5	24.5	197.9
Brazil	2.265	2.267	2.710	3.298	4.489	5.836	7.607	15.465	23.818	46.473	91.880
Chile	50.00	750.00	2.00	8.50	17.42	27.96	33.95	39.000	39.00	39.00	58.47
Colombia	22.79	24.79	28.63	32.96	36.32	37.96	41.00	44.00	50.92	59.07	70.29
Costa Rica	6.64	6.65	8.57	8.57	8.57	8.57	8.57	8.57	8.57	36.09	40.25
Ecuador	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	33.20
Mexico	12.50	12.50	12.50	12.50	19.95	22.736	22.724	22.802	23.256	26.228	96.480
Peru	38.7	38.7	38.7	45.0	68.4	130.4	196.2	250.1	341.7	507.0	989.7
Venezuela	4.350	4.285	4.285	4.285	4.293	4.293	4.293	4.293	4.293	4.293	4.293

Source: IMF: "International Finance Statistics Yearbook 2002"

Latin America Official exchange rate (end of period, national currency units per U.S. dollar)

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Argentina	2.32610	0.01787	0.08005	0.12570	0.37500	1.33700	0.17950	0.55850	0.99850	0.99050
Bolivia	504.9	8,783.0	1.6920	1.9230	2.2100	2.4700	2.9800	3.4000	3.7450	4.0950
Brazil	357.818	1.158	3.815	5.416	26.273	278.291	4.130	64.385	388.655	4,504.5
Chile	72.81	89.02	183.66	205.00	238.11	247.49	296.58	336.86	374.87	382.33
Colombia	88.77	113.89	172.20	219.00	263.70	335.86	433.92	568.73	706.86	811.77
Costa Rica	43.40	47.75	53.70	58.88	69.25	79.50	84.35	103.55	135.43	137.43
Ecuador	54.10	67.20	95.80	146.50	221.50	432.50	648.40	878.20	1,270.6	1,844.3
Mexico	143.93	192.56	371.70	0.9235	2.2097	2.2810	2.6410	2.9454	3.0710	3.1154
Peru	2,271.2	5,696.0	13,945	13,950	33,000	500.0	5,261.4	516.9	960.0	1,630.0
Venezuela	4.300	7.500	7.500	14.500	14.500	14.500	43.079	50.380	61.544	79.450

Source: IMF: "International Financial Statistics Yearbook 2002" and "IFS Yearbook May 2003"

Latin America Official exchange rate (end of period, national currency units per U.S. dollar)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Argentina	0.99850	0.99950	1.00000	0.99950	0.99950	0.99950	0.99950	0.99950	0.99950	3.32000
Bolivia	4.4750	4.6950	4.9350	5.1850	5.3650	5.6450	5.9900	6.3900	6.8200	7.4900
Brazil	118.584	846.000	973.000	1,039.4	1,116.4	1,208.7	1,789.0	1.954.6	2,320.4	3.533
Chile	431.04	404.09	407.13	424.97	439.81	473.77	530.07	572.68	656.20	712.38
Colombia	917.33	831.27	987.65	1,005.3	1,293.5	1,507.5	1,873.7	2,187.0	2,301.3	2,864.7
Costa Rica	151.44	165.07	194.90	220.11	244.29	271.42	298.19	318.02	341.67	378.72
Ecuador	2,043.8	2,269.0	2,923.5	3,635	4,428	6,825	20,243	25,000	25,000	25,000
Mexico	3.1059	5.3250	7.6425	7.8509	8.0833	9.8650	9.5143	9.5722	9.1423	10.3125
Peru	2.1600	2.1800	2.3100	2.6000	2.7300	3.1600	3.5100	3.5270	3.4440	3.5140
Venezuela	105.64	170.00	290.00	476.50	504.25	564.50	648.25	699.75	763.00	1,401.25

Source: IMF: "International Financial Statistics Yearbook 2002" and "IFS Yearbook May 2003"

Governments entered in negotiations with commercial banks and with governments of developed countries to renegotiate their external debt. Some debt was forgiven, another part was rescheduled, and new loans were provided in exchange for the application of structural reforms (liberalization of their economies, less government intervention). Mexico was the first to accede to the Brady Plan at the end of the decade because of its close relationship with US.

Governments have incurred in many cases in mismanagement of the loans, using it to finance consumption and not investment and in some cases even increasing arms spending.

Consumption, relative to GDP, is very high in Latin America, specially compared to East Asia (Table 26). Also capital flight occurred in some countries, notably Mexico and Venezuela. These countries are special cases because both are big exporters of oil and benefited from the increase in the price of this product through the 1970's. Venezuela fared worst (even now). This country from 1980 onwards register a permanent negative transfer of resources (See Table 24.2).

Table 26 Latin America Final Consumption Expenditure as Percentage of GDP

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Argentina	76.2	80.0	79.6	74.1	68.5	69.7	72.2	77.2	76.2	77.8	75.7
Bolivia	82.9	80.2	77.1	81.2	81.1	82.0	82.7	82.4	79.9	80.0	77.5
Brazil	75.0	69.8	71.7	73.8	79.0	78.5	78.4	80.6	78.5	77.7	61.0
Chile	91.3	93.9	78.2	88.9	82.9	87.4	85.5	85.0	83.2	87.6	90.6
Colombia	81.4	79.5	79.6	81.2	79.3	77.6	78.9	80.1	80.3	82.9	83.8
Costa Rica	84.3	82.1	88.2	86.8	82.3	81.2	84.4	85.0	83.8	75.9	72.4
Ecuador	83.6	77.3	72.4	79.7	77.6	76.5	77.2	74.1	74.1	75.8	77.1
Mexico	80.4	79.7	79.0	79.0	79.1	77.1	77.0	75.3	75.1	75.0	72.3
Peru	84.3	85.0	86.0	90.1	87.8	88.6	82.2	66.8	68.2	69.5	69.5
Venezuela	65.5	61.1	51.3	61.2	64.2	66.2	70.3	66.5	67.1	71.2	77.2

Source: IMF: "International Finance Statistics Yearbook 2002"

Latin America Final Consumption Expenditure as Percentage of GDP

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Argentina	75.8	77.2	76.9	80.7	80.1	78.0	78.1	80.2	83.7	84.9
Bolivia	77.7	84.4	70.9	91.1	94.4	90.4	89.1	88.6	89.9	92.3
Brazil	83.2	82.3	75.3	78.2	74.2	72.0	66.5	78.6	79.5	78.5
Chile	87.5	87.4	80.4	78.1	74.9	70.3	70.2	71.6	73.0	74.8
Colombia	82.9	81.6	79.7	75.2	76.0	75.6	75.8	75.7	76.6	80.9
Costa Rica	76.6	76.9	75.9	73.9	77.0	77.3	77.3	79.6	85.6	84.4
Ecuador	78.4	76.3	75.9	79.0	83.6	80.6	81.1	77.1	76.2	75.0
Mexico	69.7	72.5	74.1	78.0	74.7	80.4	82.6	82.9	86.1	88.9
Peru	75.5	77.4	75.3	81.1	80.5	80.5	79.3	81.6	85.0	85.6
Venezuela	77.4	73.8	74.8	79.6	76.7	78.8	75.5	70.5	76.2	78.8

Source: IMF: "International Finance Statistics Yearbook 2002"

Latin America Final Consumption Expenditure as Percentage of GDP

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Argentina	82.7	83.1	81.9	81.0	81.4	81.5	83.9	83.1	83.0	
Bolivia	92.7	91.2	89.4	88.5	88.6	89.3	91.4	91.8	93.2	
Brazil	77.7	77.5	79.5	81.0	80.9	81.1	81.3	79.9	80.1	
Chile	75.9	74.6	72.4	74.3	74.4	76.4	76.8	76.1	77.3	
Colombia	81.1	80.4	80.6	83.5	85.0	86.2	86.6	86.3		
Costa Rica	85.6	85.5	84.6	87.5	85.8	82.2.	77.2	81.1	84.0	
Ecuador	78.3	78.0	80.3	75.6	78.8	82.0	75.8	71.6		
Mexico	82.9	82.9	77.4	74.7	74.1	77.8	78.1	78.4	81.6	
Peru	84.6	81.1	80.9	82.1	80.4	81.8	80.8	81.8	83.1	
Venezuela	81.5	77.3	76.6	68.3	72.3	79.3	76.6	70.7		

Source: IMF: "International Finance Statistics Yearbook 2002"

Economic Liberalization in the 1990s.-

The economic liberalization program initiated in Chile during the second half of the 1970's was imitated by the rest of Latin American countries during the 1990's though Mexico began introducing the reforms after the debt problem that confronted in 1982.

The economic liberalization program contemplated the following: opening of the economy to foreign competition, reducing the role of the state in the economy (through privatization of state owned companies), and fiscal discipline. Many countries applied this program that was recommended by institutions like the IMF and the World Bank. Chile and Mexico have been the countries that applied most of the receipt of the program.

From the beginning of the 1990's again there was a positive net transfer of resources in the region as capital inflows increased, specifically short term capital, encouraged by the liberalization in the capital account that countries like Mexico did to a great extent (while Chile retained some capital control in this kind of capital). (Table 24.1 and Table 24.2)

Capital inflows increased as countries began opening to foreign investment and privatization occurred in a large scale. For example, the banking sector received during the 1990s a lot of foreign capital and as a result now most of it is foreign owned. (See Table 27 and 28). Also interest rates were higher in Latin America compared to those in US and attracted foreign capital.

Table 27. Foreign Bank's Shares of Total Assets of Latin American Banking System, 1990-2001 (Percentages)

	1990	**1994**	**1999**	**2000**	**2001**
Argentina	10	18	49	49	61
Brazil	6	8	17	23	49
Chile	19	16	54	54	62
Colombia	8	6	18	26	34
Mexico	-	1	19	24	90
Peru	4	7	33	40	61
Venezuela	1	1	42	42	59

Source: ECLAC: "Foreign Investment in Latin America and the Caribbean, 2002 Report", 2003

Table 28 Latin America: Privatization revenues, 1990-1998 (1) (2)
(million of current dollars)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	Total
Argentina (3)	2,139	1,896	5,312	4,589	1,441	1,340	1,033	969	598	19,317
Bolivia	-	-	7	14	-	848 (4)	874 (5)	-	-	21
Brazil	-	1,564	2,451	2,621	1,972	910	3,752	17,400	36,600	67,200
Chile	29	117	21	-	203	3	579	12	186	1,150
Colombia	117	105	27	4	681	138	1,476	3,180	470	6,198
Mexico	3,580	10,716	6,799	2,507	771	-	-	84	581	25,038
Peru (3)	-	3	208	317	2,578	946	2,460	421	462	7,395
Venezuela	10	2,276	30	32	15	21	2,090	1,505	174	6,153
Other	10	2,276	30	32	15	21	2,090	1,505	174	6,153
Total	**5,876**	**16,702**	**14,886**	**10,179**	**8,529**	**3,433**	**11,458**	**24,408**	**42,461**	**137,932**

(1) Cash proceeds plus proceeds in the form of external and domestic bonds reported at their value in the secondary market, except in the case of Brazil, for which domestic bonds are reported at their nominal value (2) Figures do not include concessions, except in the cases of Argentina and Peru

(3) Includes concessions (4) Includes US$51 million in privatization and US$797 million in capitalization (5) Capitalization

Source: ECLA, "Economic Survey of Latin America 1998-1989", Table III.1

But in December 1994 Mexico faced economic problems and it was forced to devaluate its currency. What happened? Large capital inflow into its economy suddenly reversed at the end of 1994 as Mexico accumulated again a large external debt and doubts about its capacity to repay it grew. Again Mexico introduced a stabilization program to confront the crisis, with the government cutting spending and reduced imports. The economy contracted 6.2% in 1995 and the yearly inflation rate increased to 35.0% from 7.0% the year before(Table 20 and Table 21). The crisis affected some other countries in the region like Argentina, Chile, Ecuador, as capital inflows diminished (herd behavior?). Argentina was specially affected and registered a negative per capita GDP growth of -4.1% in 1995. The Latin American region experienced a negative per capita GDP growth rate of -0.5% in 1995 (see Table 29).

Table 29 Latin America per capita GDP (percentages based on values at 1995 prices) Annual growth rates

Country	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002 *	1991 -95	1996 -00
Argentina	9.2	8.2	4.5	4.4	-4.1	4.1	6.6	2.5	-4.6	-2.0	-5.6	-12.1	4.3	1.3
Bolivia	3.0	-0.7	1.7	2.3	2.2	2.0	2.4	2.6	-2.0	0.1	-0.9	-0.2	1.7	1.0
Brazil	-0.6	-1.8	3.0	4.7	2.7	1.1	1.7	-1.2	-0.3	2.6	0.2	0.2	1.6	0.7
Chile	5.6	9.0	5.1	3.3	7.3	5.4	5.3	1.9	-2.0	3.1	1.6	0.6	6.1	2.7
Colombia	-0.2	1.6	2.4	3.8	2.9	0.0	1.4	-1.1	-5.6	0.4	-0.4	-0.1	2.1	-1.0
Costa Rica	-1.5	5.4	3.8	1.5	1.0	-1.9.	2.7	5.6	5.4	-0.1	-1.2	0.7	2.0	2.3
Ecuador	2.7	0.7	-0.1	2.1	0.8	0.2	1.8	-0.9	-9.7	0.4	4.1	1.6	1.2	-1.7
Mexico	2.2	1.8	-0.1	2.6	-7.8	3.7	5.1	3.3	2.1	5.2	-1.9	-0.3	-0.3	3.8
Peru	0.7	-2.2	2.9	10.8	6.7	0.7	4.9	-2.2	-0.8	1.4	-1.4	2.9	3.7	0.8
Venezuela	7.9	4.6	-2.7	-5.8	3.7	-2.5	5.2	-1.3	-7.7	1.8	1.0	-8.7	1.4	1.0
Latin	1.4	1.0	1.6	3.4	-0.5	2.1	3.5	0.6	-1.0	2.2	-1.2	-1.9	1.4	1.4

America														

* Preliminary estimates

Source: ECLA: “Statistical Yearbook 2002”, Table 2

Again, with the onset of the Asian crisis of 1997 and, specifically with the Russian crisis of 1998, the region experimented less capital inflows and in some of them even negative resources transfer as in Chile, Colombia, Ecuador, and Peru (Table 24.1 and Table 24.2). The effect of the Asian and Russian crisis forced Brazil to devaluate its currency in the beginning of 1999 (as foreign investors began taking their money out of the country worried about Brazil’s large external debt and high fiscal deficit, See table 24.2 and Table 25). All of this made Argentine parity of 1 peso to 1 dollar introduced in 1991 unsustainable (as other countries have devaluated their currency and the country lost competitiveness) and Argentina plunged into the worst economic and political crisis of its history at the end of 2001. The country registered the largest negative net transfer of resources in the region history, of -15,749 billion dollars in the year 2001 and -19,780 billion dollars in the year 2002 (See table 24.2). The country had been experiencing negative per capita GDP growth rates from 1999 onwards, of -4.6% that year, -2.0% in 2000, -5.6% in 2001 and of -12.1% in 2002 (Table 29). The currency devaluated from 0.99950 pesos per dollar at the end of 2001 to 3.32000 pesos per dollar at the end of 2002 (See Table 25). The Latin America region as a whole experienced from 1999 again negative net resources transfer (See Table 24.1) and the region also plunged in recession in 2001 and 2002.

The 1990’s saw for the region a minor increase in the per capita GDP growth rates, of only 1.4% in the period 1990-95 and 1.4% in 1996-2000 (Table 29). The prospects for economic growth in the years ahead for some countries like Chile and Mexico are good, but for others like Venezuela and Argentina not. Mexico is a special case because of its close relationship with US, made closer since Mexico joined US and Canada in the NAFTA agreement of 1994. More than 80% of Mexican exports go to the US market (Table 51).

What was wrong with economic liberalization in Latin America? Incomplete reforms: The labor sector has not undergone mayor reforms, institutions building and strengthening are things still to be done, and fiscal deficit are still large (see Table 30) .

Table 30 **Non-financial public sector financial balance (percentage of GDP)**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Argentina	-3.8	-1.6	-0.1	1.5	-0.3	-0.6	-2.1	-1.6	-1.5	-1.7	-2.5	-3.3
Bolivia	-4.5	-4.3	-4.4	-6.1	-3.0	-1.8	-1.9	-3.5	-4.7	-3.5	-3.8	-6.5
Brazil*	1.4	-0.2	-1.8	-0.1	-0.8	-2.3	-1.9	-3.0	-2.0	-3.2	-2.1	-2.1
Colombia	-0.7	0.2	-0.2	0.1	1.0	-0.6	-2.0	-3.1	-3.4	-5.1	-3.7	-3.8

Costa Rica	-2.5	-0.1	0.7	0.5	-5.3	-1.6	-2.5	-1.2	-0.8	-1.6	-1.9	-1.8
Chile				2.3	2.0	2.7	1.8	0.4	-0.7	-1.6	-0.6	-0.6
Ecuador	0.5	-0.6	-1.2	-0.1	-0.6	-1.1	-3.0	-2.6	-5.7	-4.7	1.7	1.2
Mexico	-2.8	3.4	4.8	0.7	-0.3	-0.2	-0.1	-0.6	-1.2	-1.1	-1.1	-0.7
Peru	-2.5	-1.6	-1.5	-3.1	2.8	-3.1	-1.0	-0.2	-0.8	-3.1	-3.2	-2.5
Venezuela	-2.1	-0.1	-3.8	-2.1	-13.3	-5.2	6.8	3.6	-6.0	-1.1	4.1	-4.4

* Operating balance

Source: ECLAC: "Economic Survey of Latin America and the Caribbean 1998-1999" and "Estudio Economico de Latino America y el Caribe 2001-2002"

The countries that are doing better, Chile and Mexico, are also the politically most stable ones. The economic reforms are being continued by the governments regardless of the political color of the party in power. In Chile a military government introduced the reforms in the second half of 1970s and this continued with the democratically elected governments from the end of the 1980s. Even a President of a Socialist Party like the actual one in Chile has continued with the main economic policies of its predecessors. In Mexico, in the year 2000, an opposition party took power from the party which was in government in the last 70 years but also has continued with the same economic policies. In other Latin American countries, as governments change hands, many times economic policies are changed and reforms are halted or reversed.

Argentina is a case in point, with persistent fiscal deficit and no labor reforms done.

Latin American economies from now on:

In the last twenty years Latin American countries had grown is spite of the economic crisis that has occurred in many of them. This economic growth has been uneven among countries. A way of measuring this is through mayor consumption of electricity through the region (See table 31). Exports have increased (even if still a great part are primary goods) and the labor force employed in the agricultural sector has diminished (See Table 19 and table 32).

Table 31

Table 32 Latin America: Structure of the Economically Active Population by sector of economic activity, 1970-1980-1990*

(Percentage of total economically active population) (a)

Country /	Agriculture (b)	Industry (c)	Services (d)

	1970	1980	1990	1970	1980	1990	1970	1980	1990
Argentina	16.0	13.0	12.2	34.3	33.7	32.4	49.7	53.4	55.5
Bolivia	55.1	52.8	46.8	20.0	17.6	17.5	24.9	29.6	35.6
Brazil	47.2	36.7	23.3	20.0	23.9	23.0	32.8	39.4	53.8
Chile	24.1	20.9	18.8	29.3	25.4	25.4	46.7	53.7	55.8
Colombia	45.1	40.5	26.6	19.3	21.4	22.9	35.6	38.1	50.4
Costa Rica	42.6	35.0	26.0	20.0	22.7	26.8	37.4	42.4	47.2
Ecuador	51.5	39.8	33.3	20.0	20.3	19.1	28.5	40.0	47.6
Mexico	43.8	36.3	27.8	24.2	29.1	23.7	32.0	34.6	48.5
Peru	48.3	40.3	35.6	17.5	18.3	17.8	34.2	41.4	46.6
Venezuela	26.0	14.6	12.0	24.8	27.8	27.3	49.2	57.6	60.7
Latin America	42.0	34.2	25.4	22.2	24.8	23.6	35.8	41.0	51.0

* In accordance with International Standard Industrial Classification of All Economic Activities (ISIC), Rev. 2

(a) Data estimates made by ILO and refers to economically active population aged 10 and over

(b) Includes: (0) Agriculture, forestry, hunting and fishing

(c) Includes: (1) Mining and quarrying; (2-3) Manufacturing; (4) Construction and (5) Electricity, gas, water and sanitary services.

(d) Includes: (6) Commerce; (7) Transport, storage and communications and (8) Services.

Source: ECLA: "Statistical Yearbook 2002", Table 18

Latin American countries at the beginning of the 21st century are countries more open to the global economy than before. For example compared to 1980 nowadays the countries export more goods and services relative to their GDP (but still primary goods are a big share in total exports, see Table 33 and Table 2), the contribution of net external financing to gross domestic investment have increased for many countries (but this means that countries depend now more from financing from abroad, also that national saving rates are low, and that if economies are subject to sudden withdraw of this financing economic crisis will occurs) (see Table 34). But the region faces many problems like: uneven income distribution, low priority given to development of agriculture, unstable political regime (with the danger of resurgence of populist governments), big external debt (relative to its GDP, exports), low investment rate, etc. Regarding investment rate for example, Mexico and Chile have the highest rates and that is why their economies are doing better than the rest of Latin American countries (See Table 22).

Table 33

Table 34

3.2. In East Asia.-

In the case of East Asian countries economic development, Japan is a particular one. This country began a process of modernization after the Meiji Restoration of 1868. Japan tried to catch up with the Western nations after being forced to open itself to the outside world. It did so by the introduction of foreign technology and by the support the State gave to indigenous entrepreneurs. Under the slogan "rich country, strong army" in a few years it was able to modernize and took over Taiwan from China after defeating it in the 1894-95 war, and in the 1904-1905 war they defeated Russia. Japan developed very fast. In the first half of the 20th century they even competed with Western powers for influence in Asia. They grabbed Korea and invaded China. Finally, during the Second World War they occupied most of the East Asian region.

During the 1930's and up to the end of the Second World War the Japanese government took increasing control of the Japanese economy. After the war Japan (under strong American pressure) did reforms that allowed the country to grown more rapidly. They carried out agrarian reform and eliminated the Zaibatsu (financial conglomerates that controlled major parts of the economy), beginning the democratization of the economy and fostering competition. The elimination of the military made possible for the country to dedicate all its effort and resources to rebuild the economy. However, the State hold in the economy was maintained through several mechanisms (like the control of the scarce foreign exchange which was allocated to industries the government considered strategic ones).

An interesting case of industrial development in Japan is of the automobile industry (see Table 35).

Table 35

The rest of East Asian countries began the process of economic development after the Second World War. The North East Asian countries also carried out agrarian reform programs (except in Hong Kong where there is no agricultural sector). In the South East ones, governments in Malaysia and Indonesia introduced agrarian development programs to help improve the lot of the indigenous populations, the Malays. In Singapore, like in Hong Kong, there is also no agricultural sector.

At the beginning of 1960's practically all East Asian countries had a level of per capita GDP lower than many Latin American countries had at the beginning of the 1950's. Also the level of exports of some Latin American countries in 1950 was higher than those of several East Asian ones in 1960. (See table 36).

Table 36. Latin America and East Asia in the fifties and sixties

	GDP per capita in dollars ***1950***	*Exports fob Millions of dollars* ***1950***	***1960***	*Imports cif Millions of dollars* ***1950***	***1960***
Latin America					
Argentina	496	1,100	1,079	930	1,249
Brazil	208	1,347	1,269	1,098	1,461
Chile	268	282	478	248	499
Colombia	201	396	480	364	518
El Salvador	148	68	102	50	122
Guatemala	166	68	115	71	137
Mexico	211	466	779	556	1,186
Peru	121	190	443	175	372
Venezuela	487	1,248	2,392	601	1,187
East Asia and the Pacific	**1960 year**	**1960 year**		**1960 year**	
China	89	1,860		1,950	
Hong Kong	677 (1965 year)	691		1,025	
Korea Rep.	155	32		344	
Singapore	433	1,136		1,333	
Taiwan+	157 (1961 year)	164		297	
Thailand	97	408		445	
Indonesia	51 (1967)	841		575	
Malaysia	275	1,187		910	
Philippines	253	624		715	
Japan	477	4,054		4,491	

Source: For Latin America, United Nations: "Economic Survey of Latin America 1951-1952" (for 1950 year data) and UN "Economic Survey of Latin America 1964" (for 1960 year data)
For Asian countries, Keizai Kikakucho: "Ajia Keizai 1999" and "Ajia Keizai 2000"

After Japan, the first countries to began industrialization were the North East ones like South Korea (Korea Rep.) and Taiwan. In the 1950's they began rebuilding the economy with the help of American aid. Reconstruction began specifically in South Korea after the war with North Korea of 1950-53. Governments introduced Five Year National Development Plans to foster economic development, the first one was from 1962-66. This and the Second Five Year Plan of 1966-71 defined the industrial policy of the 1960's that created the legal framework for the promotion of exports, with the creation of industrial parks and cheap financing. KOTRA, the Korean Trade Organization, was also created in this decade to help exporters. Besides this foreign investment was welcomed for export industries and the physical infrastructure was provided with the building of ports, highways, hydroelectric plants, etc.

During the 1960's in Korea and Taiwan occurred a shift from a strategy of ISI to EOI. They did so because they needed to export in order to gain foreign currency as the American aid was being reduced (and because they did not have natural resources to export). They also had small internal markets so to grow they needed to look for external markets. Exports of light industry products using the cheap and abundant labor force were promoted.

The export promotion policy included

Exports multiplied and the economy began growing faster (see Table 37 and 38). During the 1970's the government gave measures to foster the development of heavy industry,, like automobiles, petrochemicals, steel, shipbuilding, etc. The withdraw of some American forces from the Korean Peninsula, stationed there to prevent an attack from North Korea, forced the Korea government to embark in this process of heavy industry to strengthen its military forces. The government fostered indigenous entrepreneurs and groups like Hyundai and Daewoo (called chaebols) entered into the heavy industry sector protected from foreign competition. A sort of ISI of heavy industry occurred but governments have in mind the need of these industries to become competitive for they have to export their products in the near future.

Table 37 East Asia Exports (fob), billions of US dollars

	1972	**1973**	**1974**	**1975**	**1976**	**1977**	**1978**	**1979**	**1980**	**1981**	**1982**
China	3,693	5,876	7,108	7,689	6,943	7,520	9,955	13,614	18,099	22,007	22,321
Hong Kong	3,436	5,071	5,968	6,026	8,484	9,616	11,453	15,140	19,752	21,827	21,006
Korea	1,625	3,231	4,462	4,945	7,716	10,048	12,722	15,057	17,512	21,268	21,853
Singapore	2,189	3,653	5,810	5,376	6,585	8,241	10,134	14,233	19,375	20,967	20,788
Taiwan	2,914	4,383	5,518	5,302	8,155	9,349	12,682	16,081	19,786	22,502	22,075
Thailand	1,081	1,564	2,444	2,208	2,980	3,490	4,085	5,298	6,505	7,031	6,945
Indonesia	1,777	3,211	7,426	7,102	8,547	10,853	11,643	15,591	21,909	25,165	22,328
Malaysia	1,722	3,049	4,236	3,843	5,295	6,079	7,404	11,079	12,945	11,770	12,030
Philippines	1,100	1,885	2,725	2,294	2,555	3,127	3,401	4,567	5,741	5,655	4,969
Japan	29,088	37,017	55,469	55,819	67,304	81,083	98,211	102,299	130,441	151,495	138,385

Source: IMF: "International Financial Statistics 2002"

East Asia Exports (fob), billions of US dollars

	1983	**1984**	**1985**	**1986**	**1987**	**1988**	**1989**	**1990**	**1991**	**1992**
China	22,226	26,139	27,350	30,942	39,437	47,516	52,538	62,091	71,910	84,980
Hong Kong	21,959	28,323	30,187	35,439	48,476	63,163	73,140	82,160	98,577	119,487
Korea	24,446	29,245	30,282	34,715	47,281	60,696	62,377	65,016	71,870	76,632
Singapore	21,833	24,070	22,812	22,495	26,686	39,306	44,661	52,730	58,966	63,472
Taiwan	25,086	30,439	30,696	39,754	53,820	60,502	66,195	67,079	76,163	81,387
Thailand	6,368	7,413	7,121	8,876	11,727	15,953	20,078	23,068	28,428	32,472
Indonesia	21,146	21,888	18,587	14,805	17,136	19,219	22,160	25,675	29,142	33,967
Malaysia	14,104	16,484	15,316	13,689	17,958	21,082	25,048	29,451	34,349	40,772

Philippines	4,890	5,274	4,611	4,806	5,677	7,022	7,767	8,117	8,801	9,751
Japan	146,965	169,700	177,164	210,757	231,286	264,856	273,932	287,581	314,786	339,885

Source: IMF: "International Financial Statistics 2002"

East Asia Exports (fob), billions of US dollars

	1993	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**
China	90,970	121,047	148,797	151,197	182,877	183,589	194,931	249,203	266,098	325,59
Hong Kong	135,244	151,399	173,750	180,750	188,059	174,002	173,885	201,860	189,894	200,09
Korea	82,236	96,013	125,058	129,715	136,164	132,313	143,686	172,268	150,439	162,47
Singapore	74,012	96,825	118,268	125,014	124,985	109,895	114,680	137,804	121,751	125,17
Taiwan	84,641	92,876	111,563	115,730	121,081	110,518	121,496	147,777	122,506	130,45
Thailand	36,969	45,261	56,439	55,721	57,374	54,456	58,440	69,057	65,113	68,853
Indonesia	36,823	40,055	45,417	49,814	53,443	48,847	48,665	62,124	56,447	38,354
Malaysia	47,131	58,844	73,914	78,327	78,740	73,305	84,621	98,229	88,005	93,265
Philippines	11,129	13,304	17,502	20,408	24,882	29,414	36,576	39,783	32,664	36,265
Japan	362,244	397,005	443,116	410,901	420,957	387,927	419,367	479,249	403,496	416,72

Source: IMF: "International Financial Statistics" July 2002

Table 38. East Asia GDP Volume Measure (percent change over previous year)

	1972	**1973**	**1974**	**1975**	**1976**	**1977**	**1978**	**1979**	**1980**	**1981**	**1982**
China								7.6	7.8	4.5	8.3
Hong Kong	11.0	12.7	2.1	0.4	17.2	12.0	8.8	11.8	10.4	9.4	2.7
Korea	4.9	12.3	7.4	6.5	11.2	10.0	9.0	7.1	-2.1	6.5	7.2
Singapore	13.4	11.5	6.3	4.1	7.5	7.8	8.6	9.3	9.7	9.6	6.9
Taiwan											
Thailand	4.1	9.9	4.4	4.8	9.4	9.9	10.4	5.3	4.8	5.9	5.4
Indonesia	9.4	12.3	7.6	5.0	6.9	8.8	7.8	6.3	9.9	7.9	2.2
Malaysia	9.4	11.7	8.3	0.8	11.6	7.8	6.7	9.3	7.4	6.9	6.0
Philippines	5.4	8.9	3.6	5.6	8.8	5.6	5.2	5.6	5.1	3.4	3.6
Japan	8.4	7.9	-1.2	2.6	4.8	5.3	5.1	5.2	3.6	3.2	3.1

Source: IMF: "International Finance Statistics Yearbook 2002"

East Asia GDP Volume Measure (percent change over previous year)

	1983	**1984**	**1985**	**1986**	**1987**	**1988**	**1989**	**1990**	**1991**	**1992**
China	10.4	14.6	16.2	8.9	11.6	11.3	4.1	3.8	9.2	14.2
Hong Kong	6.3	9.8	0.2	11.1	13.0	8.0	2.6	3.4	5.1	6.3
Korea	10.7	8.2	6.5	11.0	11.0	10.5	6.1	9.0	9.2	5.4
Singapore	8.2	8.3	-1.6	2.3	7.4	11.6	9.6	9.0	7.1	6.5
Taiwan										
Thailand	5.6	5.8	4.6	5.5	9.5	13.3	12.2	11.2	8.6	8.1
Indonesia	4.2	7.0	2.5	5.9	4.9	5.8	7.5	7.2	7.0	6.5
Malaysia	6.2	7.8	-1.1	1.2	5.4	9.9	9.1	9.0	9.5	8.9
Philippines	1.9	-7.3	-7.3	3.4	4.3	6.8	6.2	3.0	-0.6	0.3
Japan	2.3	3.8	4.3	3.1	4.5	6.5	5.4	5.3	3.0	0.9

Source: IMF: "International Finance Statistics Yearbook 2002"

East Asia GDP Volume Measure (percent change over previous year)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
China	13.5	12.7	10.5	9.6	8.8	7.8	7.1	8.0		
Hong Kong	6.1	5.4	3.9	4.5	5.0	-5.3	3.0	10.4	0.2	
Korea	5.5	8.3	8.9	6.8	5.0	-6.7	10.9	9.3	3.0	
Singapore	12.7	11.4	8.0	7.7	8.5	-0.1	6.9	10.3	-2.0	
Taiwan										
Thailand	8.3	9.0	9.2	5.9	-1.4	-10.5	4.4	4.6	1.8	
Indonesia	6.5	7.5	8.2	7.8	4.7	-13.1	0.8	4.8		
Malaysia	9.9	9.2	9.8	10.0	7.3	-7.4	5.8	8.5	0.6	
Philippines	2.1	4.4	4.7	5.8	5.2	-0.6	3.4	4.0	3.4	
Japan	0.5	1.0	1.6	3.3	1.9	-1.1	0.8	1.5	0.1	

Source: IMF: “International Finance Statistics Yearbook 2002”

Korea protected for example its automobile industry very well. Just recently in 1995 import duties were lowered from 20% to 8%. In the year 2002 approximately 16,000 cars were imported (nearly twice the number of the year before). In the year 2002 the Korean market was of 1.62 million cars, with Hyundai accounting for more than half of that. The prohibition on imports of Japanese cars was abolished just in 1999 (Nikkei Shinbun, July 28, 2003)

Taiwan followed a similar pattern of development with the differences that the State created more public enterprises than in Korea (Table 39). In Taiwan small and medium enterprises were very active and some of them have later developed into big industrial groups. In Taiwan the political power was monopolized by the mainlanders that came with Chiang Kai Sheik at the end of the 1940’s. The islanders felt discriminated and dedicated its efforts to business. Taiwan established export processing zones from the middle of the 1960’s and foreign investment was attracted to produce for export.

Table 39

In Singapore the role of foreign capital has been greater than in Korea and Taiwan but less than in Hong Kong. Specifically the strong leadership of Lee Kuan Yee in Singapore has been fundamental to create a prosperous city-state where the government owns some of the biggest companies (Table). Singapore has the biggest saving rate in the world thanks to a scheme of compulsory saving (the Central Provident Fund) that the government introduced in the second half of the 1950’s. Also more than 80% of the people live in government built housing complexes thanks to government planning. High saving rates has also allowed Singapore to post high rates of investment (compared to its GDP), as shown in Table 40.

Table 40

Table 40 East Asia Gross Capital Formation as Percentage of GDP

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
China								36.2	34.9	32.1	32.1
Hong Kong	23.6	23.0	24.4	23.1	25.5	26.7	28.9	32.9	35.1	35.3	31.3
Korea	21.4	25.6	32.2	28.7	26.9	28.7	33.2	36.3	31.9	28.4	28.7
Singapore	41.1	39.2	44.6	37.6	40.8	36.2	39.0	43.4	46.3	46.3	47.9
Taiwan											
Thailand	21.7	27.0	26.6	26.7	24.0	26.9	28.2	27.2	29.1	29.7	26.5
Indonesia	18.8	17.9	16.8	20.3	20.7	20.1	20.5	20.9	20.9	29.8	27.9
Malaysia	21.3	23.6	29.6	25.5	22.8	23.8	26.7	28.9	30.4	35.0	37.3
Philippines	20.6	20.2	25.2	29.5	31.0	28.8	28.9	31.1	29.1	27.5	27.9
Japan	35.5	38.1	37.3	32.8	31.8	30.8	30.9	32.5	32.4	31.3	30.1

Source: IMF: “International Finance Statistics Yearbook 2002”

East Asia Gross Capital Formation as Percentage of GDP

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
China	33.0	34.5	38.5	38.0	36.7	37.4	37.0	35.2	35.3	37.3
Hong Kong	26.9	24.6	21.6	23.7	26.4	28.6	26.7	27.4	27.2	28.5
Korea	29.1	30.4	30.0	29.1	30.2	31.3	33.9	37.7	39.9	37.3
Singapore	47.9	48.5	42.5	37.5	37.9	34.2	35.0	36.6	34.8	36.4
Taiwan										
Thailand	30.0	29.5	28.2	25.9	27.9	32.6	35.1	41.4	42.8	40.0
Indonesia	28.7	26.2	28.1	28.2	31.3	31.5	35.1	36.1	35.5	35.8
Malaysia	37.8	33.6	22.6	26.0	23.1	26.4	29.9	32.4	37.8	35.4
Philippines	29.6	20.3	14.3	15.2	17.5	18.7	21.6	24.2	20.2	21.3
Japan	28.2	28.2	28.3	28.0	28.8	30.7	31.7	32.8	32.4	30.7

Source: IMF: “International Finance Statistics Yearbook 2002”

East Asia Gross Capital Formation as Percentage of GDP

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
China	43.5	41.3	40.8	39.3	38.0	38.1	38.3			
Hong Kong	27.6	31.9	34.8	32.1	34.5	29.0	25.0	27.6	25.8	
Korea	35.5	36.5	37.2	37.9	34.2	21.2	26.7	28.2	26.7	
Singapore	37.8	33.5	34.7	37.1	38.6	33.3	31.9	31.6	24.3	
Taiwan										
Thailand	40.0	40.3	42.1	41.8	33.7	20.4	20.5	22.7	24.0	
Indonesia	29.5	31.1	31.9	30.7	31.8	16.8	12.2	17.9		
Malaysia	39.2	41.2	43.6	41.5	43.0	26.7	22.4	27.1	23.8	
Philippines	24.0	24.1	22.5	24.0	24.8	20.3	18.8	17.8	17.6	
Japan	29.2	28.1	28.2	29.1	28.7	26.9	26.1	25.9	25.5	

Source: IMF: “International Finance Statistics Yearbook 2002”

South East Asian countries.-

At difference of the North East Asian countries, Thailand, Malaysia, Philippines and Indonesia have natural resources. Except Thailand, all of them become independent after the Second World War.

After the Second World War a nationalist government in Thailand took measures to promote industrialization through the establishment of several state companies and restrictions on foreign ones and the affluent Chinese community. But a new military regime in 1957 changed this policy to give the private sector a bigger role in the economy. In 1958 a Board of Investment is established and in 1962 an Industrial Promotion Law sought to attract foreign investment for the effort of ISI. High tariffs were set up against imports to foster national production.

Up to the 1970's the country relied in the exports of raw materials, like rice, teak and tin, to earn foreign exchange needed to buy the capital and intermediate goods for the industrial sector. But as the economy grew and trade deficit become permanent, the government decided to promote the exports of new products, like textiles and agricultural products other tan rice or teak. For this, at the beginning of the 1980s the currency, the bath, is devaluated and measures are given to attract foreign investment to produce for exports (Table 41). A change to an EOI policy is adopted.

Table 41 East Asia Official exchange rate (end of period, national currency units per U.S. dollar)

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
China	2.2401	2.0202	1.8397	1.9663	1.8803	1.7300	1.5771	1.4692	1.5303	1.7455	1.9277
Hong Kong	5.694	5.090	4.910	5.033	4.673	4.615	4.803	4.948	5.130	5.675	6.495
Korea	398.90	397.50	484.00	484.00	484.00	484.00	484.00	484.00	659.90	700.50	748.80
Singapore	2.8200	2.4861	2.3120	2.4895	2.4555	2.3385	2.1635	2.1590	2.0935	2.0478	2.1085
Taiwan											
Thailand	20.928	20.375	20.375	20.400	20.400	20.400	20.390	20.425	20.630	23.000	23.000
Indonesia	415.0	415.0	415.0	415.0	415.0	415.0	625.0	627.0	626.8	644.0	692.5
Malaysia	2.817	2.452	2.3128	2.5883	5.5350	2.3655	2.2060	2.1890	2.2224	2.2423	2.3213
Philippines	6.781	6.730	7.065	7.498	7.428	7.370	7.375	7.415	7.600	8.200	9.171
Japan	302.0	280.0	300.95	305.15	292.80	240.0	194.60	239.70	203.00	219.90	235.00

Source: IMF: "International Finance Statistics Yearbook 2002"

East Asia Official exchange rate (end of period, national currency units per U.S. dollar)

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
China	1.9809	2.7957	3.2015	3.7221	3.7221	3.7221	4.7221	5.221	5.4342	5.7518	5.8000
Hong Kong	7.780	7.823	7.811	7.795	7.760	7.808	7.807	7.801	7.781	7.743	7.726
Korea	795.50	827.40	890.20	861.40	792.30	684.10	679.60	716.40	760.80	788.40	808.10
Singapore	2.1270	2.1780	2.1050	2.1750	1.9985	1.9642	1.8944	1.7445	1.6305	1.6449	1.6080

Taiwan											
Thailand	23.000	27.150	26.650	26.130	25.070	25.240	25.690	25.290	25.280	25.520	25.540
Indonesia	994.0	1,074	1,125	1,641	1,650	1,731	1,797	1,901	1,992	2,062	2,110
Malaysia	2.3383	2.4250	2.4265	2.6030	2.4928	2.7153	2.7033	2.7015	2.7240	2.6120	2.7015
Philippines	14.002	19.760	19.032	20.530	20.800	21.335	22.400	28.000	26.650	25.096	27.699
Japan	232.20	251.10	200.50	159.10	123.50	125.85	143.45	134.60	125.20	124.75	111.85

Source: IMF: “International Finance Statistics Yearbook 2002”

East Asia Official exchange rate (end of period, national currency units per U.S. dollar)

	1994	1995	1996	1997	1998	1999	2000	2001	2002
China	8.4462	8.3174	8.2982	8.2798	8.2787	8.2795	8.2774	8.2768	8.2773
Hong Kong	7.738	7.732	7.736	7.746	7.746	7.771	7.796	7.797	7.798
Korea	788.70	774.70	844.20	1,695.0	1,204.0	1,138.0	1.264.5	1,313.5	1,186.2
Singapore	1.4607	1.4143	1.3998	1.6755	1.6605	1.6660	1.7315	1.8510	1.7365
Taiwan									
Thailand	25.090	25.190	25.610	47.247	36.691	37.470	43.268	44.222	43.152
Indonesia	2,200	2,308	2,383	4,650	8,025	7,085	9,595	10,400	8,940
Malaysia	2.5600	2.5420	2.5290	3.8919	3.8000	3.8000	3.8000	3.8000	3.8000
Philippines	24.418	26.214	26.288	39.975	39.059	40.313	49.998	51.404	53.096
Japan	99.74	102.83	116.00	129.95	115.60	102.20	114.90	131.80	119.90

Source: IMF: “International Finance Statistics Yearbook 2002” and “IFS May 2002”

Thailand has been successful in exporting agro-industry products like broiler chicken, cultured (farmed) shrimp, canned fruits, etc. Also they export industrial goods like textiles and assembled electronics goods and computers, etc. Thailand, like many of the other countries in the East region, except Japan, export goods that are assembled products from imported parts and components. They have to buy capital goods to make possible this production. The more they export, the more they import capital and intermediate goods (Table 37 and Table 42).

Table 42 East Asia Imports (cif), billions of US dollars

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
China	2,851	5,208	7,791	7,926	6,660	7,148	11,131	15,621	19,941	22,015	19,285
Hong Kong	3,856	5,655	6,778	6,766	8,838	10,446	13,394	17,127	22,447	24,797	23,575
Korea	2,522	4,240	6,852	7,274	8,774	10,811	14,972	20,339	22,292	26,131	24,251
Singapore	3,395	5,127	8,380	8,133	9,071	10,471	13,061	17,643	24,007	27,572	28,167
Taiwan	2,518	3,801	6,983	5,959	7,609	8,522	11,051	14,793	19,764	21,153	18,827
Thailand	1,484	2,049	3,143	3,280	3,572	4,616	5,356	7,158	9,214	9,955	8,548
Indonesia	1,562	2,729	3,842	4,770	5,673	6,230	6,690	7,202	10,834	13,272	16,859
Malaysia	1,611	2,450	4,114	3,566	3,824	4,542	5,909	7,849	10,779	11,550	12,418
Philippines	1,418	1,800	3,471	3,756	3,942	4,270	5,144	6,613	8,291	8,478	8,272
Japan	23,863	38,389	61,948	57,860	64,894	71,340	79,922	109,831	141,296	142,866	131,499

Source: IMF: “International Financial Statistics 2002”

East Asia Imports (cif), billions of US dollars

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992

China	21,390	27,410	42,252	42,904	43,216	55,268	59,140	53,345	63,791	80,585
Hong Kong	24,017	28,568	29,703	33,367	48,465	63,896	72,155	82,490	100,240	123,407
Korea	26,192	30,631	31,136	31,585	41,020	51,811	61,465	69,844	81,525	81,775
Singapore	28,158	28,667	26,285	25,511	32,559	43,864	49,656	60,774	66,095	72,171
Taiwan	20,308	22,002	20,124	24,230	34,802	49,763	52,507	54,830	63,078	72,181
Thailand	10,287	10,398	9,242	9,178	13,000	20,285	25,770	33,045	37.569	40,686
Indonesia	16,352	13,882	10,259	10,718	12,370	13,249	16,360	21,837	25,869	27,280
Malaysia	13,262	14,051	12,253	10,806	12,681	16,506	22,480	29,258	36,648	39,855
Philippines	7,976	6,432	5,455	5,261	7,187	8,731	11,171	13,004	12,861	15,497
Japan	126,437	136,176	130,488	127,553	151,023	187,378	209,715	235,368	236,999	233,246

Source: IMF: "International Financial Statistics 2002"

East Asia Imports (cif), billions of US dollars

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
China	103,088	115,681	129,113	138,944	142,189	140,305	165,699	225,094	243,553	295,17
Hong Kong	138,650	161,841	192,751	198,550	208,614	184,518	179,520	212,805	201,076	207,64
Korea	83,800	102,348	135,119	150,339	144,616	93,282	119,725	160,841	141,098	151,12
Singapore	85,234	102,670	124,507	131,338	132,437	104,719	111,060	134,545	116,000	116,44
Taiwan	77,099	85,507	103,698	101,287	113,924	104,946	110,957	139,927	107,274	112,75
Thailand	46,077	54,459	70,786	72,332	62,854	42,971	50,342	61,924	62,058	64,721
Indonesia	28,328	31,983	40,630	42,929	41,694	27,337	24,003	33,515	31,010	25,388
Malaysia	45,650	59,600	77,691	78,418	79,030	58,319	65,389	81,963	73,866	79,869
Philippines	18,688	22,641	28,341	34,126	38,622	31,496	32,568	33,808	31,358	35,224
Japan	241,624	275,235	335,882	349,152	338,754	280,484	311,262	379,511	349,089	337,19

Source: IMF: "International Financial Statistics" July 2003

Thailand earns also foreign currency through its tourism industry, with a well developed infrastructure and a tradition of being a safe place for tourists. But even so the country has traditionally run large trade and current account deficits.

Malaysia formed a Federation with Singapore in 1963 but they separated in 1965. The government of Malaysia applied affirmative action policies in favor of the "bumiputra", -the sons of the soil-, to help indigenous Malays to compete with the more affluent Chinese. They did it after the riots of 1969. It launched a "New Economic Policy" in 1971 to try to increase the share of Malays in national income by 1990 (See Table 43). It discriminated in favor of Malays in the education sector, employment sector and recently in the privatization of some state owned companies (giving preference to Malay entrepreneurs over Chinese and foreign ones). Malaysia have tried to create a Malay business class to compete with the Chinese and foreign capital. In 1990 it launched a "New Development Policy" for ten years to help the "bumiputra", putting emphasis less in government largesse to them but more in self help and more education.

Table 43

Malaysia, like the other South East Asian countries, changed its industrial policy in the 1980s (when confronted by a debt problem and the falling prices of the raw materials they exported). It did this after the launching of its "Look East Policy" program in 1981 (to learn from Japan and South Korea examples). These policies have allowed them to produce manufactured goods for export.

Malaysia in the 1970's created the export processing zone of Penang to attract foreign investment to produce for the export market.

However Malaysia, Indonesia and Philippines tried during the 1970's and 1980's to make a push into heavy industries, with governments embarking in large scale projects, like the creation of a national car industry in Malaysia, the HICOM, an aircraft industry in Indonesia, and several big projects in Philippines. Many of them have not been successful.

Malaysia, with its leader Mahathir bin Mohamed, launched some big projects, like the Ciberjaya city (A Super Multimedia Corridor), with the aim of making the country a full developed one by the year 2020. The Asian currency crisis of 1997 and its aftermath have shed some doubts in the feasibility of achieving that objective by that time.

Also in 1967 South East Asian countries launched the ASEAN agreement, at the beginning as a way to confront the menace of communist expansion in the Indochina region. After the creation of AFTA (ASEAN Free Trade Area) in 1992 intra-regional trade have increased as tariffs barriers are being reduced.

After the revaluation of the yen in 1985, and the Taiwan dollar and the Korean won from 1986 onward (See Table 41), these South East Asian countries received a lot of investment from these countries (See Table 44).

Table 44

Table 45 East Asia Final Consumption Expenditure as Percentage of GDP

	1972	**1973**	**1974**	**1975**	**1976**	**1977**	**1978**	**1979**	**1980**	**1981**	**1982**
China								64.2	65.4	67.5	66.3
Hong Kong	68.5	70.7	70.9	71.4	63.9	66.9	70.3	66.2	65.9	66.8	68.8
Korea	83.1	77.1	79.6	81.8	76.8	73.4	71.5	72.5	76.8	76.4	75.2
Singapore	74.3	73.1	71.4	71.4	69.3	68.5	67.9	64.7	61.2	58.3	57.7
Taiwan											
Thailand	80.1	76.8	77.4	80.0	796	78.0	75.7	77.1	77.7	78.0	76.7
Indonesia	83.6	81.5	75.6	79.1	77.9	76.5	72.6	72.6	70.8	66.7	72.3
Malaysia	79.8	70.7	71.3	76.2	67.7	68.6	67.8	62.2	67.1	71.2	71.4

Philippines	80.6	75.3	76.5	76.1	74.1	75.8	76.0	75.8	73.4	73.2	74.7
Japan	62.2	61.9	63.4	67.2	67.4	67.5	67.4	68.4	68.5	67.9	69.2

Source: IMF: "International Finance Statistics Yearbook 2002"

East Asia Final Consumption Expenditure as Percentage of GDP

	1983	**1984**	**1985**	**1986**	**1987**	**1988**	**1989**	**1990**	**1991**	**1992**
China	66.2	65.5	65.7	64.6	63.2	63.7	64.1	62.0	61.8	61.7
Hong Kong	72.0	67.9	68.9	67.8	63.7	62.6	61.8	64.2	66.2	65.4
Korea	71.8	69.6	69.4	65.9	63.0	59.8	62.6	62.8	62.8	63.7
Singapore	55.0	54.7	59.4	60.3	60.5	58.6	57.9	56.6	55.3	54.9
Taiwan										
Thailand	78.0	76.8	75.7	74.1	71.4	66.8	65.0	66.0	64.2	64.7
Indonesia	71.0	70.3	70.2	72.8	67.1	66.1	62.5	63.4	64.1	61.8
Malaysia	67.9	64.5	67.3	67.9	63.0	63.4	64.1	65.6	65.9	63.3
Philippines	72.6	76.1	81.2	81.0	79.0	78.9	79.7	81.3	83.4	85.1
Japan	70.1	69.1	68.3	68.1	68.2	67.1	66.8	66.3	66.0	67.1

Source: IMF: "International Finance Statistics Yearbook 2002"

East Asia Final Consumption Expenditure as Percentage of GDP

	1993	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**
China	58.5	57.4	57.5	58.5	58.2	58.1	61.0			
Hong Kong	66.9	69.5	69.3	68.9	69.9	69.6	67.7	68.9		
Korea	64.0	64.6	64.4	66.0	66.3	65.6	66.5	67.4	69.9	
Singapore	54.7	52.7	50.1	50.8	49.5	49.2	51.2	50.7	54.2	
Taiwan										
Thailand	64.7	63.7	63.1	64.0	64.7	65.2	67.5	67.5	68.6	
Indonesia	67.5	67.8	69.4	69.9	68.5	73.5	79.8	74.3		
Malaysia	60.9	60.4	60.3	57.1	56.1	51.3	52.6	52.9	57.8	
Philippines	86.2	85.1	85.5	85.4	85.8	87.6	85.7	83.5	82.5	
Japan	68.5	69.9	70.4	70.4	70.2	71.3	72.6	72.6	73.9	

Source: IMF: "International Finance Statistics Yearbook 2002"

China.-

The recent economic development of China is impressive and interesting, especially if compared with Russia, another former socialist country. Even if Russia was economically more advanced than China, the Chinese has been more successful in the transition to capitalism.

Between China and Russia transition to capitalism there are several differences. First, China introduced reforms in 1979, only after 30 years of socialism, Russia did it in 1989, after 70 years. Because of this people forgot in Russia how to do business under capitalism, not in China. Second, China introduced economic reforms but not political reform, but Russia introduced before economic reforms, political reforms in 1987. Because of this there was turmoil in Russia, social instability and the Soviet Union disintegrated, while in China there is social and political stability. Third, Russia began privatizing public companies from the beginning, China not. The privatization in Russia created unemployment and poverty and people began complaining of the economic reforms. Fourth, when Russia introduced economic reforms the country was economically bankrupt, China no. Fifth, China has a large Overseas Chinese community who is investing a lot of money in the "motherland", Russia is lacking this. Sixth, China is in a sense in racial terms a homogenous country, Russia has many minorities who want to be free of Russia control (like the Chechens).

After Mao Zedong proclaimed China as a socialist country in 1949 Agrarian Reform was implemented and peasants were given land. The country embarked in a process of industrialization following the Soviet Union example, with emphasis in the development of heavy industry.

But a series of political campaigns brought disruption to the economic development of the country. In 1956 a campaign of "let a hundred flowers blossom and a hundred schools of though compete" tried to encourage political criticism of the socialist regime but the next year a backlash was launched. In 1957 the "Great Leap Forward" was launched to try to industrialize the country at high speed so as "to surpass Britain in 15 years".

The "Great Leap Forward" brought disaster to the country and this combined with three years of drought made peasants life grim with hunger in the countryside. It is calculated than more than 20 million people died in this period. To make matters worse in 1960 the Soviet Union withdrew its economic help to China because of a ideological dispute.

Deng Xiao Ping was called to put order in the economy. He said "it does not matter the color of the cat as long as it can catch a mouse" to mean that pragmatism, not ideology, should be considered when resolving economic problems.

However in 1966 again a new political campaign began with the "Great Cultural Revolution" and for the next ten years, until Mao death in September 1976, the country was in turmoil. After his death, the "Gang of Four" headed by Mao's wife are captured and order is reestablished in the country. In 1977 Deng Xiao Ping, who was expelled from the Party following the beginning of the Cultural Revolution, was called again to revive the economy.

At the December 1978 Congress of the Communist Party directives were issued to achieve the "Four Modernizations of China" (in Agriculture, Industry, Sciences and Technology, and National Defense), this meaning to introduce economic reforms so the country could compete with the rest of the world as it was falling behind it.

Before the introduction of economic reforms, a policy of “one child per family” was introduced to curb the rapid growth of China population, as the total number has increased from nearly 450 millions at the end of the 1940s to more than 900 millions at the end of the 1970s.

Economic reforms were gradual, first in the agricultural sector then in the industry, second in the coast line then into inland area. Also political reform was postponed as political and social stability was stressed.

In the agriculture sector the “production responsibility system” was introduced, this meaning the breakup of the Communes, where there was a transfer of managerial responsibility from the commune to the individual.

In the Coastal area, EPZ, export processing zones, were established to attract foreign investment to produce for the external market. Cheap and abundant labor, raw material, and political stability was offered. The first five EPZ opened were in Shenzhen, Zhuhai, Shantou, Xiamen and Hainan, the first three besides Hong Kong and the fourth one in front of Taiwan. China has been very successful in this matter and its exports multiplied by more than 30 since economic reforms were introduced in 1979 (Table 37).

The role of overseas Chinese in the economic development of China (and of the rest of East Asian countries is quite important). They have been the leading investors in China (See Table 46).

Table 46 Foreign investment in China

From the middle of the 1990s China allowed Foreign Direct Investment in the production for the internal market. Also, as China joined the WTO at the end of 2001, the country is doing efforts to open more its economy to foreign competition.

China was not affected by the Asian crisis but as the economy continues growing some problems lie ahead. Some inefficient state enterprises have to be privatized, disparity of income between rural and urban areas are widening, and stiffer competition from abroad is expected as the country open itself.

The East Asian countries implemented export promotion programs that allowed them to become big exporters and have their products flooding the world market. The ratio of total exports to GDP in these countries is among the highest in the world (more than 40%, and in the case of Malaysia, Hong Kong and Singapore more than 100%. In Latin American countries the ratio is on average between 10% and 40%). First they manufactured and exported labor intensive goods (from the light industry) and later capital intensive goods (from the heavy industry). Many times these exports were product of the assembly production type industry.

Governments in East Asia protected some of its industries from foreign competition, especially in Japan and the NIES.

The role of foreign capital is big in East Asia (except in Japan and to a certain extent in Korea). The revaluation of the yen from 1985 and of the currencies of South Korea, Taiwan and Singapore after 1986-87 added impetus to this trend because these countries invested heavily in the ASEAN 4 and China

Philippines is an interesting case because it resembles Latin American countries in their economic development. Low investment rates (Table 40) and high consumption rates (Table 45) show this.

In summary, in East Asia the pattern of economic development has been like a wave (flying geese pattern), beginning first in Japan, then in the 4 NIES, then in ASEAN 4 and now in China. Japan has been an important actor in this, supplying first foreign aid, then bank loans and direct investment to these countries (lately is also supplying a growing market for East Asian countries exports).

4. East Asian countries and the economic crisis of 1997.-

Most of the East Asian countries confronted in 1997 a serious financial crisis that put a halt to more than two or three decades of continuous high economic growth rates. To some countries of ASEAN this is meaning a lost decade (and also for Japan?): Why it happened? Why Japan and the other countries lost the fast pace of economies growth? The reasons can be summarized as:

1) The main reason was the burst of the bubble economy in Japan, the NIES and ASEAN 4. The bubble economy: An increase in the value of assets like stocks and land. Money was abundant and was invested on those assets (Table 47).

Table 47. East Asia General Stock Price Indexes (end of period*)

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
China								1.000	2.928	7.804	8.338

Hong Kong				0.849	0.762	0.889	0.938	1.000	1.421	1.823	3.931
Korea		0.161	0.185	0.309	0.595	1.028	1.030	0.788	0.692	0.768	0.981
Singapore					0.713	0.899	1.283	1.000	1.279	1.320	2.101
Taiwan		0.121	0.120	0.150	0.337	0.738	1.388	0.653	0.664	0.487	0.875
Thailand		0.368	0.349	0.536	0.737	1.000	2.273	1.585	1.839	2.310	4.351
Indonesia		0.108	0.113	0.118	0.140	0.518	0.679	0.710	0.420	0.466	1.000
Malaysia		1.162	0.894	0.996	1.000	1.368	2.153	1.937	2.129	2.466	4.883
Philippines			1.000	3.238	6.198	6.415	8.420	6.632	8.780	9.575	24.362
Japan	0.498	0.581	0.660	0.941	1.085	1.518	1.950	1.200	1.157	0.852	0.877

* Prices indexes, for China, Hong Kong and Singapore 1990=1, for Korea and Japan 1995=1, for Taiwan 1996=1, for Thailand 1988=1, for Indonesia 1993=1, for Malaysia 1987=1, for Philippines 1985=1

Source: Kokusai Higashi Ajia Kenkyu Centa: "Higashi Ajia he no Shiten 2002"

East Asia General Stock Prices Indexes **<u>(end of period*)</u>**

	1994	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**
China	6.479	5.552	9.170	11.941	11.467	13.666	20.735	16.460	
Hong Kong	2.709	3.331	4.448	3.546	3.323	5.609	4.992	3.769	
Korea	1.164	1.000	0.738	0.426	0.637	1.164	0.572	0.786	
Singapore	1.939	1.963	1.920	1.325	1.206	2.147	1.669	1.406	
Taiwan	1.028	0.746	1.000	1.181	0.926	1.218	0.684	0.801	
Thailand	3.517	3.312	2.150	0.964	0.920	1.246	0.696	0.786	
Indonesia	0.798	0.873	1.083	0.682	0.676	1.150	0.707	0.666	
Malaysia	3.718	3.810	4.740	2.276	2.244	3.110	2.602	2.665	
Philippines	21.235	19.774	24.168	14.248	15.007	16.335	11.392	8.904	
Japan	0.993	1.000	0.974	0.768	0.697	0.953	0.694	0.531	

* Prices indexes, for China, Hong Kong and Singapore 1990=1, for Korea and Japan 1995=1, for Taiwan 1996=1, for Thailand 1988=1, for Indonesia 1993=1, for Malaysia 1987=1, for Philippines 1985=1

Source: Kokusai Higashi Ajia Kenkyu Centa: "Higashi Ajia he no Shiten 2002"

2) For Korea and the ASEAN there was a great increase in the external debt (mostly private debt) in the first half of the 1990s and most of it was contracted in a short term basis (Table 48). Also they had a low level of international reserves compared to the amount of short term debt (Table 49). Besides this, the great movement of short term capital in the first half of 1997 precipitated the crisis (with international financial speculators taking advantage of this).

Table 48. East Asia External Debt (US$ millions)

	1970	**1980**	**1990**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**
China										
(1) Total			**55,301**	**118,090**	**128,817**	**146,697**	**144,007**	**152,085**	**145,706**	**170,110**
(2) Long-term			45,515	95,764	103,410	115,233	126,667	136,905	132,626	126,190
(3) Public			45,515	94,674	102,260	112,821	99,424	99,217	94,837	91,706
(4) Short-term			**9,317**	**22,325**	**25,407**	**31,464**	**17,340**	**15,180**	**13,080**	**43,920**
Korea *			31,700	127,500	163,500	159,200	148,700	137,069	131,668	117,652
(1) Total	**2,580**	**29,480**	**34,968**	**85,810**	**115,803**	**137,138**	**139,270**	**130,058**	**128,396**	**110,109**

(2) Long-term	1,991	18,236	24,168	39,197	49,221	72,282	94,235	89,640	82,119	74,994
(3) Public	1,816	15,933	18,768	22,123	25,423	34,006	58,129	57,955	43,175	33,742
(4) Short-term	**589**	**10,561**	**10,800**	**46,613**	**66,582**	**53,792**	**28,139**	**34,743**	**40,462**	**35,115**
Thailand										
(1) Total	**1,001**	**8,297**	**28,094**	**100,039**	**112,838**	**109,699**	**104,916**	**96,769**	**79,695**	**67,384**
(2) Long-term	726	5,646	19,771	55,944	65,122	69,434	72,018	69,919	61,753	52,480
(3) Public	324	3,943	12,460	16,826	16,877	22,292	28,086	31,305	29,438	26,411
(4) Short-term	**275**	**2,303**	**8,322**	**44,095**	**47,715**	**37,836**	**29,660**	**25,438**	**14,880**	**13,223**
Indonesia										
(1) Total	**4,528**	**20,938**	**69,872**	**124,398**	**128,937**	**136,161**	**151,236**	**150,991**	**144,057**	**135,704**
(2) Long-term	4,043	18,163	58,242	98,432	96,706	100,326	122,033	120,713	110,584	104,783
(3) Public	3,582	15,021	47,982	65,309	60,012	55,857	67,305	73,448	69,415	68,738
(4) Short-term	**346**	**2,775**	**11,135**	**25,966**	**32,230**	**32,865**	**20,113**	**20,029**	**22,635**	**21,808**
Malaysia										
(1) Total	**502**	**6,611**	**15,328**	**34,343**	**39,673**	**47,228**	**42,409**	**41,903**	**41,797**	**43,351**
(2) Long-term	440	5,256	13,422	27,069	28,605	32,289	33,940	35,892	37,156	38,249
(3) Public	390	4,007	11,592	16,023	15,702	16,807	18,155	18,930	18,090	24,068
(4) Short-term	**62**	**1,355**	**1,906**	**7,274**	**11,068**	**14,939**	**8,469**	**6,012**	**4,640**	**5,102**
Philippines										
(1) Total	**2,196**	**17,417**	**30,580**	**37,831**	**40,146**	**45,683**	**48,266**	**53,014**	**50,382**	**52,356**
(2) Long-term	1,544	8,817	25,241	31,825	31,772	33,034	39,512	45,447	42,402	44,355
(3) Public	625	6,363	24,040	28,294	26,869	26,200	28,638	34,561	33,748	34,190
(4) Short-term	**583**	**7,556**	**4,427**	**5,279**	**7,969**	**11,794**	**7,185**	**5,745**	**5,948**	**6,049**

*Total external liabilities: Includes External debt and debt contracted by overseas branches of domestic financial institutions

1. Total debt stocks
2. Long-term debt
3. Public and Publicly guaranteed
4. Short-term debt

World Bank: "Global Development Finance 2003"

Table 49. East Asia Economic Indicators and External Debt (US$ millions)

	1970	1980	1990	1995	1996	1997	1998	1999	2000	2001
China										
1) GNI			**363,960**	**622,629**	**755,264**	**871,530**	**922,090**	**981,655**	**1,062,907**	**1,131,112**
(2) RES			29,586	75,377	107,039	142,763	149,188	157,728	168,278	215,605
(3) CAB			11,997	1,618	7,243	36,963	31,472	21,115	20,518	17,401
(4) ST/EDT (%)			**16.8**	**18.9**	**19.7**	**21.4**	**12.0**	**10.0**	**9.0**	**25.8**
Korea										
1) GNI	**8,770**	**61,699**	**252,534**	**487,918**	**518,501**	**473,939**	**311,567**	**400,900**	**459,103**	**421,285**
(2) RES	606	2,925	14,793	32,678	34,037	20,368	51,975	73,987	96,130	102,753
(3) CAB	0	-5,312	-2,003	-8,507	-23,006	-8,167	40,365	24,477	12,241	8,617
(4) ST/EDT (%)	**22.8**	**35.8**	**30.9**	**54.3**	**57.5**	**39.2**	**20.2**	**26.2**	**31.5**	**31.9**
Thailand										
1) GNI	**7,096**	**32,091**	**84,272**	**165,160**	**177,666**	**136,715**	**111,841**	**118,872**	**118,787**	**111,624**
(2) RES	824	1,560	13,305	35,982	37,731	26,179	28,825	34,063	32,016	32,355
(3) CAB	…..	-2,076	-7,281	-13,354	-14,691	-3,021	14,243	12,428	9,313	6,227
(4) ST/EDT	**27.5**	**27.8**	**29.6**	**44.1**	**42.3**	**34.5**	**28.3**	**24.2**	**18.7**	**19.6**

(%)									
Indonesia (1) GNI (2) RES (3) CAB (4) ST/EDT (%)	 **9,698** 156 ….. **7.7**	 **74,806** 5,392 …… **13.3**	 **109,209** 7,459 -2,998 **15.9**	 **196,188** 13,708 -6,431 **20.9**	 **221,276** 18,521 -7,663 **25.0**	 **209,440** 16,587 -4,889 **24.1**	 **90,063** 22,713 4,096 **13.3**	 **129,338** 26,445 5,785 **13.3**	 **141,283** 28,502 7,985 **15.7**	 **139,646** 27,246 6,899 **16.1**
Malaysia (1) GNI (2) RES (3) CAB (4) ST/EDT (%)	 **4,167** 616 …. **12.4**	 **24,057** 4,387 -266 **20.5**	 **42,152** 9,754 -870 **12.4**	 **84,689** 23,374 -8,644 **21.2**	 **96,161** 27,009 -4,462 **27.9**	 **94,803** 20,788 -5,935 **31.6**	 **68,271** 25,559 9,529 **20.0**	 **73,540** 30,588 12,604 **14.3**	 **79,378** 29,523 8,488 **11.1**	 **79,628** 30,474 7,287 **11.8**
Philippines (1) GNI (2) RES (3) CAB (4) ST/EDT (%)	 **6,576** 195 …. **26.5**	 **32,436** 2,846 -1,904 **43.4**	 **44,092** 924 -2,695 **14.5**	 **76,165** 6,372 -1,980 **14.0**	 **86,258** 10,030 -3,953 **19.9**	 **85,847** 7,266 -4,351 **25.8**	 **68,254** 9,226 1,546 **14.9**	 **80,231** 13,230 7,910 **10.8**	 **78,999** 13,052 8,459 **24.9**	 **75,702** 13,442 4,503 **11.6**

1. GNI: Gross National Income
2. RES: International Reserves

3 CAB: Current Account Balance

4. ST: Short-term debt EDT: Total debt stocks

World Bank: "Global Development Finance 2003"

These countries borrowed a lot of money from abroad because comparatively interest rates were cheaper abroad than at home. As their currency were practically fixed in value vis-a-vis the dollar it seemed safe to borrow abroad in dollars.

Money was easy to borrow because several countries began the liberalization of their capital account, especially Thailand with the Bangkok International Banking Facility in 1993. As their export earnings were growing faster, international banks lent them without asking many questions. They borrowed short term abroad but some money was invested in long term projects in the country. There was a mismatch in this.

3) Several of these countries experimented a slowdown in their exports in 1996 due to a oversupply in the global electronic market. Also, their currency were virtually fixed to the dollar and as the greenback revaluated against the Chinese yuan from 1994 and the Japanese yen from 1995 onwards, their currency became overvalued and their export sector lost competitiveness. Their current accounts deficit worsened the years before the crisis (Table 49).

4) In general the main reason why many East Asian countries confronted economic problems is the fact that their financial sector were (and still are) weak. They could not manage well the large capital inflows from abroad. They were protected from foreign competition, the

governments have control over them and in several countries some economic groups used them to foster their own development by lending to companies of their own group. Money was invested in many projects without a adequate analysis of cost-benefit. There was over-investment in some sectors.

5) One factor cited as a reason for the crisis was corruption. But corruption exists everywhere. The differences between corruption in Latin America and East Asia are several. To a great extent the level of corruption in Latin American countries is higher than in East Asia, money is siphoned abroad and there is little, if any, punishment for the culprits.

6) Another factor that magnified the crisis in East Asian countries is that intra-regional trade is high among them. As the share of exports in total GDP is high in these countries, a slowdown in the growth of some economies will affect their trade partners through fewer imports from them (Table 50).

Table 50. Merchandise trade of Asia by region, 2001

(billion dollars and percentage)

	Exports			**Imports**
	Value	Share		Share
	2001	1990	2001	2001
World	1497.4	100.0	100.0	100.0
Intra-Asia	772.2	42.1	48.2	55.6
Japan	147.9	10.4	9.9	
Australia and New Zealand	37.7	2.7	2.5	
China	100.9	3.3	6.7	
Other	435.6	25.7	29.1	
North America	375.8	28.3	25.1	15.9
Western Europe	251.8	20.0	16.8	15.1
European Union (15)	237.6	18.6	15.9	
Middle East	45.3	2.9	3.0	8.0
Latin America	40.3	1.8	2.7	1.7
Africa	23.9	1.5	1.6	1.6
South Africa	5.9	0.2	0.4	
Other Africa	18.0	1.2	1.2	
C./E. Europe/Baltic States/CIS	16.9	1.9	1.1	1.5
C./E. Europe	7.5	0.4	0.5	
Russian Fed.	6.6	-	0.4	
Inter-regional trade	753.9	56.4	50.4	

Source: World Trade Organization: “International Trade Statistics 2002”, page 87 and 89

Thailand, Indonesia, and Korea were severely affected by the crisis. They went to the IMF for help. Malaysia rejected this.

Some countries like Korea and Singapore are recovering faster. Indonesia's problems were complicated by the political turmoil and the resignation of Suharto in 1998. Its economy entered in recession and the inflation rate sharply increased (See Table 38 and Table 51). Philippines, supposedly the weakest economy in the region, was not so much affected. The reason was that the country, under IMF surveillance, was not able to contract large amounts of debt from abroad during the 1990s (Table 48).

For many countries it will take several more years to recover the level of income they had before the 1997 crisis (probably up to 2007, a lost decade, See Table 49).

Table 51 East Asia Consumer Prices (Percent change over previous year)

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
China											
Hong Kong											
Korea	11.7	3.2	24.3	25.3	15.3	10.2	14.5	18.3	28.7	21.3	7.2
Singapore	2.1	19.6	22.4	2.5	-1.8	3.2	4.9	4.1	8.5	8.2	3.9
Taiwan											
Thailand	4.8	15.5	24.3	5.3	4.1	7.6	7.9	9.9	19.7	12.7	5.3
Indonesia	6.5	31.0	40.6	19.1	19.9	11.0	8.1	16.3	18.0	12.2	9.5
Malaysia	3.2	10.6	17.3	4.5	2.6	4.8	4.9	3.7	6.7	9.7	5.8
Philippines	8.2	16.6	34.2	6.8	9.2	9.9	7.3	17.5	18.2	13.1	9.0
Japan	4.8	11.6	23.2	11.8	9.3	8.2	4.2	3.7	7.8	4.9	2.7

Source: IMF: "International Finance Statistics Yearbook 2002"

East Asia Consumer Prices (Percent change over previous year)

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
China					7.2	18.7	18.3	3.1	3.5	6.3
Hong Kong									11.6	9.3
Korea	3.4	2.3	2.5	2.8	3.0	7.1	5.7	8.6	9.3	6.2
Singapore	1.2	2.6	0.5	-1.4	0.5	1.5	2.3	3.5	3.4	2.3
Taiwan										
Thailand	3.7	0.9	2.4	1.8	2.5	3.8	5.4	5.9	5.7	4.1
Indonesia	11.8	10.5	4.7	5.8	9.3	8.0	6.4	7.8	9.4	7.5
Malaysia	3.7	3.9	0.3	0.7	0.3	2.6	2.8	2.6	4.4	4.8
Philippines	5.3	46.7	23.2	-0.3	3.0	12.2	11.4	13.2	18.5	8.6
Japan	1.9	2.3	2.0	0.6	0.1	0.7	2.3	3.1	3.2	1.7

Source: IMF: "International Finance Statistics Yearbook 2002"

East Asia Consumer Prices (Percent change over previous year)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
China	14.6	24.2	16.9	8.3	2.8	-0.8	-1.4	0.3	0.5	-0.8

Hong Kong	7.4	8.7	9.1	6.3	5.8	2.9	-4.0	-3.7	-1.6	-3.0
Korea	4.8	6.2	4.5	4.9	4.4	7.5	0.8	2.3	4.3	2.8
Singapore	2.3	3.1	1.7	1.4	2.0	-0.3	-	1.4	1.0	-0.4
Taiwan										
Thailand	3.4	5.0	5.8	5.8	5.6	8.1	0.3	1.5	1.7	0.6
Indonesia	9.7	8.5	9.4	8.0	6.7	57.6	20.5	3.7	11.5	11.9
Malaysia	3.5	3.7	3.5	3.5	2.7	5.3	2.7	1.5	1.4	1.8
Philippines	6.9	8.4	8.0	9.0	5.8	9.7	6.7	4.3	6.1	3.1
Japan	1.3	0.7	-0.1	0.1	1.7	0.7	-0.3	-0.7	-0.7	-0.9

Source: IMF: “International Finance Statistics Yearbook 2002” and “IFS August 2003”

East Asian countries are reforming their economies to make it more competitive. Their financial sector is the weakest of all.

China and Taiwan were not affected by the crisis. In the case of China they have controls in their capital account and anyway the Chinese yuan or reminbi is not freely traded. But China and Taiwan have also, like other East Asian countries, problems with non-performing loans in their banks. Their financial sector are also weak. In the case of Taiwan the government had to intervene at the end of the 1990s to save some banks from bankruptcy.

Comparison between Latin America debt crisis and East Asia debt crisis.-

The lost decade of the 1980s for Latin American countries was a widespread event (except for some countries like Colombia, Chile, Costa Rica and Brazil). The reason was the inability to repay the external debt and its dependence on the exports of primary goods (at the beginning of the eighties the prices of primary goods felt, the interest rates on its external debt rose and crisis ensued). It was accompanied by high government spending that resulted in hyperinflation in some countries.

Now Argentina is in a tragic situation. They introduced a parity system of one peso (the Argentina currency) equal to one dollar at the beginning of the 90s to stop hyperinflation, but lost competitiveness to its trade partners from 1998 onwards (after Brazil and other countries devaluated their currency following the after effects of the Asian crisis). Besides this, the government continued during the 1990s incrementing its external debt. The tragedy is that Argentina in 1930 had a similar level of income with France and even in 1950 had a GDP percapita higher than in Japan.

The nature of the economic crisis in both regions is different but had a common feature. This is the fact that the crisis was precipitated by the inability to repay the external debt contracted.

But the differences are that:

a. In Latin American countries a very important part of the debt was public debt or public guaranteed debt, in East Asia most of it was private debt.
b. In Latin America the public sector has a large deficit so part of the solution was to diminish public spending, in East Asia the public sector has no deficit and even some countries were in surplus.
c. In Latin America because many countries exported mainly primary goods and as the price of these goods did not recover fast, their economy recovery was slower. In East Asia, countries export mostly manufactured goods, and as the exports of these products recovered very fast, especially after the big devaluation of their currencies, the economies have recovered fast in several of them.
d. Many East Asian countries have good physical and human capital, that was not much affected by the crisis and so could recover fast. This is not the case of many Latin American countries.

5. Regional economic integration agreements.-

Since the end of the Second World War the world is pursuing the free movement of factors of production (goods and services, capital, labor). This was made easier by the setting up of international organizations under the Bretton Woods agreement (GATT, General Agreement on Tariffs and Trade –now the WTO, World Trade Organization-; IMF, International Monetary Fund; and the WB, World Bank). Also the rapid development of technology which made possible cheaper and faster means of transport and communications, together with the adoption of free market policies by former Socialist countries, have made the process truly universal. However, at the same time that the world is becoming more open to the movement of factors, in the other hand we have a growing number of regional economic integration agreements in every region (but no so much in East Asia). Specially from the 1990s, Regional Integration Agreements (RIA) have increased (See Table 52). But lately it seems that countries have been moving from multilateral arrangements, to regional and to bilateral ones.

Table 52

Economic integration process has several stages: free trade area, custom union, common market and economic union. Why countries pursue RIA?

In the Latin American region there are several regional economic integration agreements but they have not advanced so much. The problems are several compared with the successful

European Union, EU. In 1960 (only two years after the formation of the European Economic Community) ALALC (the Spanish acronym of LAFTA, the Latin American Free Trade Area) agreement was established but did not advance so much.

EU economic integration has been successful because of several reasons.

a) Countries in Western Europe embarked in economic integration as part of their national goal of achieving a strong Europe, to fend off the economically dominant US and the military dominant Soviet Union. The integration process was a state policy, regardless of the political party in power. In Latin America, as governments changes, the goal of economic integration was not pursued as before.

b) Countries in Western Europe shared a common religion, political system (democracy) and economic regime (mixed capitalism). Even France and Germany, which fought each other in three wars in the last 100 years, saw the need to become one. In Latin America, political regimes were different (military and civilian governments), economic policies sometimes different (great state intervention in the economy in some of them and or economic liberalization in other ones) and sometimes even territorial disputes (like between Peru and Ecuador until the end of the 1990s).

c) Western Europe achieved rapidly economic integration thanks to the excellent transportation system than link physically all the region. Because of this goods and people can easily move form one to another place. In Latin America, big territories are not easily linked, for example even now to move a good from Peru to Brazil is cheaper to do it by plane than by another mean.

d) Finally, the first countries in Western Europe that embarked in economic integration were more or less in the same stage of economic development, so the fruits of the integration effort was going to benefit all of them in the same degree. In Latin America, the three biggest countries, Brazil, Mexico, and Argentina, were saw as reaping the benefits of the integration process in prejudice of the smaller countries. That is why in 1969 the Andean Common Market (Andean Pact) formed by the small and medium size countries of Peru, Colombia, Chile, Bolivia, and Ecuador, was launched.

The Andean Pact changed later its name to the Andean Community. ALALC in 1980 changed its name to ALADI (the Spanish acronym of LAIA, Latin American Integration Association). Then in 1994 MERCOSUR, the South American Common Market, process began. In the Central Latin American region there exists the CACM, Central American Common Market, and the CARICOM, Caribbean Common Market.

NAFTA, the North American Free Trade Area, was the first regional agreement in Latin America involving a developing country like Mexico with the developed ones of North America of US and Canada. After that a FTA agreement was signed between Chile and US the year 2003. Then a FTA involving the whole American continent (with the exception of Cuba), the FTAA –Free Trade Area of the Americas-, is planned to begin on 2005 or 2006.

Brazil is opposing an early beginning of the FTAA. The main reason is that it accuses the US of trying to open Latin American countries markets but the US market is still closed to exports of goods where Brazil and other Latin American countries have some comparative advantage, like steel, fruits, soybean, etc.

In the East Asian region there is just one regional economic integration agreement, the AFTA (the ASEAN Free Trade Area, created in 1992). The ASEAN itself was established in 1967 and actually comprises 10 countries. These are Brunei, Cambodia, Indonesia, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam. Bilateral agreements are being explored and established by some countries. In January 2002 Japan and Singapore signed a FTA agreement (the first in the North East Asian region). Singapore in 2001 signed a FTA agreement with New Zealand and the following year one with EFTA, European Free Trade Area, countries. In July 2003 become effective a FTA with Australia (a new type of FTA, a comprehensive agreement, because it involves an agreement on free trade and investment but also in government procurement, intellectual property rights, electronic commerce, etc.). Singapore is negotiating FTA agreements with several countries. China signed a FTA agreement with Hong Kong in July 2003.

In 1991 Mr. Mahathir proposed an East Asian only regional economic integration agreement (the EAEA, East Asian Economic Caucus) but encountered a cold response from Japan (the aim of the EAEA was to exclude US, Australia, and New Zealand, that is, to have a Caucus without Caucasians). Also there is just one FTA agreement between an East Asian country with another country outside the region. In May of 2003 Singapore signed a FTA with US. Korea signed a FTA agreement with Chile (but still not ratified by Congress in both countries). Mexico is negotiating one with Japan. Anyway, Singapore is the leading country in Asia pursuing FTA agreements.

Singapore is eager to enter into many FTA agreements because it has an open economy and it has no agricultural sector (which is a sensitive sector for many countries).

China in 2001 proposed and entered in negotiations to have a FTA with ASEAN (perhaps by the year 2010). In the July 2003 meeting of ASEM (Asia-Europe Ministerial meeting), the EU asked ASEAN to study the possibility of opening negotiations on a future FTA between them (negotiations could began perhaps on 2005). The ASEM began in 1996. In the year 2000 there was a proposal to create an East Asia FTA comprising ASEAN plus 3; this is ASEAN plus China, Japan and Korea (similar to the EAEA proposed by Mahathir before).

Why there are few regional integration agreements in the East Asian region? Differences in economic development level among countries, the high protection given to the agricultural sector in several countries, and the still lingering historical and political disputes among some of them are some of the reasons given. But now countries in the region are strongly interested in RIA (because countries in other regions are doing so). But even with any formal FTA among them, intra-regional trade have been increasing in East Asia (See Table 50).

There is an organization which aims to act as a regional economic integration body among countries in the Pacific Basin. 3 Latin American countries, Mexico, Peru, and Chile, with Canada and US, are members of APEC, the Asia Pacific Economic Cooperation forum, together with all East Asian countries. But APEC is not a FTA agreement, is a little different from a typical regional economic integration agreement. It adopts non-binding agreements, the liberalization process is voluntary, and it leaves to each country to set the timetable for liberalization to suit its particular interests, and promotes open regionalism.

IV. Conclusions: Differences in economic development between both regions.-

From the experience with economic development in Latin America and East Asia some lessons could be obtained. Some policies conducive to economic growth can be applied:

1. Development of the agricultural sector

Most of East Asian countries did Agrarian Reforms (A.R.) and carried out comprehensive agrarian development programs, where governments have supported farmers by giving them credits and protecting them from foreign competition. Specially this has been the case in Japan, Korea and Taiwan. In several Latin American the problem of farmers without land or not enough of it is still acute. Several of them did Agrarian Reforms, that is redistribution of land, but this was not enough to increase production or to improve the standard of living of farmers.

But when landowners have a big political clout, like in Philippines and in some Latin American countries, it is difficult to carry out Agrarian Reform Programs. This was carried out under revolutions or big political upheaval in Latin America (except in Chile) and China, or under strong U.S. pressure in Japan, Korea and Taiwan.

Agrarian Reform Programs, by improving the living conditions of peasants, brought social and political stability to countries in East Asia and enlarged their internal markets by incorporating them as consumers.

2. Development of export industries (from labor intensive to capital intensive one and so on) and promotion of certain industries but subject to criteria of competition.

In many East Asian countries governments put emphasis in the promotion of exports, in what came to be know as Export Oriented Industrialization (EOI) policies. This was done due to a scarcity of natural resources to export and get foreign exchange (as was the case in many North East Asian countries, and also due to the small internal markets in some of them) or after governments realized that such policy was necessary to overcome dependence in export of only primary goods (as was the case of some South East Asian countries from the beginning of the 1980s). In any case governments did a change of policy from an Import Substitution Industrialization (ISI) policy to an Export Oriented Industrialization (EOI) one. Governments did this in East Asia because in many cases they were free of pressure from vested interests. In Latin American countries governments faced pressure from companies producing for the internal markets who wished a continuation of ISI policies and opposed the change (because to produce for export demand to be internationally efficient, because an EOI policy implies to have a competitive exchange rate, this meaning to devaluate the national currency, and to lower tariffs on import of capital and intermediate goods); also there was pressure from labor unions who wanted protection from foreign competition or feared relaxation of labor laws that would have allowed easy, freely, contract or lay off of labor (workers enjoy some privileges under ISI policies, when it is difficult or impossible to dismiss them); or pressure from state owned companies interested also in a continuation of ISI policies.

In East Asian countries there was continuation of ISI policies for some industries (like heavy, capital-intensive industries), but, specifically in the North East Asian ones, they were forced to become efficient as they have to compete in the international markets to export.

The industrialization based in EOI policies, that permitted labor-intensive industries to flourish and so absorbed the abundant labor force, have meant that economic development being achieved in many East Asian countries is done with an even distribution of income. In many Latin American countries, the ISI of capital-intensive sectors didn't absorb much labor force and so economic development has not decreased the uneven distribution of income that is an ugly characteristic of the region. Besides this, in this region discrimination against aboriginal people and other minorities persist.

3. Maintaining social and political stability, together with a stable macroeconomic environment.-
Without social and political stability it is difficult that a country's economy will grow steadily. Investment requires a stable environment where the rules of the game are clearly defined and will not change as governments change. This was the case on most of the East Asian countries. In several Latin American countries, like Venezuela, Ecuador, Bolivia and Argentina, political upheaval are frequent, even now.

A stable macroeconomic environment, with a low inflation rate for example, is necessary for companies to plan their production and investment. This happened in East Asia. In Latin America pressure from vested interests, among them from people of the party which came to power, force governments to adopt populist policies (to create more government jobs, to give subsidies to certain sectors, etc) which increase government spending and generate high inflation. The state apparatus is seen sometimes as war booty by the party coming to power. To some extent in East Asian countries this was not the case as in many of them a merit system in the bureaucracy exists, with an established civil service (especially in the North East Asian countries) or also because in many of them just one ruling party has been in power for many years. Besides this, vested interests in East Asian countries had little influence in government policies thanks to strong and autonomous governments.

This brings the theme of corruption to discussion. There is corruption in both regions but with different characteristics. Corruption occurs because: there are many restrictions to economic activity and state intervention is widespread; low salaries are paid to governments officers; natural resources are abundant and its exploitation require too many permissions from government: and there is not a civil service system in place.

Corruption is bigger in Latin America, money is often siphoned abroad (in East Asia remains in the country and in a sense benefit it), and usually no punishment is given to culprits in Latin America so it will recur again.

4. Raising the education level of the population.
Latin American countries have a level of education that is not lower than in East Asian countries (even sometime higher). The problem is the extent and the kind of education given. In Latin America not much emphasis is put in primary education, and in the other hand, university education is subsidized by the state but then there are too many graduates in liberal arts which countries do not need so much.

5. An honest and efficient government is needed.
This is probably one of the biggest challenges for developing countries. As have been

mentioned before, a civil service system based in meritocracy is needed. East Asia is advanced in this even if some times the relative strong position of the bureaucracy has generated some corruption scandals.

6. But in a more global world, the policy making process for developing countries and the policies adopted are influenced by external forces. The IMF and the World Bank pursue policies of open markets and it is difficult (but not impossible) now for example to protect national industries from foreign competition. Also it is difficult nowadays to have strong, authoritarian governments. With democracy as a new global value governments actions are watched by everybody, national and international organizations.

Appendix:
Economic Relations between Latin American and East Asian countries

Historic relations:

Christopher Columbus discovered America when trying to find Zipangu more than 500 years ago.

But it is said that 70 years before Columbus, the Chinese, under Admiral Zheng He who was traveling the world in a large fleet, reached in 1421 the American continent. They even elaborated a world map where the American continent appeared and it is said that later Columbus and other European explorers used it to reach the American continent and also India and China (See Menzies "1421-The year China discovered America")

In 1613 Hasekura Tsunenaga was sent to Mexico by Date Masamune, lord of a domain in Sendai, Japan, to try to establish foreign trade with that Spanish colony.

Peru was the first Latin America country to receive Chinese immigrants. They came first in 1849, later in 1899 Japanese immigration to Peru began. Before that a group of 35 Japanese emigrated to Mexico in 1897.

Peru was the first country in Latin America to establish diplomatic relationship with China (in 1872) and with Japan (in 1873). Mexico signed with Japan an equal treaty in 1888, becoming the first country to do that.

Trade:

In the 17th and 18th centuries, gold and silver from Mexico (and also from Peru) was carried by the Spanish galleons going to their colony in Philippines and exchanged this with China for silk, porcelain.

Nowadays, trade relations among both regions is still small. Actually exports from Latin America to Asia have diminished, the 2001 figure being lower than the 1990 one (See Table 50 and 53). Japan's share in that trade have diminished in the last years but China and Korea are aggressively moving to fill that gap (Table 54).

Table 53. Merchandise trade of Latin America by region, 2001
(billion dollars and percentage)

	Exports			Imports
	Value	Share		Share
	2001	1990	2001	2001
World	374.2	100.0	100.0	100.0
North America	210.9	45.4	60.7	48.9
Intra-Latin America	59.3	14.1	17.1	17.7
Western Europe	42.3	21.2	12.2	17.2
European Union (15)	39.6	20.2	11.4	
Asia	*22.3*	*9.5*	*6.4*	*12.0*
Japan	6.6	5.1	1.9	
China	5.0	0.8	1.4	
Other	10.7	3.7	3.1	
Middle East	4.0	1.6	1.1	0.9
Africa	3.7	1.4	1.1	1.5
C./E. Europe/Baltic States/CIS	2.7	4.5	0.8	1.8
Inter-regional trade	285.8	83.8	82.3	

Source: World Trade Organization: "International Trade Statistics 2002", page 55 and 56

In the part of Latin America, Chile and Mexico are increasing their trade with Asia. Specially Chile, which exports around 25% of its products to Asia, is the most eager to increase economic relationship with that region (See Table 54). Chile have developed new products for the Asian markets like salmon, fruits, wine, forest products. Also its recent FTA agreement with the U.S. will increase its attractiveness to Asian countries. Chile is signing a FTA agreement with Korea and Mexico is discussing a FTA agreement with Japan.

Table 54 Chile exports and imports by destination (millions of US dollars)

Exports **Imports**

	1995	2002	1995	2002
Total	**16,024**	**18,340**	**15,990**	**17,093**
United States	2,398	3,484	3,793	2,612
Japan	2,906	1,928	1,103	535
United Kingdom	1,076	797	247	175
China	288	1,233	390	1,076
Korea	897	714	527	447

Source: IMF: "Direction of Trade Statistics 2002" and "DTS Quarterly, June 2003"

Mexico exports and imports by destination (millions of US dollars)

	Exports		Imports	
	1995	**2002**	**1995**	**2002**
Total	**79,542**	**160,682**	**72,453**	**168,679**
United States	66,475	123,767	53,995	97,531
Canada	1,979	8,067	1,374	1,509
Japan	928	1,502	3,608	4,244
Germany	515	1,189	2,687	5,025
China	37	485	521	3,660
Korea	89	336	974	3,941

Source: IMF: "Direction of Trade Statistics 2002" and "DTS Quarterly, June 2003"

Brazil exports and imports by destination (millions of US dollars)

	Exports		Imports	
	1995	**2002**	**1995**	**2002**
Total	**46,506**	**60,362**	**49,972**	**47,219**
United States	8,799	15,202	10,454	12,409
Argentina	4,041	5,429	5,570	6,736
Germany	2,158	3,064	4,720	4,543
Japan	3,102	2,356	3,279	1,834
China	1,204	2,088	1,039	1,405
Korea	827	799	1,322	1,708

Source: IMF: "Direction of Trade Statistics 2002" and "DTS Quarterly, June 2003"

Three Latin American countries, Mexico, Peru and Chile, are together with all East Asian countries in APEC (which aim to have a free area for trade and investment by the year 2020) . Besides this the next FTAA, Free Trade Area of the Americas, will make countries in Latin America more attractive to Asia.

Latin America and East Asia are in a sense complementary economies. Latin America have natural resources, specially food, that the Asian region does not produce in enough quantity. In Asia, countries like Japan, Korea and Taiwan have capital and technology that are in need in Latin America.

Financial flows:

a. Investment:

Japan increased its investment abroad after the revaluation of the yen that began in 1985. They invest mostly in the developed countries and East Asia. Japanese investment to Latin America in the last years have decreased (Table 55).

Table 55 Japanese Investment abroad

China and Korea began in the 1990s investing in Latin America.

b. Loans

c. Aid:

Japan, as the second biggest donor of aid in the world, contributes also to some Latin American countries (Table 56). It gave a lot specially to Peru during the 1990s when Peru had a President, Alberto Fujimori, of Japanese ancestors. Peru appeared during the 1990s in the list of the ten countries which Japan give more economic aid (and appeared again in 2001). (Table 57)

Table 56

Table 57 Ten Largest Recipients Countries of Japan's Bilateral ODA

(net disbursement basis; unit:$ million, %)

	1999			**2000**			**2001**		
Rank	Country	Amount	Share	Country	Amount	Share	Country	Amount	Share
1	Indonesia	1,605.83	15.30	Indonesia	970.10	10.06	Indonesia	860.07	11.54
2	China	1,225.97	11.68	Vietnam	923.68	9.58	China	686.13	9.21
3	Thailand	880.26	8.39	China	769.19	7.96	India	528.87	7.10
4	Vietnam	678.98	6.48	Thailand	635.25	6.69	Vietnam	459.53	6.17
5	India	634.02	6.04	India	368.16	3.82	Philippines	298.22	4.00
6	Philippines	412.96	3.93	Philippines	304.48	3.16	Tanzania	260.44	3.49
7	Peru	189.12	1.80	Pakistan	280.36	2.91	Pakistan	211.41	2.84
8	Pakistan	169.74	1.62	Tanzania	217.14	2.25	Thailand	209.59	2.81
9	Brazil	149.36	1.42	Bangladesh	206.16	2.09	Sri Lanka	164.72	2.46
10	Syria	136.17	1.30	Peru	191.68	1.99	Peru	156.52	2.10
	Total 10 above	6,063.45	57.95	Total 10 above	4,861.64	50.43	Total 10 above	3,855.50	51.74

Total bilateral aid to developing countries	10,497.56	100.00	Total bilateral aid to developing countries	9,640.10	100.00	Total bilateral aid to developing countries	7,452.04	100.00

Source: "2002 White Paper on Official Development Assistance", Ministry of Foreign Affairs of Japan

China and Korea began offering aid to Latin American countries during the 1990s. This is because their trade and investment with this region have increased.

Migration labor:
At the end of the year 2002 there are 51,772 Peruvians and 268,332 Brazilians in Japan (Table 58). They began coming at the end of the 1980s as Japan was experiencing scarcity of unskilled labor. In 1990 Japan modified its Immigration Law to allow the entry of Nikkei, persons of Japanese ancestors, to work in Japan in jobs where unskilled labor was needed. In Korea there are some Peruvians also. Other countries in Asia, like Taiwan, Hong Kong and Singapore, have scarcity of unskilled labor and have been receiving foreign migrant labor (mostly from other Asian countries).

Table 58 Foreigners in Japan (end of each year)

Country	**1988**	**1993**	**1996**	**1999**	**2000**	**2002**
Totals	941,005	1,320,748	1,41,136	1,556,113	1,686,444	1,851,758
Korea	667,410	682,276	657,159	636,548	635,269	625,422
China	129,269	210,138	234,264	294,201	335,575	424,282
Brazil	4,159	154,650	201,795	224,299	254,394	268,332
Philippines	32,185	73,057	84,509	115,685	144,871	169,359
Peru	864	33,169	37,099	42,773	46,171	51,722
Others	107,388	167,458	160,558	242,607	270,164	312,591

Source: Ministry of Home Affairs, Japan

Political relations:
The Forum for East Asia and Latin American Cooperation (FEALAC) was created in 1998 and today comprises 30 countries, 15 in Latin America and 15 in East Asia. These are Australia, Brunei, Cambodia, China, Indonesia, Japan, Korea, Laos, Malaysia, Myammar, New Zealand, Philippines, Singapore, Thailand, and Vietnam, from East Asia; Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Mexico, Panama, Paraguay, Peru, Uruguay, and Venezuela, from Latin America.

APEC is another fora where countries of both regions participate. APEC has 21 members, 16 from East Asia and 5 from the American continent. These are: Australia, Brunei, China, Hong

Kong, Indonesia, Japan, Korea, Malaysia, New Zealand, Papua New Guinea, Philippines, Russia, Singapore, Taiwan, Thailand, and Vietnam, from East Asia; US, Canada, Chile, Mexico, and Peru, from the American continent.

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