POST CRISIS PERFORMANCE OF THE ASIAN MARKET AND THE MEXICAN MARKET

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Abstract

There has been two major economic crises' within the past decade. The first was the Mexican crisis of 1994-1995. A couple of years later in 1997-1998 the world encountered another crisis by the Asian economies. Both the Mexican crisis and the Asian crisis caught most people by surprise. These economies were considered to be fundamentally sound and were even considered as models for others to follow. The purpose of this investigation is to compare post crisis performance of the Asian market with the Mexican market. When discussing the Asian economic crisis, this investigation will concentrate primarily on those Asian economies which were most effected; Indonesia, Malaysia, Philippines, Thailand and Korea.

This investigation will first discuss the role of the IMF and The World Bank on the Asian and Mexican crises. Then the economic performance of Asia and Mexico since their crises will be analyzed and then the study will briefly look at their future. The study finds Mexico to be recovering better than the Asian economies however; Asia has not had the amount of time that Mexico has had to rebuild. Only time will tell if Mexico and Asia can recover to the economies that they once were when they were looked to as models for others to follow.

1. Introduction and Literature Review

There have been two major economic crises' within the past decade. The first was the Mexican crisis that occurred in 1994-1995. A couple years later in 1997-1998 the world encountered another crisis by the Asian economies. The foreign exchange and financial problems, which hit Mexico and the Asian economies, caught most people by surprise, given that these economies were considered to be fundamentally sound and were even held up as models for other economies to follow (Martinez, 1998). The causes and events that led up to the Mexican crisis and the Asian crisis have remarkable similarities. However, this investigation will concentrate primarily on the post crisis performance of the two.

The purpose of this investigation is to compare and contrast post crisis performance of the Asian market with the Mexican market. When discussing the Asian economic crisis, this investigation will concentrate primarily on those Asian economies which were most effected; Indonesia, Malaysia, Philippines, Thailand and Korea.

This investigation will be divided into 3 sections. The first section will discuss the role of the International Monetary Fund (IMF) and The World Bank on the Asian and Mexican crises. The second section of the investigation will focus on the economic performance of Asia and Mexico since their crises. The third section of this investigation will evaluate Mexico and the Asian economies future outlook to get a better understanding of where the economies are heading. A brief summary and conclusion will follow these three sections.

2. The International Monetary Fund and The World Bank

The IMF is an international organization of 182 countries that were established to promote international monetary cooperation, exchange stability, and orderly exchange arrangements; to foster economic growth and increase levels of employment; and to provide financial aid to countries to help ease balance of payments adjustment.

The World Bank is the world's largest source of development assistance to developing countries. Through its uses of financial resources, trained staff, and extensive knowledge base to help developing countries onto a path of stable, sustainable, and equitable growth in the fight against poverty.

Both the World Bank and the IMF had tremendous responsibility put upon them immediately following the crisis. It is the role of the World Bank and the International Monetary Fund to step in and help crisis-ridden countries when help is needed. This section will discuss the roles that the World Bank and the IMF played in helping to put out the fires of the Asian and Mexican economies.

Only about one month after the Mexican Exchange Rate crisis (see appendix graph 1), reform was already taking hold. In January 1995, the New Mexican Finance Minister Guillermo Ortiz, with support from the IMF, announced a program to address the Mexican economic crisis. According to the World Bank (World Bank, 1995) the program consisted of three main components:

- Minimize the effects on inflation from the devaluation of currency.

- Push forward structural reforms that promote the competitiveness of the Mexican private sector.
- Address the short-run concerns of investors and establish a floating exchange rate.

The external support package discussed in early January totaled to about $18 billion dollars, with the United State providing nearly half. United State commercial banks provided about $3 billion dollars with other foreign governments providing about $6 billion. By January, this package had risen to an estimated $40 billion dollars. When it was all said and done the final package of loan guarantees and credits had risen to close to $52 billion (World Bank, 1995).

The final external support package included $20 billion of loan guarantees from the United States government. Of this amount, $3 billion was to be disbursed immediately, $6 billion within four months, and the remaining $10 billion after July (World Bank, 1995). The schedule of disbursement was contingent upon Mexico following the plan and sticking to its programmed restraint in government spending and monetary growth.

The enormous package of external support also included $17.8 billion of credits from the IMF. The amount of the loan the IMF gave was over seven times Mexico's IMF quota of $2.4 billion, and is an unparalleled amount in the history of the IMF (World Bank, 1995). The IMF support package for Mexico was the biggest ever loan approved, both too absolute amount and to the member's share in the fund (Camdessus, 1995).

There have been many questions regarding whether or not this kind of aid was appropriate. Most members of the IMF agree that this kind of aid was appropriate considering Mexico's track record for implementing previous adjustment programs. The program approved in March 1994 had the target of decreasing the external current account deficit from about 8% of GDP in 1994 to 1 percent in 1995 (see appendix graph 2) and containing the inflationary impact of the peso's devaluation (Camdessus, 1995).

The IMF's support of Mexico fits well within the IMF's mandate. The IMF's Articles of Agreement require it to give confidence to members by making the general resources of the IMF temporarily available under the proper safeguards (Camdessus, 1995).

The Mexican crisis demonstrates that the major purpose of the IMF is to give confidence to its members to correct maladjustment in their balance of payments (Camdessus, 1995). The situation in Mexico had shown that prevention is better than cure. If Fund surveillance of its member countries can be strengthened this would allow emerging problems to be attended to before they become full-blown crises.

The economic crisis that hit Asia in 1997-1998 caused steep declines in the currencies, stock markets, and other asset prices of a number of Asian countries (IMF, 1999). Most damaged by the 1997-1998 Asia Crisis were the economies of Indonesia, Malaysia, Thailand, Philippines and Korea. The IMF quickly jumped in to help restore confidence to the economies affected by the crisis.

According to the IMF (1999) the goal of restoring confidence in the region was immediately responded to quickly by:

- Helping the countries most affected by the crisis -Indonesia, Malaysia, Thailand, Philippines, and Korea- arrange programs of economic stabilization and reform that could restore confidence and be supported by the IMF.
- Approving about US$35 billion of IMF support for reform programs in Indonesia, Korea, and Thailand. In July 1998, committed assistance for Indonesia of about US$1.3 billion more from the IMF was given.
- Intensifying its consultations with other members both within and outside the regions that were affected by the crisis and needed to take policy steps to ward off the contagious effects.

According to the IMF (1999) the immediate effort to restore confidence in the affected countries entailed:

- A tightening of monetary policy to decrease exchange rate depreciation.
- Concerted action to correct the weakness in the financial system, which was the main factor, which led to the crisis.
- Structural rebuilding to remove problems of the economy that had become obstructions to growth and to improve the financial intermediation process and the future soundness of financial systems.
- The creation and maintenance of a solid financial policy, including through providing for rising budgetary costs of financial sector restructuring, while continuing to protect social spending.

According to the IMF (1999), financial sector problems were a major cause of the crisis. Financial reform in all cases have arranged for:

- The closure of non-profitable financial institutions.
- The recapitalization of undercapitalized institutions
- Close supervision of those institutions that appear to be weaker than others.
- To Increased foreign participation in domestic financial systems.

The World Bank also played a pivotal role in providing aid to the crisis effected Asian economies. In 1999, the World Bank committed a record $9.7 billion dollars to East Asian recovery. This enormous amount accounted for a third of all Bank lending over the period and reflected continued high levels of funding to countries affected by the economic crisis of 1997 (World Bank, 1999). Much of the reform was in the form of quick-disbursing finance, which was designed to support those countries that had bad cases of currency depreciation. The World Bank not only provided financial aid where it was needed, it also assisted in the fundamental reforms which the crisis showed were needed. Reforms in such areas as the corporate sector, financial system overhaul, and increasing the transparency of government operations.

At the heart of any major crisis will be the need for structural reform. Many of the problems affecting both Asia and the Mexican economies were situations that reflected inappropriate macroeconomic policies. Since both countries had financial sector problems at the core of their crisis each had undergone many financial reforms. Cooperation between the World Bank and the IMF in order to return each of the Crisis-ridden economies to economic stability were immediately implemented soon after the crisis hit. The main task of the World Bank and the IMF is to restore confidence to each economic system. In some cases, drastic changes such as a floating exchange rate were proposed. The next section will discuss the economic performance of Mexico and the Asian economies since their crisis and determined whether or not they are heading in the right direction.

3. Economic Performance

Since the Mexican financial crisis of 1994-1995 and the Asian Financial crisis of 1997-1998 each of the crises damaged economies have made great strides in the economy rebuilding process. Through hard work, solid financial reform, and help from the World Bank and the IMF, the crisis economies are heading towards stable economies. This section of the investigation will compare and contrast the economic performance of the Mexican economy and the Asian economy since their respective crises.

Mexico is the world's 13th-largest economy, the eighth-largest exporter of goods and services, and the fourth-largest oil producer. Despite suffering from massive setbacks as a result of the financial crisis of 1994-1995, the country experienced a trend of average annual economic growth during the 1990's of nearly three- percent. The initially export-led recovery after the crisis has increased the trend of average economic growth to nearly five- percent (World Bank Website, 2000). (See appendix graph 3) The North American Free Trade Agreement (NAFTA) played a major role in this increase in economic growth as well.

At the end of 2000, the GDP growth rate is expected to be in the range of 4.5% and 5% in real terms. As a result, the Mexican economy has grown at an average rate of 5%. Despite suffering from the crisis in 1995, GDP per capita in dollars has surpassed the 1994 level (see GDP Per Capita graph below, source Bank of Mexico). During 1999 this ratio had an increase of 13%, which was a record level (Bank of Mexico, 2000).

During the last five years, gross capital formation has grown steadily, recording an annual average growth rate of 13.2%. As a share of GDP, investment reached a record high of 19.7% at the end of 1999 (Bank of Mexico, 2000).

Since 1995, the economic policy of Mexico has been to increase domestic savings. By doing this, domestic savings will lead to a reduction of Mexico's dependence on foreign savings and this will keep the current account deficit within sustainable levels.

GDP PER CAPITA

YEAR	CURRENT PESOS	DOLLARS
1991	11,379	3,778
1992	13,142	4,247
1993	14,368	4,612
1994	15,907	4,713
1995	20,152	3,139
1996	27,104	3,567
1997	33,559	4,238
1998	39,942	4,372
1999	47,214	4,938

Source: INEGI and BANXICO

In 1994, domestic savings as a share of GDP were 14.7%, at the end of 2000 they will have reached 20% of GDP. The share of foreign savings has decreased from 7% in 1994 to only 2.9% of GDP in 1999 (Bank of Mexico, 2000).

The 1994 devaluation of the peso caused a high rate of inflation in 1995 to a yearly rate of 51.97%. By the end of 1999, the inflation rate had dropped off to 12.32%. By the end of 2000, the inflation rate is expected to fall to a rate below 10% (Bank of Mexico, 2000).

According to the Mexican institute of Social Security, during the last five years more than three million new jobs have been formed (see appendix graph 4). The creation of jobs has allowed for the reduction in the unemployment rate, which reached its lowest level ever in 2000 since 1985 (Bank of Mexico, 2000).

Between the years 1988-1994, the current account deficit averaged 4.4% of GDP and reached a maximum level of 7% in 1994. During the past five years this has changed vastly and for the better. The ratio of current account deficit to GDP has averaged 1.97%. In 1999, the current account deficit reached US$14.1 billion, 2.9% of GDP; this was 12% below the 1998 deficit and 52% below the deficit of 1994 (Bank of Mexico, 2000).

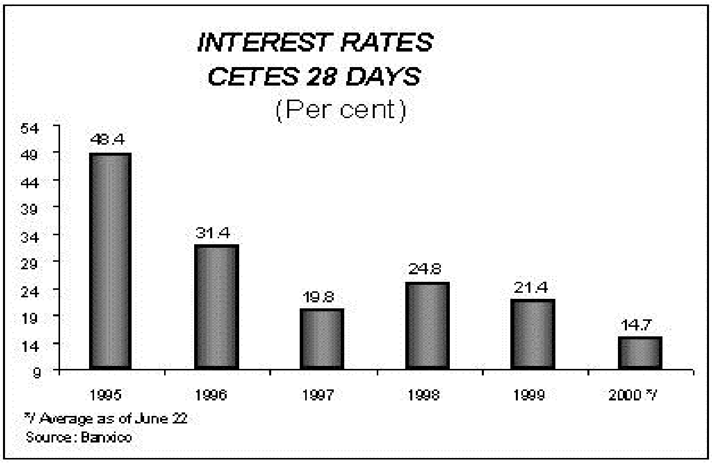
During 1998-1994 the current account deficit financed by portfolio investment averaged about 57.9%. In contrast, from 1995-1999 the current account deficit was financed mostly by Foreign Direct Investment (FDI). Over this time FDI inflows averaged close to US$11 billion per year. By the end of 1999, FDI inflows accounted for about 80% of the current account deficit (Bank of Mexico, 2000).

In 1997, 1998 and 1999 there were cases of interest rate volatility. The interest rate volatility was the effect of the Asian economic crisis and some events in Russia and Brazil. These episodes caused a rise in interest rates and the foreign exchange rate in Mexico. Due to careful planning and the creation of a flexible economic strategy that carefully adjusts to volatile situations, Mexico's interest rates have adjusted and returned to their decreasing trend and are presently at about 15% (Bank of Mexico, 2000).

According to the Bank of Mexico (2000) the establishment of a coherent floating exchange rate system has been most beneficial.

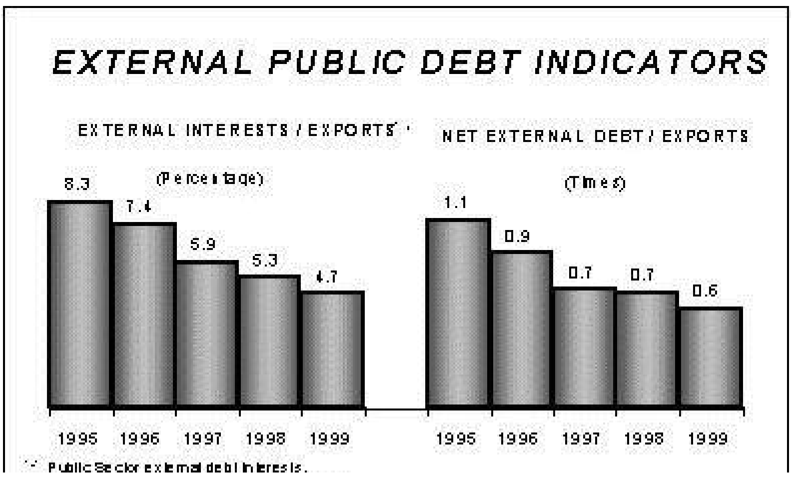
- Avoids external disequilibrium like what occurred in 1994.
- Disincentives short-term capital inflows.
- Allows for a more concise adjustment of the Mexican economy to foreign economic problems, by distributing the impact on interest rates and the foreign exchange rate, according to market forces of supply and demand. (See interest rate graph below)

From 1995 to 1998, total public debt was reduced 14 percentage points of GDP from



38.5% to 24.8%, due to the soundness of public finances. In 1995, the average maturity of outstanding domestic public debt was around 292 days but increased 561 days by the end of 1999 (Bank of Mexico, 2000).

In terms of GDP, external public debt has reduced vastly by 50%. External public debt went from 32.4% in



1994 to 16.1% in 1999. By 1995, 8.3% of export revenues were devoted to pay external public debt interest, in contrast, the 1999 percentage was reduced to less than 5%. Currently the outstanding external debt represents only 60% of annual export revenues (Bank of Mexico, 2000). (See the External Public Debt Graph below)

Like the outlook for the Mexican economy, there is an optimistic tone about the prospects for the Asian crisis economies. It's been only a couple of years since the Asian economic crisis hit. The outlook for Asia was very pessimistic at the time of the crisis. The current outlook for Asia at the time was one of a global credit crunch and recession. After only a few years, the Asian economies appear to be on the upswing. Financial confidence in Asia has been established, and most importantly for Asia, Japan is showing signs of growth as well. The exchange rates of the Asian crisis economies have increased from their lows, which were reached in 1998. We will examine the economic performance of the Asian economies which were most effected by the crisis which are Indonesia, Malaysia, Thailand, Philippines, and Korea.

Over the past three decades, the republic of Indonesia had achieved great economic success and was considered to be one of the best performing East Asian economies until the economic crash of 1997. In the two years since the crisis hit East Asia, Indonesia, like other East Asian economies has seen its share of economic, social, and political pressures. Recently, things appear to be looking up for Indonesia. There have been signs of economic stability and there has been a recent successful election in June, and there has been excellent progress on the economic reform program. Macroeconomic indicators such as GDP, prices, the exchange rate, and interest rates have shown improvements and this has led to investor confidence.

Latest estimates in Indonesia show that the number of poor as a share of the population roughly doubled from about 11% in 1996 to 20% in 1998 (World Bank, Indonesia, 2000). These numbers show that the number of people living below the poverty line has increased nearly 50% since the crisis. This comes out to roughly 35 million people living below the poverty line in Indonesia.

Some key economic indicators for Indonesia are GDP growth in 1998 of –13.7%. Inflation rate in 1999 was 30.7%. Short-term interest rat in 1999 was 22.5%. Stock market index in 1999 was 673, which is a 69% change since 1998. Unemployment rate in 1999 was 7%. In Indonesia it took much longer for financial stability to take hold than it did for other crisis economies (Camdessus, 1999). To make it possible, economic confidence must first be established. Indonesia's recovery has been on the upswing as of lately, however, its recovery from the crisis has been relatively unremarkable compared to other Asian economies.

Over the past decade, Malaysia's economy has been very strong. GDP grew at a rate of nearly 9% and inflation stayed right below 4%. Malaysia's unemployment rate has been reduced to 2.5%, female literacy has increased to 83%, and poverty had been reduced to nearly less than 10% of household's (World Bank, Malaysia, 1999). Over the past couple of years however, Malaysia was affected very heavily by the Asian crisis. At one time, it's currency the ringgit had depreciated by 40%. Malaysia saw tough times during the crisis of 1997-1998, as did most other Asian economies. However, Malaysia's key economic indicators have been on the upswing over the last year and a half to two years.

During the crisis years, Malaysia's GDP (as a change previous year) hit a low of –10.9% in quarter 3 of 1998 and is currently around 9%. Its industrial production index dropped to 142.1 in 1998 and is now comfortably sitting around 185 and continues to steadily increase. In 1998 Malaysia's unemployment rate rose to 4.5% and has steadily decreased since then to around 3%. In 1999 Malaysia's consumer price index increased up to 5.7% and is now currently about 1.4%. Malaysia's stock market index fell to 30.3 in 1999 but now has recovered to a respectable 65. Malaysia's trade balance ballooned to 19.1 in 1999 but has fallen to 1.29 in 2000 (World Bank, Malaysia, 2000).

Much like Malaysia, Thailand has been on the upswing economically as of lately. Both Malaysia and Thailand were a little slow reacting when the crisis initially hit but now has picked up steam. Though Thailand's recovery is in the early stages, it has received much help from a strong manufacturing sector and growing exports.

Thailand's real GDP grew about 4% in 1999 and is expected to surpass that in 2000. Short-term debt decreased since the crisis to $18.3 billion by May 1999, while the total debt declined from $93.4 billion during the crisis at the end of 1997 to $80.7 billion in June of 1999. However, on the down side, Thailand's unemployment rate increase during 1999 and is expected to increase more during 2000 because output growth will not be strong enough to absorb the new labor force entrants (World Bank, Thailand, 2000).

The Philippines GNP has expanded by nearly 4.6% while GDP grew by 4.5%. The stronger second quarter growth brought the average GNP growth rate for the first half of the year to 4% and that of GDP to 3.9%. The second quarter outcome increases the chances that growth for the year could reach the government's 4-5 percent target range for GDP growth. Inflation remains at its programmed level. Export growth has been in the double digits and is expected to continue to do so in the future mainly due in part to electronics. The current account remains in surplus of about 9% of GNP, but gross international reserves have fallen from $16 billion in March to $14.8 billion in July (World bank, Philippines, 2000).

Korea like the Philippines has most clearly past the turning point since the crisis and is on their way to recovery. With economic recovery well on the way, the process for rebalancing macroeconomic policies began with the budget for 1999 when the consolidated central government deficit was reduced to about 2.7% of GDP. The current fiscal policy for 2000 envisions an adjustment in the primary balance of the consolidated central government by about 1.75% of GDP; this will return Korea to a surplus position. Output increased by 10.7% in 1999 and is anticipated to moderate in the year 2000 to about 8.5%. Inflation is expected to stay below 2.5% in 2000 and the current account balance is expected to narrow but stay well within surplus levels. The government is targeting a central government deficit of about 2.5% of GDP for 2000 (IMF, Korea, 2000).

4. Future Outlook

The factors that increased the vulnerability of the Mexican economy to economic instability at the end of 1994 are no longer present. According to the Bank of Mexico (2000), the fundamentals that put Mexico in a solid position to maintain its economic success and put the crisis in the past are:

- A floating exchange rate.
- A sustainable current account deficit, consistent with the appropriate amount of long-term foreign savings availability.
- Continue to increase domestic savings.
- Continue to decrease external public debt.
- International reserves have risen to record levels and are currently US$32 billion.
- Additionally, Mexico has US$26.4 billion from a financial strengthening program to help to combat international market volatility.

The Mexican government has made great strides since the crisis to continue future economic growth while creating an economy that will be more flexible and less volatile to unexpected future events. Some future goals of the Mexican government made to ensure future economic stability are listed in the 2000-2001 Financial Strengthening Program. There are three main components to the program. The first component has to do with "renewal and expansion of credit lines with multilateral and official financial institutions and extensions of the North American Framework Agreement" (Bank of Mexico, 2000). The second goal is the reduction of public external debt (Bank of Mexico, 2000). The third goal of the 2000-2001 program is to consider the "Stand-By Arrangement" with the IMF as a "precautionary Arrangement" and the cancellation of all debt owed to the fund is under review (Bank of Mexico, 2000).

Another good sign for the future of the Mexican economy is the Mexican credit upgrade. Moody's recently upgraded Mexico's foreign currency debt to Baa3, which is an investment grade. Standard & Poor's raised Mexico's rating on external debt to BB+, which places it only one notch below investment grade. The Mexican economy will achieve excellent results at the end of 2000 such as strong economic growth, an inflation rate of 1 digit, high levels of domestic savings, a sustainable trade deficit, and international reserves at the highest level in the history of Mexico (Mexico Ministry of Finance, 2000). The Mexican economy has recovered very well since the crisis in 1994-1995. Through help from the IMF and the World Bank, Mexico is on the right track to economic stability. However they still have a long way to go. Its only been six years since the crisis and that is not enough time to completely rebound from any economic crisis. The Mexican government still must stand the test of time. Mexico has had a little luck along the way that the Asian economies have not had. The Mexican economy has had a shoulder to lean on in the form of North American Free Trade Agreement. NAFTA was very helpful in helping to recover from a crisis, however, there is much more to be done and said.

Unlike the Mexican crisis, the Asian crisis was created by savings-investments imbalances in the private sector operating in a weak domestic institutional and regulatory environment (Shirazi, 1998). The Asian economic crisis of 1997-1998 happened about three years ago. It's hard to compare it with that of Mexico's because Mexico has had more time to recover and rebuild. The Asian economies do have reasons to be optimistic. The five countries at the core of the crisis are on the right track and appear to be well on their way to economic recovery. It's just too soon to know for sure. Most noticeable are Korea and the Philippines. Both Korea and the Philippines appear to be in a better position to gain economic stability in the near future. Both Korea and the Philippines implemented solid reforms and are reaping the advantages and benefits in the form of enhanced market confidence. It took longer to see signs of turnaround in Indonesia, Thailand, and Malaysia but as of lately they are making strides for the better. In all of these countries there is still the possibility of everything they have been working for falling apart.

A proven format for Mexico and Asia to recover from the crisis and return to economic stability is to implement a major restructuring program mainly in the financial system. With the right policies, and the already strong international support, Mexico and the Asian economies can beat the crisis and become models for the rest of the world.

5. Summary

There have been two major economic crises' within the past decade. The first was the Mexican crisis that occurred in 1994-1995. A couple of years later in 1997-1998 the world encountered another crisis by the Asian economies. The foreign exchange and financial problems, which hit Mexico and the Asian economies, caught most people by surprise, given that these economies were considered to be fundamentally sound and were even held as models for other economies to follow.

The first section of this investigation took a look at the role of the International Monetary Fund and the World Bank during and after the crises. Both the World Bank and the IMF had tremendous responsibility put on them immediately following the crisis and each rose to the occasion. It is the role of the IMF and the World Bank to step in and help crisis-ridden economies when help is needed. This is done through loans and reform policies with cooperation between the crisis hit economies. The World Bank and The Mexican Finance Minister made recommendations for a program on how to address the Mexican Crisis. According to the World Bank (World Bank, 1995) the program consisted of three main components:

- Minimize the effects on inflation from the devaluation of currency.
- Push forward structural reforms that promote the competitiveness of the Mexican private sector.
- Address the short-run concerns of investors and establish a floating

The IMF loaned Mexico nearly $18 billion dollars to help return the economy to one of stability. This was the biggest loan in the history of the IMF.

The World Bank committed a record $9.7 billion dollars to East Asian recovery. Much of the reform was in the form of quick-disbursing finance, which was designed to support those countries that had bad cases of currency depreciation. The World Bank also assisted in the creation of fundamental reforms which the crisis highted. Reforms in such areas as the corporate sector, financial system overhaul, and increasing the transparency of government operations.

The performance of the economies since the crises shows that although Mexico and the Asian economies have made great strides in the right direction but neither is out of the woods yet. After the crises, both countries were in grave need for structural reforms. Many of the problems affecting Mexico and East Asia were situations that reflected inappropriate macroeconomic policies. Through help from the World Bank and the IMF, Mexico and the Asian economies are on the road to recovery. Mexico has had more time to recover from their crisis and through the help from the United States and NAFTA seem to be in excellent shape. The Asian economies are on the upswing; however, they have not had the time to rebuild, as did Mexico. The Asian economies are having a more difficult time of recovering but they are weathering the storms and only time will tell. The future outlook for Mexico and the Asian economies is very optimistic. There is a strong belief that if each economy implements a solid financial reform program that can adjust to volatile future situations, both Mexico and Asia will continue to recover and maybe be models to look up to when rebuilding an economy.

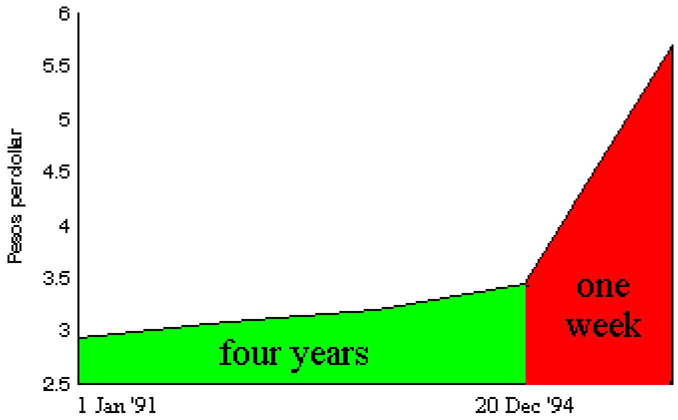
6. Conclusion

The recent performance of the Mexican economy has come at a time of growth and stability. This is the result of implementing solid reform programs emphasizing monetary and fiscal discipline. The floating exchange rate regime is also an important fact that attributes to the current and future success of the Mexican economy. The governments economy has reduced its vulnerability to outside forces and now is ready to adapt or adjust to whatever changes it might occur. Domestic savings have grown since the crisis, foreign savings have reduced, and international reserves have reached record levels. The present Mexican economy is looking much more favorable than that of the Asian economies. However, that doesn't mean that the Asian economies are failing. The Mexican economies have had longer to rebuild than the Asian economies and have had there share of luck such as NAFTA.

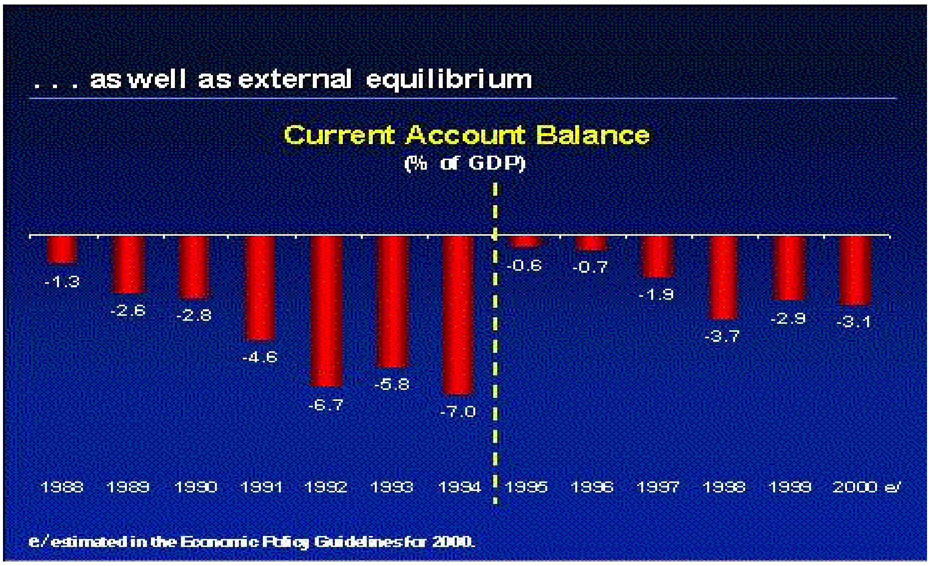
In Asia the five crisis countries (Indonesia, Malaysia, Philippines, Thailand, and Korea) have all past the turning point and are on the right road to economic recovery and stability. For Korea and the Philippines recovery has been outstanding, however, for Malaysia, Thailand and Indonesia the economies got off to a slow start but have been picking up steam as of lately. The road to recovery for Asia is a much longer road than the one that Mexico had to face, but Asia is on track to reach there goals of economic stability.

Appendix

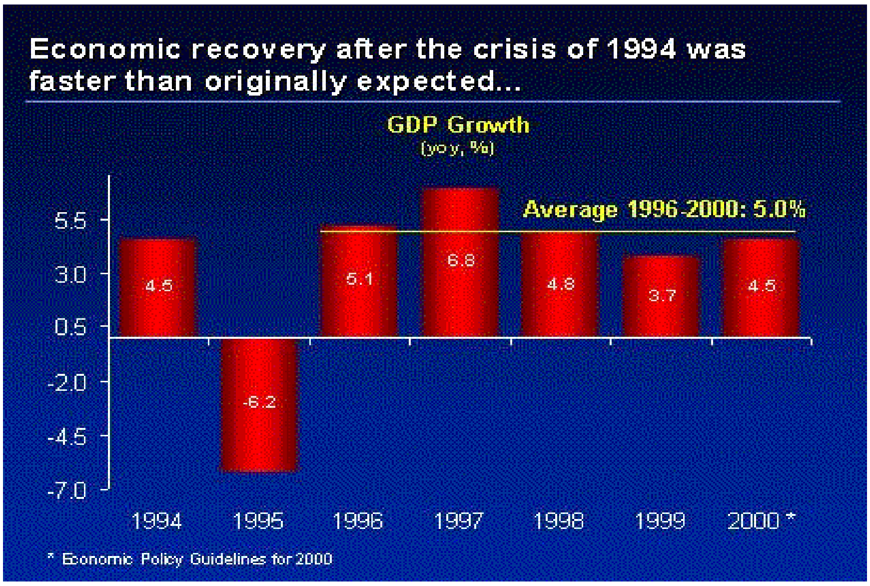
Graph 1-Exchange Rate Crisis (source, Bank of Mexico, 2000)



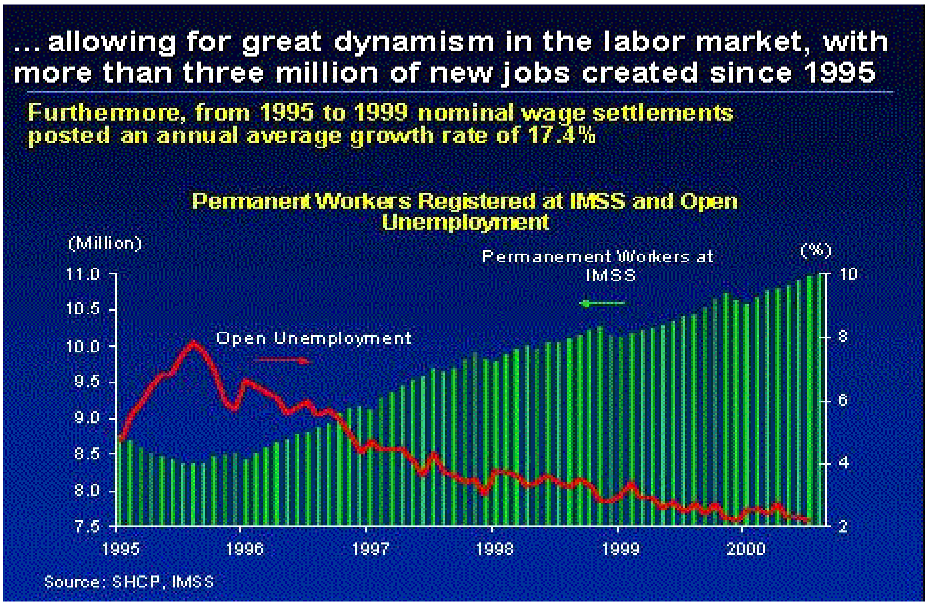
Graph 2-External Current Account Deficit (source, Bank of Mexico, 2000)



Graph 3-Economic Recovery (source, Bank of Mexico, 2000)



Graph 4-Job Creation (Source, Bank of Mexico, 2000)



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