Brazil vs. Argentina: What Went Wrong to Cause Their Respective Economic Declines

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Abstract

There is not a single Latin American country that is not well acquainted with turbulent times on both the political and economic fronts. Two of the largest economies of the region, Brazil and Argentina, have each endured many years of these turbulent times. This thesis examines just one brief period in the vast histories of both countries – the time corresponding to the most recent period of turmoil – and gives an account of what went wrong and what efforts were made to amend the situations. Despite the similarities that appear on the surface as to the roots of the problems for each, in actuality it becomes apparent that the situations the two countries faced were quite different. In the 1990s both Brazil and Argentina went through times where their economic and political healths were in need of serious medicine, and both are still trying to recover.
I. Brazil

During its vast history, Brazil has certainly endured its share of ups and downs. Rarely has there been a moment when the largest country in Latin America has been stable, both politically and economically. One of the most devastating and volatile periods of time for the Brazilians occurred fairly recently during the 1990s. The entire decade was host to sky high inflation, an unstable currency that changed too many times, and political corruption among many other problems. The difficulties suffered by Brazil can be examined, explored, and explained by looking at the situation politically and economically. Though there was a slight rebound in the late 1990s, Brazil has yet to really recover from the devastation experienced.

Politics

Brazil Before Collor

In 1985, a new political environment was emerging for Brazil. Up to that point, the government had been run by the military, despite the fact that attempts were made to make it look similar to a democratic system. In 1985, the up-and-coming Brazilian Democratic Movement Party (PMDB) stepped up their efforts to infiltrate or gain access to the major offices of power. Surprisingly, demonstrations by the supporters of the PMDB were able to convince the military personnel in government positions not to nominate another general for the presidency; so the PMDB was able to get their own candidate in the running, and his chances for victory were vastly improved. Eventually, the candidate from this party was elected into office, and his name was Tancredo Neves.

Neves was walking into a bad economic situation that it seemed would not improve. Throughout the 1980s, Brazil suffered from high amounts of foreign debt, low wages that
continued to decrease, and hyperinflation which caused daily prices increases and high interest rates on consumer loans and debt. Hyperinflation is a problem that many countries in this region have had to deal with, and with some inflation percentages in the thousands. What this means is that interest rates and prices would rise much more than normal, and in most of these situations, could rise more than 10% on a daily basis. People would have to rush to the banks to cash their paychecks to try to receive the full value of the money they had earned before the prices rose again. If they did not do this, they could lose a tremendous amount of their purchasing power. This phenomenon was what so many governmental officials had a difficult time conquering and bringing into their control.

One of the reasons the PMDB was so successful in their presidential aspirations was the people. They were tired of failed attempts at reform by the military, such as budgetary cuts and monetary policy alterations; they wanted some of their own concerns addressed and they felt that a truly democratic system was the key. The people began to demonstrate to show their desire to have publicly elected officials in all offices so that the major problems of hyperinflation, high debt, and low wages among others, might be addressed more seriously. In 1985 when the PMDB gained full momentum, Tancredo Neves and running-mate José Sarney ran for the presidency together and eventually won. What helped them to win was a split in the pro-military party votes by the members of the Electoral College in place to select the next president (the people were still not allowed to directly cast ballots for their leader).

There was some strategy that took place in this election as well because Neves knew he needed to split the vote of the military supporters to win. Sarney, being a military supporter himself, was picked especially for that role. “Neves had picked Sarney to play a pawn’s role in a political gambit that split the pro-military party and made the opposition victory possible” (de
Onis 133). With the victory in place, Neves was expected to help restore the economy, which was on the brink of hyperinflation, as well as represent the people. Unfortunately, Neves never took office. A few days before he was inaugurated he became very ill and died. This left Sarney in charge and because of his military support, that group had power once again.

Before Sarney could start any work on the country, a dispute evolved. Supporters of the PMDB, which Sarney did not really represent, were devastated by the loss of Neves and the dissolution of their plan. Therefore, they tried to change the constitution to limit presidential service to only four years so they could get their own candidate back in the running sooner. Supporters of Sarney fought back and wanted his term extended to six years. Eventually a compromise of five years was agreed upon, but this argument was quite costly. This disagreement in the end cost Sarney, the PMDB, and the whole country valuable time that could have been spent trying to fix the general climate of the country. Sarney was never really able to attack any of the vital issues (hyperinflation and high debt).

The years of Sarney’s presidency were unsuccessful and painful for everyone involved. They were plagued with corruption, constant hyperinflation, and inconsistency. With Sarney, there was a lack of a strong political base from which new policies and reforms could be implemented. He actually left the country in a worse state than when he came in. “Sarney came in with inflation at 200 percent a year and [left] the annual inflation level at 1,000 percent or more. Four finance ministers in four years applied different stabilization formulas, but none brought lasting results because government spending was not drastically curtailed” (de Onis 128). Nothing about Brazil’s economy was even remotely close to being fixed, mostly because they were not taken seriously. No one was sad to see Sarney go, not even Sarney himself.

With as many as 27 men running for the presidential office to take over Sarney’s position,
the process of these elections was dramatically different than any previous. Finally, the people would be allowed to have their views and concerns fully represented. The frontrunner in those elections was a man named Fernando Collor de Mello, who presented himself as the opposite of Sarney and vowed to punish the rampant corruption in high governmental offices (quite ironic given Collor's political fate). He made vague promises with little indication as to how they might be implemented, but he told the people what they had been longing to hear for so many years. When democracy was introduced in 1985 and failed, people lost their faith in the government; part of the reason why Collor was so popular and eventually won was because he promised to end all of the problems causing all of the mistrust issues among the people. Also worth noting here is the voting situation in Brazil. Voting in this country is mandatory, and people must travel to their hometown to do so; add to this the large illiterate population of the country and there is a large group who did not know the candidates' stances on any of the debated issues. Statistics have shown that the illiteracy rate was as high as 20.1% in 1991 (decreased to 12.7% by 2001), much too high to make an effective campaign through print ("Illiteracy Rates"). Because of its high rate, and also because of the mandatory nature of voting, people who knew nothing of the candidates and what they stood for would vote for whoever they felt looked the best and the most honest. Being a young, attractive man helped Collor to win the votes of the majority of people who did not know any better. Collor was the first publicly elected president since 1960; he had quite a past to try not to live up to.

A Bad Start to a New Decade

During the 1990s, there were several political pitfalls that the country endured, starting with the election of Fernando Collor de Mello as President. He took office on March 15, 1990
and from day one was determined to revive the nation’s economy. The details of his plan will be discussed in depth later, but there was one component of his plan in particular that could have contributed to the ill feelings that people had started to feel towards him: he froze people’s money by placing an 18-month ban on bank withdrawals of more than $1,200 from savings accounts and $600 from overnight accounts (Gorman 52). Effectively, Collor put a limit on how much money people could take out of their personal accounts and spend, and thought it would be best to keep what little reserves the country had in the government’s hands. By freezing people’s accounts, however, Collor curbed spending which was counter what was needed for economic stimulus. In order to stimulate the economy, a plan to increase spending and get more money circulating was needed, so that the government would not have to print more currency to pay off its debt. This action was the start of Collor’s demise.

After a few years had passed and Collor’s economic plan had been fully implemented, the corruption of his regime surfaced. Prior to facing charges of his own, Collor dealt with problems in his cabinet. The Labor Minister, Antonio Magri, was accused of taking a bribe of $30,000 from an official who recorded a telephone conversation about the deal (“All Fall Down” 51). Along with Magri, Collor fired all of his ministers and assistants in an effort to restructure towards a fresh start, and to avoid any claims that would incriminate himself. These drastic actions have been compared to his economic package, “it was a political version of the economic-shock programs of [Collor’s] first year” (“All Fall Down” 51). As Collor probably hoped, the clean-up did improve his image, but that improvement was fairly short lived.

The End for Collor

On May 24, 1992, Pedro Collor, the president’s brother, “accused Fernando of being a
secret partner in illicit deals with a prosperous entrepreneur [Pedro Cesar Farias]” (“Blushing: Brazil” 44). Collor ordered an investigation into his brother’s claims and even considered suing him. He addressed the country claiming innocence and vowed that he would put the state of the country before everything in his life, even his family (“Blushing: Brazil” 45). Despite these statements, the Brazilian Congress still opened a formal investigation into Pedro Collor’s allegations.

The investigation into Collor’s dealings with Farias did lead officials to some evidence suggesting inappropriate transactions by Collor. When he noticed that the evidence was mounting against him, Collor refocused his efforts from the economy to trying to keep from being impeached. The congressional investigation uncovered the fact that Collor and his family “had received $6.5 million from his former campaign fund manager, who extorted large sums from businessmen hoping for government contracts or favors” ("Fernando Collor Nixon?" 20).

The next step was that the members of Congress needed to decide if they were going to pursue formal charges. Obviously, they could not let findings of such magnitude go unpunished so on September 29, 1992, Fernando Collor de Mello was impeached by Congress with an overwhelming vote of 441 to 38 ("It’s Official: The System Works" 26). Due to the dire situation of Brazil and its economy at the time, the Brazilians were extremely happy to hear of Collor’s impeachment. They gathered in front of the congressional building while the decision was being made and when it was announced, “hugged and danced” ("It’s Official: The System Works" 26).

The Process of Rebuilding

Fernando Collor de Mello was the first president elected in Brazil through a democratic
system in thirty years, ending the previous military rule (Cockburn 458). Upon his impeachment, the vice-president Franco Itamar took over as acting president. Itamar's style was very different from that of Collor. While Collor was very aggressive and was willing to take chances, Itamar took a more conservative, laid-back approach, leading some to think that he would take Brazil back to the way it was in the recent past, back to a more protectionist government. Despite his approach, the people had faith in him and he was warmly welcomed into office ("The Sky Falls on Itamar" 35).

**Itamar Tries to Fix the Problem**

The focus of Itamar's plans for Brazil were almost opposite of those Collor had implemented. In fact, he often criticized Collor's methodology. He promised Brazil and foreign investors interested in Brazil that he would “not propose any ‘shock’ plans, such as the disastrous price freezes of past governments” ("The Sky Falls on Itamar" 35). He also addressed the growing need and desire for modernization and this is where Itamar criticized Collor’s free-market ideas for the country. Itamar wanted to modernize, but he vowed to do so at a slower pace than Collor in order to save the middle class and the workers from a continually worsening situation ("The Sky Falls on Itamar" 35). Itamar was fairly inactive during his term in office. He was not an effective leader in that he did not really tackle any of the difficulties Brazil was facing at the time. Because of the problems within and outside the government, Brazilians were asked to make an important decision in April of 1993. They had to vote on keeping a presidency, creating a parliamentary system, or even using the extreme option of a monarchy. Despite the fact that many of the voters admittedly did not know much of the distinction between the three, ultimately the choice was made to keep the presidency.
An Era of Recovery

The year 1994 brought elections for a new president in Brazil. There were only two candidates, Luiz Inacio da Silva representing the Workers’ Party and Fernando Henrique Cardoso representing the Social Democratic Party (Graber 29). Cardoso won the election, despite an early lead by Inacio. What fueled Cardoso’s comeback was his economic plan for Brazil. Before he left his government post as Finance Minister to run for president, Cardoso introduced a plan that left most Brazilians optimistic. The plan called for the introduction of a yet another new currency, which would be linked to the US dollar. This was the root of Cardoso’s presidential campaign and victory, having introduced the new currency just prior to the elections at the end of 1994. The new currency, called the Real was introduced on July 1, 1994 and had a positive effect from the start. “Since [the July 1st implementation], monthly inflation plummeted to less than three percent from the previous rate of fifty percent, an achievement that earned praise for Cardoso from Brazilian industrialists, foreign bankers, and many ordinary citizens” (Graber 29). It was this plan that helped Cardoso pull support from Silva and win the election. Not everyone was as optimistic as his supporters, though, many were very cautious because of all of the previous plans to stimulate the economy that had been proposed and subsequently failed.

Problems Arise for Cardoso

Upon his election, Cardoso continued on as planned, but his success lasted only a few months. He experienced some serious problems with the devaluation of the new currency. Prices were rising along with the value of the Real in comparison to the dollar. Somehow he managed to last his full term and sought reelection. What led to this decision and possibility for
Cardoso to seek a second term is what led to controversy. Prior to 1997, government officials were not allowed to seek a second consecutive term, but in a vote on an amendment to the constitution that law was reversed. This result would allow Cardoso to be president for a second term. Soon after the decision was reached, allegations were made claiming some in Congress were paid for their votes. An official inquiry into the allegations was started, but did not have a severe impact on Cardoso’s reelection effort. His popularity had fallen before this scandal became public, but he still had the majority of the vote and he was expected to win the next election because “ordinary Brazilians [were] still appreciative of his achievement in ending inflation in 1994 and 1995, and are likelier to see congress than the president as the source of still-pervasive corruption” (“Brazil’s Bought Votes” 33). Cardoso did in fact win the election and thus was allowed to continue with his plans for the economy and the country. Because of his two consecutive terms of service, Brazil enjoyed a relatively stable economy over the last years because the country did not have to face yet another new leader with his new plans. Inflation has been kept at low, stable levels with only a few instances of economic decline, and the country remained confident in Cardoso’s abilities. Cardoso was in office until the end of 2002, and then stepped down to allow someone else to run the country.

Economics

The Collor Plan

Perhaps more widely recognized as problematic for Brazil has been its rash of economic problems suffered by everyone in the country. (See Appendix for specific economic data from 1997-2001.) Throughout its more than 500 year history, Brazil has been plagued with economic problems. The country was especially familiar with the concept of high inflation and
hyperinflation and its effects on the economy. As was previously mentioned, Fernando Collor de Mello planned to revive Brazil’s economy with shock therapy. Three of the most prominent aspects of the plan were the following:

- A thirty day freeze on prices, followed by wage increases on a gradually declining scale, from 73% in March [1990] to 10% in June [1990].
- An 18-month ban on bank account withdrawals of more than $1,200 from savings accounts and $600 from overnight accounts.
- The sale or closing of many of the 188 companies owned or operated by the government, which have a collective foreign debt of $62 billion” (Gorman 52).

Obviously, these were very drastic measures, not taken very well by everyone. Other main components of Collor’s plan included “trade liberalization, privatization, deregulation, fiscal austerity, and tax reform” (Farris 23). Because the price and bank account freeezes were discussed in the previous section, the international relations part of Collor’s plan will be discussed here.

Focus on Foreign Relations

One of Collor’s desires was to increase foreign confidence and investment in Brazil. Trade liberalization was the key to successfully accomplishing this goal. Two regulations were implemented to secure foreign involvement in Brazil: “Most nontariff trade barriers (import quotas, prohibitions, and restrictive import licensing practices) [were] eliminated. Import duties [were] reduced from an average of over 50% in the mid-1980s to about 25% [in March of 1992 and continued] to fall to an average of 14.2% by mid-year 1993” (Farris 23). Because they had previously charged such high tariffs or taxes on their products, other countries were reluctant to
purchase them or even send their own products into the country. By reducing the taxes on such products, more countries were willing and able to both buy and sell with Brazil. These measures made trade all more appealing and inviting to foreigners, which is exactly what Brazil both wanted and needed to improve foreign relations.

As was referenced earlier, inflation was an extremely serious problem for Brazil for many decades. As a matter of fact, "since Brazil became a republic in 1889, historians say the country has had accumulated inflation of 1.4 trillion percent. From 1976 to 1993 alone, inflation compounded 200 billion percent" (Epstein 6). Because of the constant presence of such extremely high inflation and despite the crippling effects of such inflation, Brazilians had grown quite accustomed to coping with the inflation. The citizens did, however, pay the price for coping. "They mastered elaborate systems of indexation, coped with a procession of new currencies and learned to deposit cash rapidly. But such flexibility also contributed to a warped economic system in which long-term planning was impossible, even punished, and saving became an abstract notion" ("Carnival Over" 92).

**The Ever Changing Face of the Currency**

Yet another situation for Brazil was the multitude of times the currency was changed in just a few years. From 1986 to 1999, Brazil's currency changed a total of five times, each in an attempt to reduce the aforementioned inflation. The changes went as follows: in 1986 the current currency the Cruzeiro was changed to the Cruzado; in 1989 the Cruzado was changed to the Cruzado Novo; in 1990 the Cruzado Novo was changed back to the Cruzeiro; in 1993 the Cruzeiro was changed to Cruzeiro Real; and in 1994 the Cruzeiro Real was traded in for the Real. In 1990, to make matters worse, there were three of the currencies in circulation at the same time,
the Cruzado, the Cruzado Novo, and the Cruzeiro. The last change in 1994 from the coin based Cruzeiros Reais to Reais has been one of the longest lasting currencies in Brazil's history. It has not exactly been a flawless performance, but the Real has held its ground.

To this day, the Real remains the currency being used by all of Brazil, with the necessity to constantly introduce new currencies left in the past, apparently. Cardoso's "Real Plan" has had its stronger times, right now it seems to be losing value, as many currencies around the world are, but it is possibly the strongest currency in the history of all of Brazil. It did achieve some good for the country when it was first introduced. "[Cardoso's Real plan] brought down inflation by judicious use of an exchange rate commitment plus restraint of demand principally by means of high interest rates" (Thorpe 256). Many plans have decreased inflation for Brazil, the trick is to see if this low inflation rate will continue, or if the past will repeat itself yet again. Hopefully the leaders of Brazil have learned from their previous failure and this continuity will be the case for quite some time.

**Problems Reemerge**

Economic problems continue to plague Brazil as a recent energy shortage has caused some serious difficulties. There were mandatory power shut-offs throughout, from homes to grocery stores and malls. Now that that situation has been resolved, a new one may emerge at the end of this year, because elections will be held. Cardoso can not seek another term, so the next president will likely introduce another plan to help Brazil's economy and political situation which could send the country into yet another tailspin. Brazil and its citizens will just have to wait it out.
Brazil’s Affect on Latin America

Inevitably, because of the proximity of the more than twenty countries in Latin America, the economic and political situations in one are bound to have an impact on some, if not most, of the surrounding countries. “With its large market comprising of roughly half of the population and economy of Latin America, its abundance of natural resources, and sophisticated and diversified industry, Brazil has long attracted the interest of those seeking trade or investment opportunities abroad” (Farris 23). Because of its size, trade opportunities, and location, Brazil is a gateway for many other Latin American countries to both import and export goods. For this reason, when Brazil is hurting other countries in Latin America also suffer.

Brazil has certainly had a turbulent past, with many good years, but more bad ones which have mostly revolved around political and economic problems. The 1990s were crippling for Brazil, corruption ran rampant, inflation ruled the country, and no one could keep track of the latest currency. The current president has brought some lasting stability to the country, but as of the end of 2002, that could all change. The Brazilians had undoubtedly crossed their fingers in hopes that history will not repeat itself, as has happened so often. Only time will tell.

II. The Tie that Binds

Mercosur

In 1992, Brazil joined Argentina, Uruguay, and Paraguay, all direct neighbors, in a southern common market called Mercosur to facilitate many aspects of foreign relations. Mercosur became fully operational in 1995 (Farris 23). This relationship (which later included a few other countries) is direct evidence of the impact the situation in one country can have on another, especially those bound together through an economic agreement. Such was the case in
the 1990s with Brazil and certainly is the case for Argentina today. When Brazil was experiencing problems with the Real and needed to devalue in the late 90s, Argentina felt the effects because Brazil was (and still is) their largest trading partner. Trade and even political relationships can be impacted with the slightest change, both positively and negatively.

**The Focus of Mercosur**

Mercosur, known in Spanish as Mercado Común del Sur, had a basic concept of integrating the four participating countries so together they would be able to have a better opportunity to compete globally. “[The] main goal is to eliminate all intraregional trade barriers by December 1994 and establish a common external tariff that would guide international trade between member countries and the rest of the world” (Edwards 149). Grouping these four countries together was initially meant to strengthen the region, but there were difficulties that emerged and would have to be eliminated in order for the agreement to work to its full potential. Brazil and Argentina are the two largest countries and economies in Latin America, but they had very different views as to how tariffs both internally and externally should be handled. This disagreement in the beginning stages of Mercosur had the potential of devastating the whole region. If the trade agreement fell through, trade between the four countries would suffer the consequences and Argentina, which put up the strongest resistance, would suffer the most from the failure to make this agreement work. Due to its economic instability and dependence on foreign trade, Argentina needed to compromise some of their thoughts on tariffs to protect themselves from conflicts with Brazil and the loss of a free trade agreement. This compromise allowed the countries to come to an agreement and the southern cone common market was formed.
Mercosur is an invaluable resource for South America. Many hope that one day the whole region will be able to participate in this form of trade agreement to form a South American version of the European Union, including one central bank implementing fiscal and monetary policies, common governmental interests, and maybe even one currency for all Latin American countries. This would allow the region to become a dominant trading partner with the rest of the world and might even curb any further economic declines for all of the countries. But because many of these economies are suffering – especially Brazil and Argentina – any arrangements between these countries, including the existing Mercosur, are all also suffering. Before any new plans or agreements can be implemented these key economies will need to recover for the whole region to prosper.

III. The “Tequila Effect”

In many readings and reports about any Latin American country in the mid 1990s, it will be discovered that any and all of these countries suffered to some extent from the Mexican peso crisis, aptly named the “Tequila Effect.” The following section will discuss the background behind this crisis, as well as explain its impact on other countries, and discuss the possibility of recovery quite a few years later.

The Mexican Peso Crisis

The Mexican peso crisis came about quite unexpectedly, at least in the sense that its desired outcome was nowhere near what was planned. The original idea called for a readjustment of the parity between the Mexican peso and the US dollar to address the decline in foreign reserves and growing trade and current account deficits in Mexico (Espana 45). Plagued
with these problems as well as political problems, the readjustment became a full-fledged devaluation. The Mexican president at the time, Ernesto Zedillo, wanted to lower the value by a mere 13.5 percent, but the end result wound up being closer to 50 percent of the total value, going from about 3.3 pesos per dollar to approximately 6.3 pesos per dollar. To make matters even worse, this drop of nearly 50 percent happened in roughly one month, much faster than any depreciation, intentional or not, should happen. “Lack of experience and poor public relations in dealing with the currency realignment plus delays in the announcement of a credible Mexican contingency plan...turned what was meant to be a rather minor realignment into a full blown depreciation” (Espana 45). This depreciation was not only devastating for Mexico, but for all emerging economies worldwide.

The Mexican peso crisis shed light on emerging countries and economies, but this light was not good. Because Mexico, once considered a “model student” in its efforts to reform its economic system, took such a dive with respect to its performance, a shadow of doubt was cast on other prosperous emerging economies. The problem the crisis presented to Argentina and Brazil, among others, was an outflow of capital. Mexico’s crash caused many investors to question their investments in all these countries; they were forced to reevaluate their positions. The outside investors began to weigh the risks involved, such as a sudden devaluation followed by economic decline, against the possibility for tremendous growth. Unfortunately for countries in Latin America, East Asia, and Eastern Europe, these investors decided that the risks outweighed the potential rewards and started pulling their capital out of these countries. They felt that the “higher rates of growth in those countries must be balanced against higher instability, both political and financial” (Espana 45). The local Mexican problem had unforeseen global consequences.
Next comes the task of trying to recover for all of the countries affected by the peso crisis. Each of these countries is still struggling to convince investors that they are worth the gamble. Unfortunately for countries like Brazil and Argentina, this has not been a very easy task because of the depths of their problems. These countries must restore themselves economically first because “investments in emerging markets will depend on the rate of economic growth in those economies as well as on the continuation of political and economic reforms and their irreversibility” (Espana 45). Even though Mexico was already involved in NAFTA at the time of the peso devaluation, the crisis showed that even being linked to the United States could not prevent the decline. However, the United States did try to help. President Clinton allowed a rescue package of $50 billion to try to help Mexico out as well as keep NAFTA afloat and appease US investors (Green 85). Therefore, for countries in a trade agreement of some kind, as is the case with Brazil and Argentina in the previously described Mercosur, careful planning must come into play to ensure some sort of financial infrastructure or macroeconomic component within the agreement (Espana 45). This would then help stabilize the economy in the event of another crisis. As these developing countries have been doing for a few years now, reforms must be made to guarantee the safety of investments in emerging economies so that capital flight might be prevented in the future. Brazil and Argentina are still in their recovery modes, trying to stabilize their currencies, tame their debts, and secure a lasting political system. The Mexican peso crisis brought to light the high risks associated with emerging economies, and seven years down the road, these countries are still trying to promote the growth opportunities.
IV. Argentina

Argentina’s past is one that can be used to describe many if not all Latin American countries’ political and economic histories; it certainly has resemblances to Brazil’s past. Decades of political turmoil due to constant changes in ruling parties have made it difficult to maintain any stable and consistent courses of action, let alone any that would correct damage already done to the economy. Pair this with inflation consistently in triple digits and you get a situation where the people are always unhappy and looking for answers. Argentina has, however, experienced a few periods of time, each lasting a few years, where they have experienced growth and prosperity, the most recent of which was from 1991 to 1995. In these few years Argentina became one of the best prospects for international investors and was seen as one of the dominant emerging markets. The capitol, Buenos Aires, is, or at least was for some time, the wealthiest city in South America. But all good things must come to an end. The following sections will examine how the Argentine economy experienced its tremendous growth and how it all came crashing down.

Politics

Hopes for Improvement

In 1989, years of hyperinflation and economic ruin drove the people of Argentina to the edge and rioting and looting ensued. Then President Raul Alfonsin was forced to resign in the midst of the collapse of the country he had been elected to run. Taking over, Carlos Menem Cavallo stepped up and vowed to amend the situation. Along with his chosen Finance Minister, Domingo Cavallo, they introduced the “convertibility” system which would change Argentina forever. What will continue is a brief history of the political situation of the 1990s, followed by
a recounting of the economic happenings of the same time.

A country once dominated by military rule, as it seems all Latin American countries were at some point, Argentina fully re-embraced democracy in 1983. Elected as President in that year, Raul Alfonsin faced several years of economic instability stemming from untamable hyperinflation. When protesting citizens forced him to resign, elected into office in 1989 was Carlos Menem Cavallo. Menem appointed Domingo Cavallo as his Finance Minister. The high inflation and economic decline continued for two years, until Cavallo’s plan to introduce a currency board was implemented. The goal of this strategy was to peg the Argentine peso to the US dollar to curb fluctuations in the exchange rate and encourage more investing. This plan showed promising results almost instantly and the Menem/Cavallo team was as popular as ever. Inflation fell, privatization increased, foreign investments were rolling in, and pressures were alleviated. Things were going so well that when Menem faced having to step down at the end of his term, he changed the constitution so that he would be able to seek a second term, just as the Brazilian president had done. By seeking a second term, he was hoping he could continue on with the progress the economy had been making. It appeared he would be successful. The citizens of Argentina did elect Menem to govern for a second term because he “vowed to continue the same economic medicine. By giving Mr. Menem a … victory, Argentines also showed a clear desire for continuity, returning to office the man whose government has proved itself competent at handling the economy” (“Argentina’s Work in Progress” 18). Prior to this election, the people of Argentina had not shown any desire to maintain consistency in their government, so this reelection was a turning point for the whole country.
Consistency Falters

Soon after his reelection, Menem’s economy started to fail as the weaknesses of the currency board started to emerge. Argentina found its supply of reserves greatly depleted, its unemployment rates surging, and plans to revive the slowing economy were either not working or were not even implemented. Along with these domestic pressures came the problems and repercussions associated with the Mexican peso crisis of 1994-95. Investors became even more paranoid and Menem’s government was blamed for the ripple effects. It seemed that Argentina could not tame the problems that had emerged. Cavallo tried any and all measures he could think of but none produced any results. In 1996, Menem fired Cavallo and brought in Roque Fernandez, who was the Economy Minister (renamed from Finance) until the end of Menem’s final term. Fernandez failed to accomplish any major goals.

At the end of his term, Menem faced yet another major foreign obstacle; Brazil was also suffering an economic decline and eventual devaluation of the Real. This came as a major blow because of the relationship the two had through Mercosur. Because Brazil is the largest economy, not only in Mercosur, but also in Latin America, a financial crisis in that country can affect all other countries in South America. In Argentina’s case, Brazil buys one-third of Argentina’s exports, so this devaluation could devastate unemployment and home companies in Argentina (“Battle Royal” 36). Prices of Brazilian products would be much lower and Argentina would not be able to compete so as to keep their own businesses open. Argentina had to undertake preventative measures and costly precautions to try to reduce the impact of the Real devaluation. All of these factors combined to put Argentina into a severe recession, one they are still trying to get out of to this day.
**Patience Wears Thin**

After a decade-long presidency and not being allowed to seek a third term (not that the people would have reelected him anyway), Carlos Menem Cavallo relinquished his office to the newly elected president, Fernando de la Rua. One can only imagine the sigh of relief Menem released as soon as he realized he would not have to deal with the deteriorating state of his country’s economy and the difficulties de la Rua would now have to manage. Added to the pressure he already felt, de la Rua was expected to fix the economy right away. To help him with this task, he appointed Jose Luis Machinea as the Economy Minister. Machinea tried something a little different when trying to fix the economy. He decided to try to take a slower, more gradual approach, more of “let’s wait and see.” Rather than make any proactive decisions about the economy, Machinea wanted to see how the economy would work its own problems out without any help from monetary tools. The only problem with this was that neither the people nor the government had the patience to wait Machinea’s plan out. After two years of impatience, de la Rua got a new Economy Minister, Ricardo Lopez Murphy, who was only in office a few weeks. After Murphy, came a surprising move; de la Rua brought back Domingo Cavallo as the Economy Minister. Cavallo’s appeal came from his ability to fix the economy in 1991. Cavallo expressed his intentions to keep the fixed rate through the currency board, despite all of the problems that had emerged. His biggest obstacle with this would be to gain the political support Murphy failed to get (“Over to You” 1). With people’s opinion of de la Rua faltering, “Mr. de la Rua has become ‘a king who reigns but does not govern’” (“Over to You” 1), he was counting on Cavallo’s magic to help Argentina once again and to keep himself in office. But, after nine months of failed attempts, the people lost their faith in both de la Rua and Cavallo and also lost their patience waiting for the economy to rebound. In December of 2001, both men resigned
their positions.

**What Comes Next?**

Not too long after the resignations both a new interim president and a new economy minister were appointed in the form of Eduardo Duhalde and Remes Lenicov. Duhalde was faced with the most grueling and complex task when compared to his predecessors. Even if he was able to set the economy on the path to recovery, the bigger challenge would be to restore the public’s trust in their government. Lenicov did not keep up his side of the bargain. Despite attempts to amend the situation by ending the currency board in January of 2002, investors continued to flee and the peso almost immediately dropped in value. Amid public protests and calls for results which he could not provide, Lenicov resigned his position in May of 2002. In his place Duhalde appointed Roberto Lavagna. Both Duhalde and Lavagna are trying to both weather the storm and restore the country to its former glory at the same time. Both are still in office, but unless improvements are seen soon, that might not be the case for much longer.

**Economics**

The foundation behind the desire to change for Argentina was based on two key things: inflation and a currency board. At the end of the 1980s and in the early 1990s, Argentina was also on the brink of hyperinflation, recording rates as high as 466.1% per year at the beginning of 1990 ("Inflation in Argentina"). Many rather passive attempts had been made throughout the 1980s to reduce the inflation to no avail. It was not until the team of Carlos Menem Cavallo and Domingo Cavallo came along that the country began to see improvements, brought to them by a currency board.
The Introduction of the Currency Board

In a rather dramatic and unexpected move for the time, Menem and Cavallo proposed a plan that they hoped would stabilize their currency and their economy. They considered the daily fluctuations of their currency, the austral from 1985-1992 then the peso, one of the more dominant factors contributing to their poor economic state. In 1991 they introduced their "convertibility plan" to start using a currency board for the peso. A currency board, also known as "using a peg" or "pegging", is a system which the employing country's currency is pegged to a reserve base currency. In this case Argentina tied the peso to the base of the US dollar. This then reduces the amount of fluctuation in the exchange rate of the home currency, making the two essentially on a 1:1 ratio. This did wonders for the country. "By strictly tying the value of the peso to the dollar via a currency board (no peso can be issued unless it is backed by hard currency), Cavallo quickly reduced inflation from over 2000% to under 4% (Forbes 24). By alleviating all of the major pressures associated with inflation, Menem and Cavallo were able to save the country – temporarily.

The Good vs. the Bad of the Peg

This currency board was initially very good for Argentina. There were several benefits that it brought which were fully realized before the costs also started to emerge. As has already been mentioned this new process significantly reduced inflation, but it also helped the economy in several other ways. Most importantly it made the peso a very stable and trustworthy currency because every single one was backed by a US dollar. "[T]he basic idea is that [currency boards] issue domestic currency only in exchange for the reserve currency – in Argentina's case, pesos are issued in exchange for dollars" ("No More Peso?" 69). Printing money to solve problems
was not an option, so much so that those opposed to the convertibility plan did not even consider it. This system brought along a confidence for foreign investors that had been missing for decades. However, Argentina did not adopt the currency board in its purest form. The government decided that it would be wise to keep some possibilities open for themselves, so that they were not eliminating all of their possible escapes. The currency board normally requires complete monetary policy control, meaning only the members of the board can make decisions regarding interest rates, money levels, and other fiscal issues. Argentina did not surrender all of these control measures; they kept a small loophole so that they would be able to ease some strain. “The government has a thin margin of discretion (working mainly though changes in bank reserve requirements) which it has used, especially to ease strains in the financial sector” (“No More Peso?” 69). Reserving this small right weakened the system just enough that it could not be utilized to its full potential.

Also introduced at the time the peg was implemented were reforms dealing with regulations and privatization. In an attempt to reform many practices all at once, Menem also eased regulations on banks so that they might operate more freely. He also cut tariffs on products across the board, for both imports and exports. Further, Menem reduced the high corporate and individual tax rates levied and cut much of government spending to reduce the budget deficit. These eased regulations and cuts allowed many people to breathe easier.

The other step taken was the privatization of many state-owned businesses which included everything from telephone companies to oil companies and energy companies. Turning facets of these industries over to private owners had a few payoffs in itself. On one hand it lightened the load for the state by taking some of the major responsibilities off of their plate while also offering some additional capital with the sale. On the other hand, privatization
allowed the sold businesses to be run much better and more effectively. State-owned industries have a tendency to be run rather loosely because the state does not have the time or the resources to invest in the business. However, private owners would have the time, money, and desire to run the business well and to ensure the profitability of the business. So, these factors all contributed to the flourishing of the country and the people for quite a few years.

Nonetheless, this prosperity did start to falter after some time. The first signs of problems started to show shortly after the Mexican peso crisis. Foreign investors immediately became extremely wary of any economically expanding country and the possibility of a repeat performance. So, many of these investors pulled their capital out of the country, leaving the currency board with fewer dollar reserves to back the peso. Due to the nature of the peg, it depended on the steady inflow of dollars into the economy. Fewer dollars meant fewer pesos to go around and again the problem of inflation started to reemerge along with the constant problem of not having enough money for the government to pay off their accumulating debt. When this inflow of dollars was interrupted the economy started to stagger and consumer confidence once again started to plummet.

**Solution Anyone?**

Cavallo started to scramble. Menem was putting pressure on him to fix the situation, but nothing seemed to be working. Budget cuts were made, adjustments to government spending were pushed through, he even went so far as to play with wages, taxes, pensions, tariffs, and other such tools, but debt was increasing and unemployment was on the rise. In 1996, Menem fired Cavallo in an attempt to get someone with a different perspective in on the situation. Fernando Roque was brought in to be the Economy Minister, but he failed to accomplish any
major goals, as was the case for many Economy Ministers to come.

In 1999, at the end of Menem’s second term, a new problem emerged. Brazil was also going through a recession and had already devalued their own currency. This was a blow to Argentina because Brazil was their largest trading partner and Argentina depended on exports sent to Brazil for jobs and capital into the country. This also meant that Argentina would have to step up their efforts at recovery so that the entire region was not devastated by economic recession. When Menem left office, this situation was still going on, but it was passed to the new president, Fernando de la Rua. De la Rua also went through a series of Economy Ministers, none of which was able to accomplish anything in the way of economic recovery. In 1999 two ideas emerged that would be considered for two years, both proposed solutions to the problems, but both with heavy consequences: dollarization or abandoning the peg.

**The Impact of Dollarization**

Starting in 1999, Menem announced that he was considering leaving the peso altogether behind and adopting the US dollar as the only currency in the country. What sparked this interest was the fact that many transactions across the country, in both business and personal arenas, were being conducted using US dollars and not the Argentine peso. Faced with the deteriorating state of the currency board, Menem thought of dollarization as an extension of a practice already being carried out nation-wide. “The Argentine economy is already partly dollarized. For example, 61.3 percent of private...deposits are currently denominated in dollars. The reserve requirements of commercial banks are met with dollar-denominated assets. Argentines are already used to quoting prices and carrying out transactions in dollars. Complete dollarization would not dramatically change their habits and practices” (Velde 24). In order to
accomplish this Argentina would simply have to sell or exchange all of their liquid pesos for dollars and convert all types of accounts to dollars; this would leave the country with only one legal tender, the very strong, very stable US dollar. This is precisely what drove this pursuit, the potential to completely abandon the weakening, harmful peso and replace it with a stable, investor friendly currency. They had come to realize that simply having it as a base or backer was not enough to help the economy. The government also hoped this new system might be able to prevent any debt crises in the future.

However, there were some serious issues that emerged in this debate, issues that ultimately prevented the government from adopting this particular system. The first issue was having a lender of last resort. Normally, a central banking system would be present to help bail out any banks that might be experiencing a shortage of capital due to a run on money. Central banks can provide immediate liquidity to these smaller banks, but under dollarization, that freedom is taken away. This leads to the fear of more frequent bank runs (Velde 24). The second issue that emerged was the loss of monetary policy independence. Now it is true that a currency board also takes away monetary policy freedom, but remember that Argentina did not adopt a pure peg, it reserved some emergency rights for itself; under dollarization this would not be possible. Accepting this policy would mean that Argentina would forfeit any right to play with monetary policy, which is especially troublesome during a recession. The country would also have to comply with changes in the US federal funds rate which could potentially hurt them during a recession. Ultimately this plan was not chosen by the government; they decided to go down a different path, no matter what trouble it might lead them to.
Abandoning the Currency Board

Despite efforts to try to make the dollarization work, it was never an option formally introduced to the public. So, after weighing the options and too many years of increasing hardship, in January 2002, the peg was officially dropped and the currency board was gone. This immediately devalued the peso and caused the inflation rate to soar. This undoubtedly did not help consumer confidence or foreign investor confidence, but it is hard to believe that the government was looking for immediate results, however much the citizens were demanding them.

In a preemptive move and in anticipation of the exchange rate float, consumer bank accounts were frozen in December 2001, to preserve what little capital the country had. This could not help the fact that the country defaulted on $155 billion in public debt, the largest default of this kind by any country in all of history (“Decline without Parallel”). A shortage of capital made payments on this debt impossible and caused serious repercussions: “Trust between government and citizens – the essential glue of a prosperous economy – has been destroyed” (“Decline without Parallel”). Not only was not paying off accumulating loans affecting the countries and organizations that had provided the funds, but the government’s inabilities were causing the people to lose their faith in the government. At one point Argentina only had half of the necessary reserves to back deposits, meaning that some, if not most, consumers would eventually have to take a loss, when the banks collapsed (and many had already). Finally in June 2002, a plan was introduced to phase out the freeze on accounts, but the full extent of these actions will not be known for years, as was the case in Brazil.

These unexpected disastrous results have left the country in shambles. Devaluing the peso left the country with twice as much debt as before because they did not have enough pesos to pay off their accumulating debt. However, as a true sign of the spirit of all Latin American
countries and citizens, the struggle to fix the economy in Argentina was temporarily suspended for a national pastime: “criticism [of Duhalde] was relatively muted – the masses were too busy toasting Argentina’s victory over Nigeria in the World Cup. The month-long competition has granted Duhalde a ‘reprieve without the weekly threat of resignation’” (Contreras 5).

**Looking to the Future**

Now, the process of rebuilding has begun for Argentina. Leaving a decade-old system behind has been hard, especially since it did not take any of the problems away along with it. What remains is high unemployment and high amounts of debt for President Eduardo Duhalde to contend with. This country still has yet to fully recover from its many problems. Now it seems as if they have a grasp on what all of the problems entail and how to approach them, but they key will be execution. The most important goal is to reduce their debt with an inflow of foreign capital, but this takes investor confidence. “Without foreign confidence, the government cannot raise money in the international capital markets” (“De la Rua” 47). In order to build this confidence, Argentina needs to show the rest of the world a few things: first, that it is on the road to recovery; second, that ending the currency board was the best and right decision; and third, that there will not be a repeat performance of the last decade. If they can do this they sill certainly be on the road to recovery and will make itself and all of Latin America strong again.
V. Conclusion

Brazil vs. Argentina

So now that the situations surrounding the respective economic declines of both Brazil and Argentina have been described, one can see how different these two countries really are. In this paper, the political and economic situations have been presented for each country, yielding some similarities, but revealing more differences.

The similarities should be summarized first. Both of these countries have suffered economically due to many aspects including weak currencies, hyperinflation, slow growth, and high debt. Both have recently started over politically, ending years of military-based rule and introducing democracy to the people. Both Brazil and Argentina have had leaders from the past few years who have been weak and have not made the right decisions to benefit the country as a whole. There have been a few years of recovery and remarkable growth, during which the presidents from each country altered the constitution to be able to seek second terms, first in Brazil (Collor) then in Argentina (Menem). But in general, neither one of these countries has been able to really shake economic decline, high unemployment, low consumer confidence, and low investor confidence.

The differences in this situation are what really distinguish the two countries, and the basis for this distinction comes from the root of economic deterioration. In Argentina, the answer was quite straightforward. The currency board—which at one point saved the country—started to show signs of weakness. Because of the Mexican peso crisis, investors started to pull their money out of many less than stable investments, and left the currency board without any dollars to back the peso. With this removal of dollars came the accumulation of debt, which had increasingly less chance of being paid off, and unemployment numbers climbed. Along with this,
political officials could not manage to come up with a plan that would work. After years of struggling, the decision was finally made in 2002 to end the currency board and let the peso float, which devalued a much overvalued currency. While this seemed like the right thing to do, it did not help much because the government still had many loans to pay off and now just needed more pesos to do so. They did not anticipate or expect that they would have such a high amount to pay off. These factors are why Argentina has gone through so many Economy Ministers and Presidents over the past five years. It almost seems as if the currency board and its ripple effects were not fully thought through.

While Brazil has had similar backlash effects occur in its economy, the exact cause of their problems is harder to establish. Their deterioration seems to have come about due to the amalgamation of quite a few different factors. Starting much earlier in the 1990s, the government was able to tame inflation, but then found themselves with a shortage of money to pay their own foreign debt. Because of this, a freeze on bank accounts took place. This action did not help the government out because it managed to upset much of the nation. Also causing the people to lose their confidence was the constant corruption and lack of successful measures being taken to help the economy. It was not until 1994 that the currency was stabilized and changed for the last time and Brazil started to show some signs of improvement. Now, however, they have entered into yet another recession, and are slowly clawing their way out of it. Essentially, their time of greatest suffering came early on in the decade and was fueled by poor economic and political decisions.

In the past six to eight months, both of these countries have been going through some key transitions. In October of 2002 Brazil held presidential elections and the man who won was Inacio Lula da Silva, a man who has been running for this office since the 1990 elections when
Collor won. He represents the leftist Workers’ Party and faces challenges in addressing reforms in taxes, retirement, and labor issues. He faces an uphill battle because he will have to convince others to support him and his views and will have to revive the economy from the slump it is currently in. In May of 2003 Argentina also went through presidential elections, and in a surprise move, Menem ran for office again trying to govern again for a third term. He was the favorite to win until he suddenly withdrew from the race a few days before the final election. Thus the winner was Nestor Kichner also of the Peronist Party. His biggest battle will be trying to help the country recover from its ongoing economic problems. Recently it has slowly been coming out of its hole, but Kichner must be careful to only support the changes and not try to force anything into happening. This will be the key to his success.

These two countries have had some very tough times in the past and inevitably will have more in the future. The hope is that they can look at their own past as well as the pasts of their neighboring countries to try to avoid making the same mistakes. South America has the potential to become one of the most powerful economic areas in the world, if all of these countries are able to join together and prevent any further problems from occurring. Only time will tell if Brazil and Argentina – the two potential power-houses – can recover and drive the region to greatness.

**Purpose**

What has been laid out in the preceding pages is a historical account of what recently happened in Brazil and Argentina both politically and economically, because quite evidently these two themes are interlaced. While both of these countries are definitely considered emerging economies, could it or would it be fair to assume that all of these problems will happen
to all emerging economies? The small piece of Mexico shown here certainly suggests that their
government has experienced the same sorts of problems, but are these problems simply a Latin
American trend, or can they be extended worldwide? The purpose of this paper is to give the
reader a sufficient amount of background information so that they might be able to take that
information and move forward with it, forming questions and conclusions. Therefore, here are
some proposed research questions to follow up with:

- Are these occurrences in Brazil and Argentina reflective of all emerging economies?
- Are changes in the political process and the amount of political transparency causes or
  solutions to these problems?
- Is it possible for other emerging economies to learn from the mistakes committed by
  these two countries and subsequently avoid such disastrous results, or are all emerging
  economies doomed to these problems?
- What conclusions can be drawn about the countries in this situation, both politically and
  economically?

Hopefully, using this paper and further research, others might come to understand why this
happens and will be able to come up with some ways to avoid all of these problems.
VI. Appendix

Economic Data for Brazil and Argentina

<table>
<thead>
<tr>
<th>Brazil</th>
<th>1997</th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population, Total</td>
<td>163.8 million</td>
<td>170.1 million</td>
<td>172.4 million</td>
</tr>
<tr>
<td>Population growth (annual %)</td>
<td>1.3 %</td>
<td>1.3 %</td>
<td>1.2 %</td>
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<tr>
<td>GDP (current $)</td>
<td>807.7 billion</td>
<td>593.8 billion</td>
<td>502.5 billion</td>
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<td>GDP growth (annual %)</td>
<td>3.3 %</td>
<td>4.4 %</td>
<td>1.5 %</td>
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<tr>
<td>GDP implicit price deflator (annual % growth)</td>
<td>8.2</td>
<td>8</td>
<td>7.4</td>
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<tr>
<td>Exports of goods and services (% of GDP)</td>
<td>7.5</td>
<td>10.8</td>
<td>13.4</td>
</tr>
<tr>
<td>Imports of goods and services (% of GDP)</td>
<td>10.1</td>
<td>12.4</td>
<td>14.4</td>
</tr>
<tr>
<td>Trade in goods as a share of GDP (%)</td>
<td>14.6</td>
<td>19.1</td>
<td>23.2</td>
</tr>
<tr>
<td>Foreign Direct Investment (current US$)</td>
<td>19.7 billion</td>
<td>32.8 billion</td>
<td>22.6 billion</td>
</tr>
<tr>
<td>Present value of debt (current US$)</td>
<td>0 billion</td>
<td>223.8 billion</td>
<td>237.6 billion</td>
</tr>
<tr>
<td>Total debt service (% of exports of goods and services)</td>
<td>62.7</td>
<td>93.6</td>
<td>75.4</td>
</tr>
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</table>

Source: World Development Indicators, April 2003 (www.worldbank.org)

<table>
<thead>
<tr>
<th>Argentina</th>
<th>1997</th>
<th>2000</th>
<th>2001</th>
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<tbody>
<tr>
<td>Population, Total</td>
<td>35.7 million</td>
<td>37.0 million</td>
<td>37.5 million</td>
</tr>
<tr>
<td>Population growth (annual %)</td>
<td>1.3 %</td>
<td>1.2 %</td>
<td>1.2 %</td>
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<tr>
<td>GDP (current $)</td>
<td>292.9 billion</td>
<td>284.2 billion</td>
<td>268.6 billion</td>
</tr>
<tr>
<td>GDP growth (annual %)</td>
<td>8.1 %</td>
<td>-0.8 %</td>
<td>-4.5 %</td>
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<tr>
<td>GDP implicit price deflator (annual % growth)</td>
<td>-0.5</td>
<td>1.0</td>
<td>-1.1</td>
</tr>
<tr>
<td>Exports of goods and services (% of GDP)</td>
<td>10.5</td>
<td>10.9</td>
<td>11.4</td>
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<tr>
<td>Imports of goods and services (% of GDP)</td>
<td>12.8</td>
<td>11.5</td>
<td>10.2</td>
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<td>Trade in goods as a share of GDP (%)</td>
<td>19.4</td>
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<td>17.5</td>
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<tr>
<td>Foreign Direct Investment (current US$)</td>
<td>9.2 billion</td>
<td>11.7 billion</td>
<td>3.2 billion</td>
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<td>Present value of debt (current US$)</td>
<td>0 billion</td>
<td>155.0 billion</td>
<td>148.8 billion</td>
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<td>Total debt service (% of exports of goods and services)</td>
<td>50.0</td>
<td>70.8</td>
<td>66.3</td>
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Source: World Development Indicators, April 2003 (www.worldbank.org)
Inflation on a Yearly Basis

<table>
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<tr>
<th>Year</th>
<th>Brazil</th>
<th>Argentina</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>1620.97%</td>
<td>19.70%</td>
</tr>
<tr>
<td>1991</td>
<td>472.70%</td>
<td>2.40%</td>
</tr>
<tr>
<td>1992</td>
<td>1119.10%</td>
<td>2.00%</td>
</tr>
<tr>
<td>1993</td>
<td>2477.15%</td>
<td>0.60%</td>
</tr>
<tr>
<td>1994</td>
<td>916.46%</td>
<td>0.80%</td>
</tr>
<tr>
<td>1995</td>
<td>22.41%</td>
<td>0.20%</td>
</tr>
<tr>
<td>1996</td>
<td>9.56%</td>
<td>0.10%</td>
</tr>
<tr>
<td>1997</td>
<td>5.22%</td>
<td>-0.20%</td>
</tr>
<tr>
<td>1998</td>
<td>1.65%</td>
<td>-0.60%</td>
</tr>
<tr>
<td>1999</td>
<td>8.94%</td>
<td>-0.40%</td>
</tr>
<tr>
<td>2000</td>
<td>5.97%</td>
<td>-0.40%</td>
</tr>
<tr>
<td>2001</td>
<td>7.67%</td>
<td>-0.80%</td>
</tr>
<tr>
<td>2002</td>
<td>12.53%</td>
<td>7.00%**</td>
</tr>
</tbody>
</table>

*Figures taken from end of year
**Estimated for end of 3rd quarter

Source: Argentine Ministry of Economy & George Washington University (IBGE)
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