

3

All Keynesian Now? Mexico and South Korea's Diverging Responses to the Global Crisis

José Luis León-Manríquez

Introduction

As argued in the introductory chapter, the 'Great Recession' originated in the North in 2007-08. Over a few months, the crisis was transmitted to the rest of the world by either foreign trade or the financial markets. Despite some similarities that will be discussed later, both Mexico and the Republic of Korea (henceforth South Korea or ROK), were affected, but in different ways. Forecasts issued by the International Monetary Fund (IMF) and the Organisation for Economic Development and Co-operation (OECD) in late 2008 and early 2009 foresaw a moderate decline of GDP in both countries by the end of the latest year. Yet, Mexico's GDP plummeted to -6.5 per cent, while the ROK could preserve a modest growth of 0.2 per cent.

This chapter's thesis is that the dissimilar economic performances of the ROK and Mexico during the global crisis can be explained by two main factors. The first has to do with different degrees of development and support of the domestic market as a means of economic recovery. While Mexico was unable to move away from the economic orthodoxy prevailing since the 1980s, South Korea quickly implemented countercyclical, Keynesian-style measures. The second factor is linked to the broader contexts of economic integration – namely the North America Free Trade Agreement (NAFTA) and East Asia. Despite plunging imports from the United States, the Chinese and Asian markets remained very active for Korean exports. Mexican exports to the US were quite stressed by declining demand, but Mexico did not have a China-like

resource to offset the negative impacts of the crisis in North America. From this viewpoint, regional integration becomes a factor that either hinders or facilitates economic recovery.

In order to understand the global crisis, its adverse effects upon the ROK and Mexico, these countries' economic policies to face the emergency and the role of their regional trade, the first part of the chapter puts forward some variables and explains the methodological approach for comparing the South Korean and Mexican economies. The second section deals with the mechanisms of transmission of the global crisis to both countries; special attention is put on the contagion which was through the real economy (mostly foreign trade) and the financial sector. The third section delves into Mexico's and the ROK's internal strategies for dealing with the global crisis. The discussion stresses the role of monetary and fiscal policies in economic recovery. The fourth part analyses how formal or informal integration affected economic performance during the global slump. While Mexican concentration on the NAFTA and the US market amplified the scope of the crisis, South Korea managed to buffer the most deleterious effects of the crisis thanks to increasing diversification of its foreign trade. The East Asian and Chinese cards made it possible for the ROK to offset the externally-transmitted effects of the crisis.

Why South Korea and Mexico? Theoretical Bases and Methodological Sources for a Cross-country Comparison

In fashionable terms, South Korea and Mexico can be classified as 'emerging countries'. They are two manufacturing-export economies of similar size, with parallel experiences of trade liberalization, privatization and productive restructuring in the 1980s and the 1990s. In terms of GDP, they rank as the fourteenth (Mexico) and the fifteenth (South Korea) economies in the world (World Bank 2011). Both of them belong to the Group of 20 (G-20), a consultation mechanism that brings together developed and emerging economies.

Yet, as Table 3.1 shows, both countries are hyper-dependent on their exports' access to big markets. In the Mexican case, getting into the U.S. market has always been vital. The ROK features a more diversified export market, but is still quite dependent on sales to such lofty economies as China, the US, the European Union (EU) and Japan. Trade to GDP ratio and financial internationalization are very high in both cases, which means that Mexico and the ROK are fairly vulnerable to external shocks.

There are still meaningful differences between the ROK and Mexico. Table 3.1 illustrates some of them. The main divergences have to do with GDP per capita and income distribution. In 1970, Mexico's GDP was double that of

South Korea. By 2011, ROK's GDP almost doubled Mexico's. Secondly, in 2010 Gini index in Mexico was .47, which depicted quite an uneven income distribution, very widespread in Latin America. By contrast, South Korea's Gini amounted to .31, which basically meant an even middle-class society.

Table 3. 1: South Korea and Mexico, Basic Indicators, 2011

Indicator	South Korea	Mexico
Population (thousands, 2011)	49,779	114,793
GDP (million current US\$, 2011)	1,116,247	1,155,316
Current account balance (million US\$, 2011)	26,505	- 9,031
Trade per capita (US\$, 2009-2011)	21,575	5,525
Trade to GDP ratio (2009-2011)	108.0	61.2
Rank in the world economy measured by GDP (2011)	15	14
Rank in world exports (2011)	7	16
Rank in world imports (2011)	9	16
GDP per capita (US\$, Atlas Method, 2011)	9,420	20,870
Gini Index (circa 2010)	.31	.47

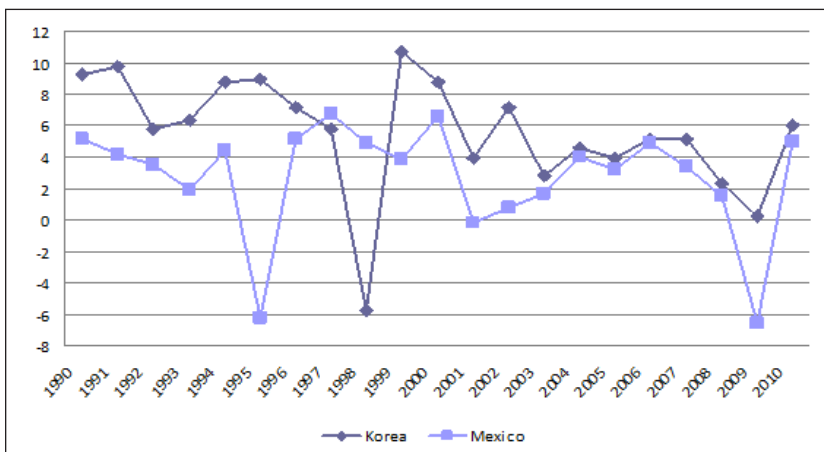
Source: WTO 2012; World Bank 2012; OECD 2012.

With regard to methodology, the study is based on an extensive review and analysis of cross-country secondary data. In order to ensure the comparability of both countries' indicators, it was necessary to get cross-country databases. Among those sources, financial databases such as Bloomberg and Yahoo Finance have been useful to compare the evolution of the stocks of exchange. Broader economic data have been sourced from such databases as World Economic Outlook of the International Monetary Fund (IMF), the World Development Indicators of the World Bank, the economic surveys elaborated by the Organisation for Economic Co-operation and Development (OECD), and countries' trade profiles of the World Trade Organization (WTO). I have also reviewed thoroughly information and databases elaborated by the central banks of Mexico and the ROK. A review of written media in both countries has been very helpful in tracing public statements of key economic officers as well as short-term economic analyses.

The Global Crisis and its Contagion to Mexico and South Korea

In the recent past, both Mexico and the ROK went through important economic crises. Figure 3.1 illustrates the economic evolution of both countries during the last two decades. Mexico had a deep crisis in 1995, while South Korea was seriously affected by the Asian crisis in 1997-98. This similarity notwithstanding, there are still some key differences between Mexico and the ROK with regard to economic growth. While South Korea's growth amounted to 5.6 per cent per annum between 1990 and 2000, Mexico just recorded 2.7 per cent growth. Despite being economies of about the same size, South Korea features an ascendant trajectory, while Mexico has been more or less stagnant during the last two decades.

Figure 3.1: Mexico and Korea: GDP Growth, 1990-2021
(percentage)



Source: IMF 2010

In 2008, the crisis for Mexico and South Korea came mostly from abroad, via external shocks that had lofty impacts upon the domestic markets. The main channels of transmission of the external shocks were foreign trade and the financial markets. In October, the ROK and Mexico were facing the global crisis in a similar situation, characterized by a rapid devaluation of their currencies against the dollar, falling exports, and deteriorating indicators in their stocks of exchange (KOSPI and BMV, respectively). For both countries, forecasts by the IMF and the OECD foresaw a moderate decline of GDP by the end of 2009. Yet, at the end of that period, Mexico's GDP recorded -6.5 per cent, while the ROK could maintain modest growth of 0.2 per cent.

Let me begin with the case of Mexico. The crisis was triggered by decreasing imports from the US, Mexico's main trade partner. Since late 2007, US imports from Mexico had been faltering, and the external sector came under serious stress. In 2006 the deficit in current account balance was US\$ 6.1 billion. In 2007, red ink amounted to US\$ 11.2 billion, but in 2008 the deficit reached US\$ 17.4 billion (Secretaría de Economía 2011).

In the first semester of 2009, many external factors affected Mexican economic performance. Non-oil exports fell 24.3 per cent; oil exports plummeted almost 50 per cent; international tourism decreased 17 per cent, and remittances from Mexicans abroad diminished 11 per cent. To make things worse, Mexican currency underwent a more than 50 per cent devaluation, moving from 9.98 per US dollar in early August 2008, to 15.21 in early March 2009 (Banxico 2009). This was, at the same time, an outcome and a reason for financial panic.

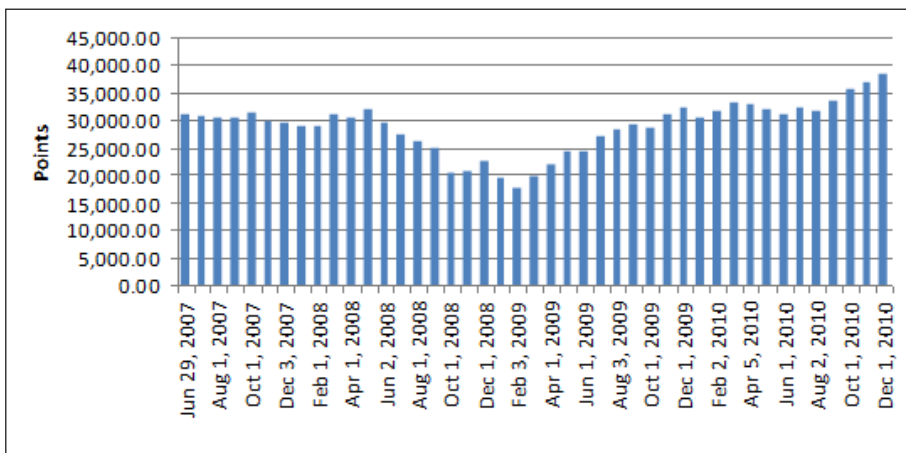
Figure 3.2 depicts the nervousness of the Mexican Stock of Exchange (Bolsa Mexicana de Valores (BMV)), whose main index underwent a sustained fall after May 2008. While BMV recorded 31,975 points on 2 May 2008, it fell to 17,752 on 2 February 2009. After that, BMV started a recovery, but its level of May 2008 was reached in December 2009. In this sense, it can be argued that, at least initially, the financial channel was more sensitive to the crisis than the real economy.

The crisis in South Korea also came from abroad. Some domestic problems aggravated it though. The housing bubble of 2005-06 provoked a sharp increase in household credit, which moved from 40 per cent of GDP in 1997 to 73 per cent in late 2008. As the economic crisis deepened, non-performing loans of banks soared, further complicating the situation of financial institutions (Park 2009). In the few weeks running from September to October 2008, South Korea's economic prospects eroded quickly. Different forecasts predicted that the ROK would be one of the most affected Asian economies during the ensuing year. The South Korean scenarios passed from dim grey in September 2008 to deep black in early 2009. In April, the IMF (2009) predicted a 4 per cent contraction of South Korean GDP.

The situation got even more complicated by the rapid deterioration of some key indicators. For example, the won depreciated by 50 per cent between early 2008 and the first quarter of 2009. Foreign direct investment suffered a sharp decline. In the first semester of 2008, FDI balance in South Korea turned negative for the first time since 1980. According to the Bank of Korea (henceforth BOK), foreign investors withdrew a total of US\$ 886 million during that period (Fackler 2008). In the financial realm, the Korea Composite Stock Price Index 100 (Kospi-100), the main indicator of the South Korean stock exchange, underwent free fall (see Figure 3.3). From a historic high of

more than 2000 points in October 2007, Kospi-100 began a clear downward trajectory, only interrupted between March and May 2008. Since the latter month, Kospi-100 plummeted to a low of 946.45 points on 27 October 2008. Between October 2007 and November 2009, the stock index had lost almost half its value. Kospi-100 would only reach 2000 points again in December 2010 (Bloomberg 2011).

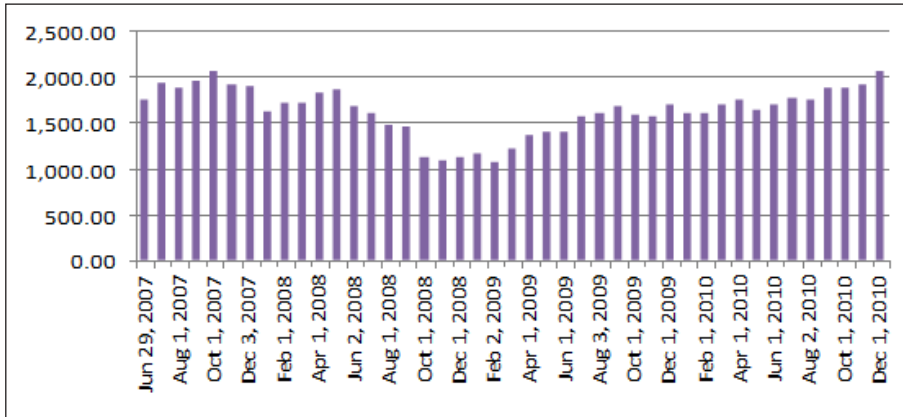
Figure 3.2: Monthly Evolution of the Mexican Stock of Exchange (BMV), June 2007-December 2010



Source: Yahoo Finance 2012

Despite its healthy indicators (at least in appearance) and its bulky international reserves, between October 2008 and March 2009, the ROK's economy experienced strong speculative attacks. The ultimate reasons for such remarkable nervousness have been subject to diverging interpretations. Salient among them are the stagnation of domestic demand, the perception that financial sector reform and the regulation regime of the *chaebol* after the 1997 crisis had proven inadequate, the continued militancy of unions, and the credit cards crunch in 2002-03 (Park 2009).

Figure 3.3: Monthly Evolution of the KOSPI Index, June 2007-December 2010



Source: Bloomberg 2011

Whatever the reasons, financial panic and speculative attacks provoked a lofty capital flight in portfolio investment. The stampede of capital was exacerbated by previous changes in the legal framework: the deregulation of capital account transactions, implemented in 2008, allowed greater mobility of resources, mostly in foreign bonds. ROK's international reserves lost more than US\$ 60 billion during 2008. As mentioned, both financial institutions and companies in the manufacturing sector had been incurring heavy foreign debt. The banks' debt climbed from US\$ 83.4 billion in 2005 to US\$ 194 billion in late 2007. In turn, foreign debt of public and private firms (led by shipbuilders) increased from US\$ 88.9 billion to US\$ 134.8 billion in the same period. Thus, in late 2008, short-term foreign liabilities amounted to 97 per cent of Korea's foreign reserves (Park 2009).

The Role of Internal Markets, Monetary and Fiscal Policies

For Mexico, the period 2008-10 brought significant negative consequences. Those problems were exacerbated by the Mexican government's handling of the crisis based on orthodox, restrictive policies inherited from the 1980s. Given the close relation of Mexico with the US economic cycles, the echoes of the crisis were felt since early 2008, long before Lehman's Brothers bankruptcy in September. Initially, the Mexican government downplayed the crisis, arguing that it had started overseas and its national impacts would be limited. In February 2008, Minister of Finance Agustín Carstens distinguished the crisis from previous downturns, stating that Mexico would only have 'a slight cold, and not pneumonia as before' (*El Universal* 2008).

This relaxed attitude was embodied in the handling of monetary policy during 2008. In the first semester, the reference rate stayed at 7.5 per cent; it rose to 7.75 per cent in June, 8 per cent in July, and 8.25 per cent in August; and in spite of the official start of the global crisis in September, the central bank did not fix any reduction of the interest rate in 2008. In the first half of 2009, monetary authorities changed their mind and set a lower interest rate strategy. In January, the Bank of Mexico reduced the reference rate to 7.75 per cent; in April, to 6.75 per cent, and in July to 4.5 per cent. It remained unchanged throughout 2009 and 2010 (Banxico 2013). In other words, the central bank's initial reaction was sluggish, but it started a more proactive monetary policy by reducing interest rates to nearly half by mid-2009.

Regarding fiscal policy, the Mexican government initially had a somewhat quicker reaction. Before explaining the specific measures adopted, it is worth noting that in the last three decades, policymakers have been extremely reluctant to use fiscal policy as a means of economic incentive. The roots of this mistrust about the usefulness of fiscal policy have to do with the bulky deficits in the late 1970s and the early 1980s (in 1982 fiscal deficit rose to 17 per cent of GDP), which partially explains the crisis in 1982 and the ensuing change of economic model. This fear has been so engrained amongst incumbent economists in Mexico that in April 2006 the Congress approved a new budgetary law (*Ley Federal Presupuestal y de Responsabilidad Hacendaria*). The main goal of this law was to institutionalize, in its articles 17 and 18, a policy of 'zero fiscal deficit', preventing the left from winning Mexico's presidential elections in July 2006.

While economic balances are generally desirable, the above provision became a straitjacket for critical times, as was certainly the case in 2008-10. This caveat helped in understanding the design of Mexican fiscal policy during the global crisis. Between March 2008 and January 2009, the government issued three stimulus packages to deal with the effects of the Great Recession (Villagómez and Navarro 2010). As early as 3 March 2008, the Mexican government announced a programme to support economic growth and employment (*Programa de Apoyo a la Economía y el Empleo*). This programme provided provisional discounts on taxes to personal income, some reductions in specific services provided by the public sector, and scanty resources to reduce unemployment. The month before, President Felipe Calderón had announced the creation of a National Infrastructure Fund with an initial US\$ 4 billion endowment, adding the possibility of reaching US\$ 27 billion in the subsequent four years (SHCP 2008).

To add credibility to his response, in October 2008 President Calderón announced the second stimulus package. Among other measures, the package foresaw the enlargement and more efficient exercise of public spending; the construction of a new refinery for the state oil company Petróleos Mexicanos (PEMEX), worth US\$ 1.2 billion; the launch of a special programme to support

small and medium enterprises; and further steps on the road of deregulation and trade liberalization (Presidencia de la República 2008). Realizing that these measures could imply a change in the limits of fiscal policy, the government had to make an addition to the articles 17 and 18 of the 2006 budgetary law. The main change was that PEMEX's massive investment would not be included in the calculation of fiscal balance.

In January 2009, the Mexican government launched its third stimulus package, called 'National Agreement to Support Family Economy and Employment' (*Acuerdo Nacional a favor de la Economía Familiar y el Empleo*). The main measures were a reduction of the cost of gas for domestic use, the freeze of electricity and fuel prices, and credit disbursements of some US\$ 150 million for industries hit by financial restrictions. Modest additional sources were granted to the Infrastructure Fund. With these measures, the Mexican government expected GDP to increase an extra one per cent, and to reduce inflation by one percentage point. The President's stimulus measures, as well as some international forecasts on the Mexican economy, seemed to validate the 'slight cold' thesis. By then, both the Bank of Mexico and some international consultancy firms forecast that Mexican GDP would plummet to zero per cent by the end of the year. In the ensuing months, however, these favourable expectations were virtually shattered.

Mexico suffered a collapse of oil prices, a sharp decline of its exports to the US, a drop in remittances from US-based Mexican workers, and a substantial contraction of domestic demand. To add fuel to the fire, in April 2009 H1N1 flu broke out, thus freezing the economy for several weeks. The service sector (restaurants, entertainment, tourism, retail trade) was particularly affected. In March 2009 the World Bank had forecast GDP decline of -2 per cent, but following the outbreak of H1N1 flu downgraded its prediction to -6 per cent. The IMF forecast, released in July, was even worse: -7.3 per cent for 2009.

As the crisis moved forward in 2009, the Mexican government spoke less about stimulus packages and more about its protracted fiscal crisis. From a structural viewpoint, it is true that one of Mexico's most anguishing problems is the low ratio of taxes in relation to GDP, which is only 10 per cent. Based on that argument, the emphasis of fiscal policy moved from increasing expenditure to budgetary cuts and tax collection. Mexican technocrats argued that there would be a fiscal gap of US\$ 25 billion by the end of 2009 if fiscal discipline was not restored quickly. In May 28, the government started a first wave of budgetary cuts, which were deepened in July; this reduction amounted to 0.7 per cent of Mexican GDP (Villagómez and Navarro 2010).

In October 2009 the President proposed and the Congress approved an increase to Value Added Tax (VAT), which rose from 15 per cent to 16 per cent; in turn, Income Tax (ISR) grew from 28 to 30 per cent. This idiosyncratic, pro-cyclical recipe was crowned with generous under-expenditure in 2009

and 2010. In the end, GDP growth was -6.5 per cent for 2009: the worst annual regression since 1932. The decline was one of the most pronounced in Latin America, though in 2010 Mexico grew 4.5 per cent (IMF 2010). Social indicators clearly reflected the poor economic performance: in October 2009, President Calderón reckoned that of Mexico's 106 million people, the number in poverty soared from 14 to 20 million (*La Crónica de Hoy* 2009). Unemployment climbed from 4.6 per cent of the economically active population in January to 6.41 per cent in September 2009. This was the highest unemployment rate in 14 years (Lange 2009).

Why did Mexico undergo this economic cataclysm? Despite the government's early indications of an assertive response, orthodoxy prevailed. Unlike South Korea, which drew on its reserves and implemented a bold fiscal policy to alleviate the crisis, the Mexican government decided that it was more important to keep inflation under control and the fiscal deficit close to zero. Global crisis notwithstanding, the main goal of the Mexican decision makers was, as has been since the 1980s, to achieve a low inflation rate (less than 3 per cent), even if that meant lower growth. Facing the possibility that federal government could enlarge its funds for fiscal policy in 2009, the Bank of Mexico expressed its concern that 'the implemented policies of monetary and fiscal stimulus to support economic recovery could result in inflationary pressures in the future, if there are no measures to reverse them in a timely way' (Banxico 2009).

Under the imperative of lowering inflation, Mexico's reserves, which in July 2008 approached US\$ 87 billion, remained virtually intact during the crisis. If some funds were taken from these reserves, it was to prevent further devaluation of the Mexican peso against the dollar. Between March and June 2009, the Bank of Mexico implemented daily auctions of dollars without a minimum price for US\$ 100 billion, and sales with a fixed price for US\$ 300 billion a day. In the first half of 2009, these auctions amounted to US\$ 11.7 billion (Banxico 2009). This measure in the foreign currency market helped controlling currency volatility and the depreciation of the Mexican peso.

Contrary to the implicit consensus on application of Keynesian countercyclical policy responses, Mexico opted for procyclical fiscal measures. Instead of implementing a comprehensive stimulus package, Mexico underwent massive cuts in public spending and decreed new tax hikes. The result was a deepening of the crisis. When it came to measures to support consumers and businesses, performance was less than ordinary. In addition, the stimulus packages and the construction of new infrastructure were implemented halfheartedly, if at all. Let us take, for instance, the construction of the oil refinery foreseen in the October 2008 stimulus package. The government took seven months just to decide the refinery's location, which was announced in April 2009. Once decided, in June 2010 the Minister of Energy announced that

the bid for the refinery would take place in 2012, and the facility would start working by 2015 (*La Jornada* 2010).

Given this excess of prudence, one is led to think that the new refinery will be ready for the next global crisis. The awkward handling of the Mexican crisis was not lost in international economic analyses. In November 2009, Joseph Stiglitz, Nobel prize-winner in economics in 2001, said Mexico's performance in handling the crisis had been among the worst in the world; by contrast, such countries as Australia and Brazil implemented strong government actions to effectively deal with the crisis. Stiglitz added that Mexico did not finance SMEs to engage in international trade and did not 'invest in technology, education and infrastructure – a fact that would stimulate development and growth of the economy in the short and long terms' (*El Universal* 2009a). He also predicted that tax increases would be inimical to economic growth. Finally, he warned that instead of waiting for a speedy economic recovery of the US, Mexico should consider other strategic alternatives for its own revitalization. In response, Ernesto Cordero, Minister of Social Development (later appointed by President Felipe Calderón as Minister of Finance) declared: 'I believe that Stiglitz does not know in detail the countercyclical policies implemented by the Mexican government; he does not know the reality of Mexican public finances. I think he should read a little more about Mexico' (*El Universal* 2009b).

Not everyone applauded economic policy within Mexico. The gloomiest warning of economic decay did not come from the leftist political parties, but from Carlos Slim, the owner of telecom giant Teléfonos de México (Telmex) – and incidentally the world's richest man. In February 2009, in a Conference organized by the Mexican Congress, Slim stated:

Washington Consensus may have many virtues, but we have suffered its effects for so many years... There have been excesses by the IMF, technocrats, scholars, dogmatists, and ideologists... There is no doubt that Mexican GDP will drop, it is going to be negative, due to falling oil prices and diminishing exports. Thus, we must take care of the internal market, support SMEs, and adopt technology... Unemployment will rise as we have never seen in our personal lives, and companies small, medium and large will go bankrupt. There will be lots of empty stores and real estate unsold. I do not want to announce a catastrophe, but we have to prepare and prevent it now, instead of crying later... It is noteworthy how economic dogmas still stand, after 26 years of failure (Slim 2009).

Predictably, Slim's words sparked a heated reaction from defensive policymakers in the Calderón administration. The Minister of Labor, Javier Lozano, criticized the excessive prices charged by Telmex, the phone company owned by Slim. Lozano challenged Slim 'not to fire a single person, to maintain the purchasing power of workers, and to continue investing in Mexico'. In turn, Juan Molinar, director of the Mexican Institute for Social Security (IMSS),

stated: 'Mr. Carlos (Slim) could help us very much by making much more competitive telecommunications sector in Mexico. It would be a direct benefit not only for households but also for businesses'. Finally, President Calderón said: 'We all have something to contribute to get ahead of the crisis, but even more those who have received so much from this great nation... The thing is not to see who makes the more pessimistic prognosis or who is able to instill more fear among the Mexicans, but what everyone, from his trench, his responsibility and his capacity for action, can do for Mexico' (*CNN-Expansión* 2009; Milenio 2009).

Despite international turmoil, by mid-2008, no disaster loomed in the economic horizon of South Korea. By September 2008 it seemed that the ROK would not substantially be affected by a global crisis that had been triggered by subprime mortgages in the US. At that time, IMF forecast that South Korea would reach a positive growth rate of around 2 per cent by the end of 2009. The beast, however, lurked just around the corner. The source of the new South Korean crisis was mostly external and was transmitted to the ROK via two main mechanisms. The first was the financial sector crisis, which was preceded by massive contracting of foreign loans by South Korean firms in 2007-08. The second means had to do with decreasing exports to some relevant markets, such as the US.

What was the South Korean answer to this challenge? It is valid to argue that the government attempted a textbook Keynesian response, structured around a rapid expansion of public spending. The main elements of the anti-crisis policy were a sharp monetary policy; a comprehensive fiscal policy aimed at rescuing firms, investing in infrastructure, and avoiding massive job losses; and the acceleration of efforts to diversify exports. On the one hand, the South Korean case highlights how fast international turmoil can affect a given economy; on the other hand, it illustrates how the state's responses can either deepen or hinder the most deleterious effects of systemic turmoil.

The use of monetary policy to curtail the crisis was reflected in a substantial interest rate drop. To stimulate the economy, the monetary authority reacted swiftly by enacting a rapid decline in interest rates since September 2008. As the crisis deepened, this indicator reached new low levels: it fell below 5 per cent in October and less than 4 per cent in December. In March 2009 the interest rate had reached a floor of 1.77 per cent. Then, the interest rate started to increase again, albeit in a quite discreet fashion. Even in view of blatant signs of economic recovery, the interest rate in December 2010 was 2.5 per cent, still half its level in August 2008. In fact, in light of low inflation, the interest rate became negative in early 2009, thus providing a strong incentive for credit and investment. Needless to say, for indebted business and individuals, the reduction in interest payments was more than welcome news. The second

element of the South Korean response to the crisis was a more expansionary fiscal policy, reflected in a substantial increase in public expenditure and the creation of a number of mechanisms to stimulate domestic demand. In late October 2008, President Lee Myung-bak instructed his economic team to increase public expenditure and implement tax cuts aimed at preventing the spread of financial crisis from negatively affecting the real economy. The same statement was made in December, when the president asked his economic team to support any public project that could be implemented immediately. At the same time, the National Assembly approved a generous budget of US\$ 207 billion for 2009, which in real terms meant an increase of 10.6 per cent over 2008 (Xinhua 2008).

Fearing that the multiplier effect pursued via the large budget could not be accomplished, on 24 April 2009, the Minister of Finance and Strategy, Yoon Jeung-hyun, proposed to the National Assembly a supplementary amount of US\$ 20.7 billion. The approval of these additional funds rounded up the largest South Korean budget in history. Of the additional resources, about US\$ 12 billion would be invested in economic recovery programmes, subsidies to the poorest families, employment support, job training, financing of small and medium enterprises (SMEs), revitalization of regional governments, and incentives for research and development. The remaining US\$8 billion would be used to offset the shortfall in tax revenues caused by both declining economic activity and tax cuts enacted in 2008. Minister Yoon said the additional budget growth would hit 1.5 percentage points of GDP and would lead to the creation of more than half a million jobs.

Given its impact on economic recovery, it is worth analysing stimulus measures at the sector level. A key activity in the expansion of public expenditure was construction, which accounts for almost 20 per cent of the ROK economy. In October 2008, the government announced it would spend US\$ 3.8 billion to buy land and houses still unsold because of 'toxic' credits. South Korea's economic leaders also reduced some regulations on mortgages and eased the restrictions previously imposed on real estate transactions in some expensive urban zones. As a measure to curb speculation in areas such as southern Seoul, in 2006 the government had established some controls over bank lending and real estate transactions (Lowe-Lee 2008).

SMEs also seized considerable attention from South Korean economic planners, as they accounted for 90 per cent of employment in the services sector, and got half of loans from commercial banks. SMEs were experiencing an extreme liquidity shortage, since banks increased restrictions on lending standards as a response to the global crisis. The government offered guarantees for loans to SMEs and invested US\$ 3.6 billion to rescue them. Meanwhile, the BOK decided to raise the ceiling for loans at preferential interest rates

that banks could grant to these firms. Small and medium businesses facing losses from so-called 'knock-in, knock-out' investments (KIKO), were given the option to either extend their due dates or get extra loans (Lowe-Lee 2008; OECD 2010).

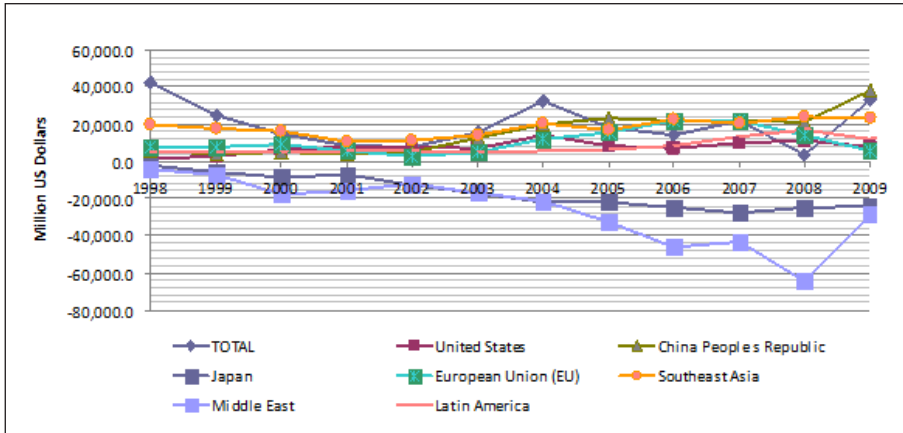
One of the most favoured sectors for expansionary policies was the ambitious project to position South Korea as a global model of environment-friendly growth. Taking advantage of the critical moments of 2009, the ROK launched a comprehensive five-year plan called 'National Strategy for Green Growth', soon known as the 'Green Growth Strategy'. In July that year, President Lee Myung-Bak announced that, between 2009 and 2013, South Korea would invest US\$ 84 billion in this project, equivalent to 2 per cent of GDP in each of those years. The strategy includes measures for mitigating climate change, creating new engines of economic growth, and improving the quality of life of the South Korean population.

Specifically, the plan includes 600 projects of different scales. The plan aims at transforming the ROK, by 2020, into one of the world's seven most energy-efficient countries, creating – at the same time – between 1.6 and 1.8 million new jobs. It is noteworthy that, lacking fossil fuels, South Korea is a net importer of oil and the fourth largest country in terms of energy intensity among the OECD members (Jones and Yoo 2010). As can be seen in Figure 4, oil imports from the Middle East account for the bulk of ROK's imports, thus reducing somehow the competitive edge of the ROK.

In no time, South Korea experienced a rapid recovery from the negative effects of the 2008 crisis. The ROK surprised friends and foes when, in the first quarter of 2009, it recorded a positive growth of 0.1 per cent and continued to show positive figures in the subsequent quarters. Against the IMF and Economist Intelligence Unit's forecasts, South Korea managed to avoid negative growth. Its GDP grew 0.2 per cent in 2009 and closed at 5.8 per cent in 2010. For 2011, it was expected to grow between 5 and 6.0 per cent. Fiscal stimulus created 300,000 temporary positions, thus curbing unemployment and helping to revive domestic consumption (OECD 2010). With this V-shaped recovery, Korea was recognized as the fastest country to surmount the crisis within the OECD.

In sum, South Korea's sharp recovery was closely linked to the vigour of monetary and fiscal policies. How large were, in comparative terms, economic stimulus packages in the ROK and Mexico? According to a study of the IMF, the percentage of GDP funnelled into fiscal stimulus in the Group of 20 (G-20) differed widely between 2008 and 2010.

Figure 3.4: Korea: Current Account per Selected Regions, 1998-2009



Source: BOK 2012

Saudi Arabia devoted 9.2 per cent of its GDP to its economic rescue. After the Saudis, the G-20 members which channelled most resources to the recovery were South Korea, with 6.2 per cent of GDP; China, with 6.1 per cent, and Australia, with 4.6 per cent. In Latin America the proportion of stimulus packages was much more modest. In the case of Mexico the figure was an accumulated 1.5 per cent of GDP in 2008-10. In Brazil, given its centre-left government, one may have thought that the fiscal stimulus package would be higher, but it only amounted to 1.4 per cent of GDP. In the United States, discretionary stimulus package rose to 4.9 per cent of GDP, in line with that country's importance for the world economy (Krugman 2010).

Diversification Versus Concentration: The Role of International Integration and Trade

Let me now analyse the role of foreign trade and regional integration as a means to deal with economic crisis. To what extent do trade links, either formal or informal, provoke or hinder global crisis? In the case of Mexico, regional integration was not an asset during such a crisis. One prominent shortcoming, entrenched since the establishment of NAFTA in 1994, is Mexico's single-minded focus on the US market. Table 3.2 shows that Mexico channels almost four-fifths of its exports to the US. Granted that many countries would sigh with relief to have Mexico's geographic position, combined with its almost unrestrained access to the world's biggest market. Indeed, since NAFTA came into force, Mexico's share of the US market has been climbing in absolute

terms, reaching 12.2 per cent by mid-2010. Together with China, Mexico has gained penetration in the US; in contrast, other traditional US trade partners (Canada, Germany, Japan and the United Kingdom) have been losing market shares (*The Economist* 2010).

Table 3.2: Mexico's Foreign Trade by Geographic Area, 2011
(per cent of total trade)

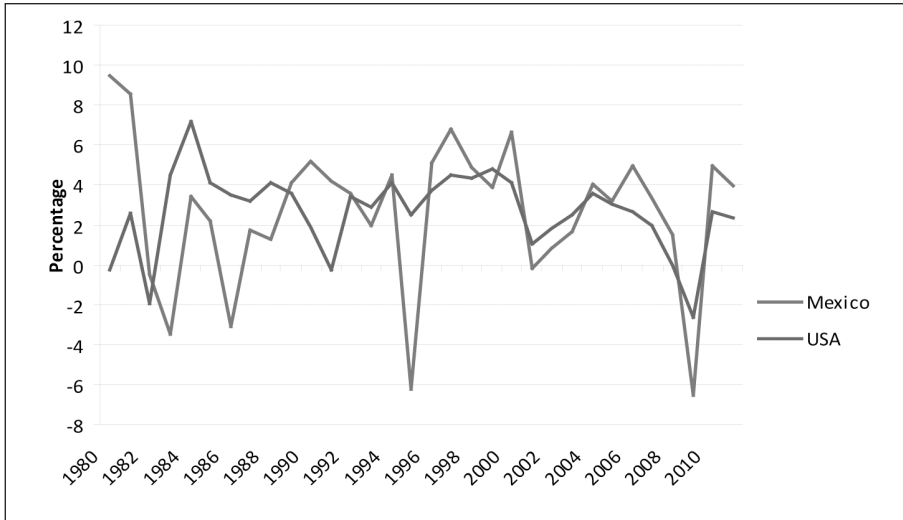
By main destination		By main origin	
1. United States	78.7	1. United States	49.8
2. European Union (27)	5.5	2. China	14.9
3. Canada	3.1	3. European Union (27)	10.8
4. China	1.7	4. Japan	4.7

Source: WTO 2012

Yet the advantages of over-concentration of Mexican exports to the US are its very disadvantages. Too much concentration in one market breeds vulnerability. The double-edged sword of Mexican trade with the US can be seen in Figure 3.5, which portrays the Mexican dependence on the US economy. For a long time, but even more so after NAFTA, the Mexican economy became a resonating chamber of the US economic cycles. When the US grows, Mexico rumbles. But, as the old saying goes, when the US sneezes, Mexico gets pneumonia.

A relevant case in point is the automobile industry, the Mexican champion of exports in the manufacturing sector (see Figure 3.6). Mexican automobile industry has gained high penetration in the US market, especially in the subsector of compact and sub-compact vehicles. But the crisis in the United States brought down the demand for cars, for as long as consumers were more concerned about solving their real estate problems than getting new cars. Immediately, US imports of cars made in Mexico underwent a free fall. According to data from the Mexican Automotive Industry Association (AMIA 2011), between 2008 and 2009 exports on Mexican cars to the US almost halved.

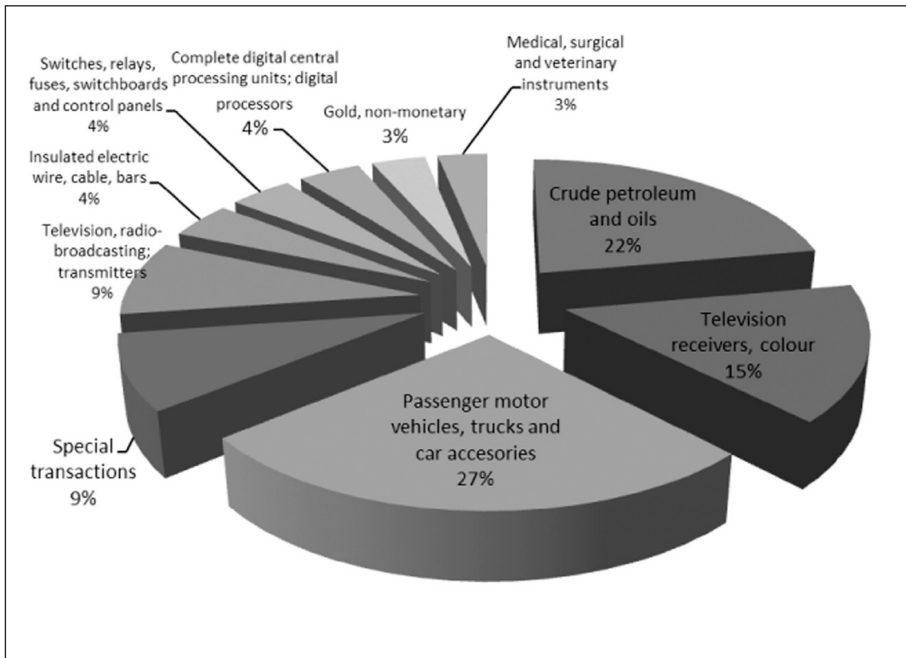
Figure 3.5: GDP Percentage Changes, Mexico and the US 1980-2010



Source: IMF 2010

Given the negligible diversification of that industry's exports, as well as the reticent countercyclical measures implemented by the government, the Mexican automobile industry underwent a crisis within the bigger crisis. Unemployment skyrocketed and GDP plummeted in the northern Mexican states, where most of automobile assemblers are located. Those states were the most affected during the Great Recession (BBVA Research 2011). Once the US economy returned to growth, Mexican automobile exports boomed again in 2010, surpassing their levels prior to the crisis. Carmakers announced new investments of US\$ 4.4 billion over the next four years, and the market share of Mexican-made cars north of the border hit a historic level: by January 2011, 14 out of every 100 vehicles sold in the US were made in Mexico (Ilif 2011).

A further problem is that Mexican enthusiasm for the free market has not been accompanied by strategic industrial or trade policies, but rather by a reliance on reducing tariffs and signing FTAs, 12 of which have been established with 44 countries (including such juicy markets as the US, the European Union and Japan). Nevertheless, Mexico's network of FTAs has not been too useful in diversifying exports (see again Table 3.2). Although the agreement with the EU took into effect in 2000, a higher percentage of Mexican exports were sent to Europe in 1990. Despite the FTA with Japan, which was initiated in 2005, exports to Asia have been declining. Exports to Latin America represent the same percentage than in 1990.

Figure 3.6: Mexico – Percentage Distribution of 10 Main Exports, 2009

Source: ECLAC 2012

In the early 1990s, some of the initial expectations on NAFTA were that Mexico could become a major magnet for investment and exports to third markets. However, provisions on rules of origin included in most FTAs state that products must originate predominantly in Mexico. Overwhelming reliance on inputs imported from the US hinders tariff-free access to these products from other countries (*The Economist* 2010).

A diversification strategy can only succeed if supported by effective industrial policy aimed at generating exports, rewarding productive actors, and incentivizing the diversification of Mexico's trade basket. Yet in contrast to many East Asian countries, the expressions 'diversification' and 'industrial policy', have become almost taboo in the discourse of Mexican economic officials. Mexico's development banking, led by the Nacional Financiera (NAFINSA), appears to be heading towards extinction; commercial banking does not support large industrial and exporting projects; investments in applied research and development by Mexican firms are virtually nil; and subsidies to production in the secondary sector have long exhibited levels below the average in OECD member countries (Clavijo and Valdivieso 1994).

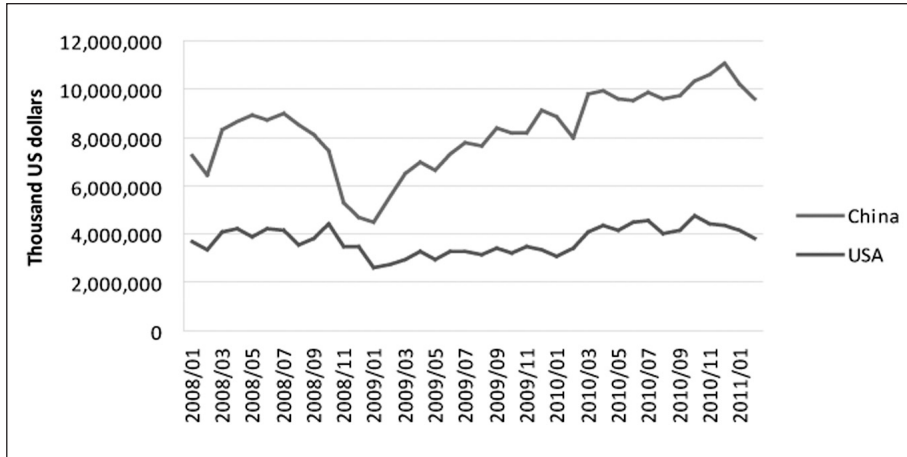
The increasing concern about the lack of an industrial policy in Mexico is evident in the transformed ideas of Jaime Serra Puche, Minister of Trade and Industrial Development in the right-wing government of Carlos Salinas de Gortari (1988-94). An enthusiastic advocate of free trade, Serra Puche was the Mexican negotiator-in-chief of NAFTA. During his ministerial tenure, he was an unambiguous critic of industrial policies, and even declared, much to Mexican manufacturers' chagrin, that 'the best industrial policy is the one that does not exist'. Yet in June 2010, Serra Puche stated that Mexican exports have a scanty multiplier effect on gross domestic product (1.8 times their value compared to 2.3 in Brazil and 3.3 times in the US), due to the extreme concentration of markets for Mexican exports and the low level of domestic inputs added to those goods. Notably, he argued that the inadequate support of Mexican development banks to the export sector has eroded the country's chances of finding new external markets (Milenio 2010; *The Economist* 2010).

Is my argument a not-so-disguised anti-NAFTA manifesto? Not really. It is just a reminder of the vulnerability that excessive trade dependence can produce. It is worth remembering about Albert Hirschman's old warning about asymmetrical gains that derive from too much concentration on a single partner:

A given volume of trade between countries A and B may be much more important for B than for A. A simple quantitative reflection of this asymmetry is present in the frequent case where a small, poor country (B) carries on a large portion of its trade with a large, rich country. In that case imports of A from B could well represent 80 percent of B's total exports while accounting for no more than 3 percent of A's total imports (Hirschman 1980).

In the case of South Korea, foreign trade and regional integration were at least as relevant as in the Mexican case. In the last quarter of 2008, there was a sharp drop in ROK's exports, especially to key markets like the US. In November 2008, South Korean exports shrank 19 per cent vis à vis the same month in 2007; in December, they fell 18 per cent (Park 2009). Figure 3.7 traces the behaviour of declining South Korean exports to the US and China. The high bill that South Korea still had to pay at that time through high energy prices and raw materials put the external sector under stress. Between May and September 2008, the ROK underwent a US\$ -7 billion current account balance. By the end of the year, though, the current account was positive, reaffirming a sustained trend since 1998.

Figure 3.7: Korea: Short-term Evolution of Exports to USA and China January 2008-January 2011



Source: BOK 2012

One key element that explains the rapid recovery of the South Korean economy is the diversification of its exports destinations. As can be seen in Table 3.3, China is the largest trading partner of the ROK. Until 2003, the US held that position. Between 2003 and 2008 South Korean exports to the US remained in the order of US\$ 45 billion per annum; because of the global downturn, they fell below US\$ 40 billion in 2009. Despite declining imports from the US, South Korea and other Asian countries were not decisively affected during the 2008-09 crisis. ROK's trade with emerging countries in general, and East Asia in particular, worked as a buffer. If in 2000, 49 per cent of South Korea's exports were bound for East Asia by 2008, the proportion had risen to 60 per cent. While it is true that ROK's exports to Japan have dropped in relative terms, China has more than compensated for such a decrease.

Moreover, ROK's exports are increasingly concentrating on the Chinese market. ROK's exports to China have skyrocketed since 1990. In relative terms, exports to China moved from 2.1 per cent of South Korean total exports in 1990 to 10.7 per cent in 2000, to almost 24 per cent in 2009 (ECLAC 2012). In absolute terms, exports to China rose from US\$ 18.3 billion in 2001 to US\$ 63 billion in 2005. By 2008, the amount had climbed to US\$ 93.4 billion. The crisis brought down South Korean exports to China to US\$ 89.3 billion in 2009. And ROK's imports from China fell even more, giving the ROK a bilateral current account surplus of US\$ 37.8 billion.

Table 3.3: Republic of Korea's Foreign Trade by Geographic Area, 2011
(*per cent of total trade*)

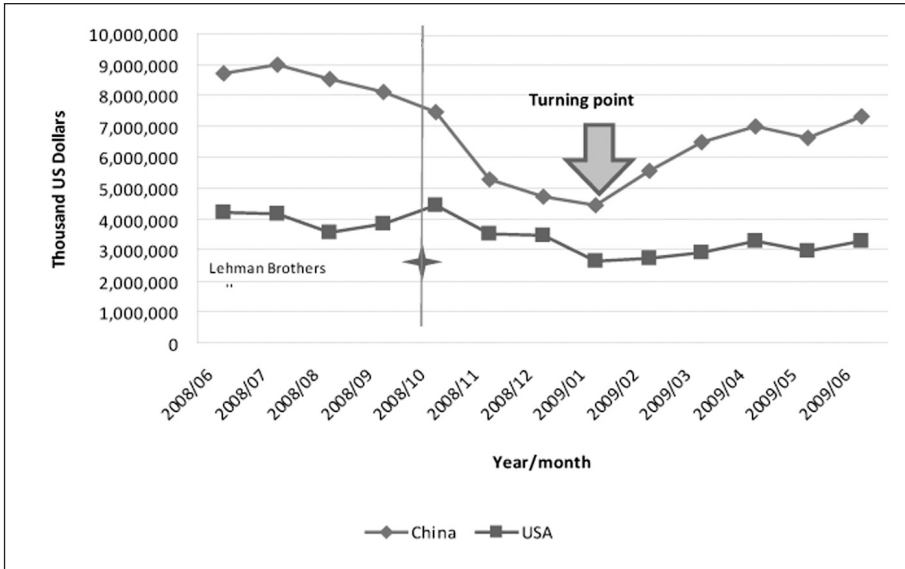
By main destination		By main origin	
1. China	24.2	1. China	16.5
2. United States	10.2	2. Japan	13.0
3. European Union (27)	10.1	3. European Union (27)	9.0
4. Japan	7.1	4. United States	8.5
5. Hong Kong, China	5.6	5. Saudi Arabia	7.1

Source: WTO 2012

The virtual absence of crisis in China allowed South Korea to cope with the worst effects of shrinking US imports. According to Figure 3.8, during 2008 South Korean exports to both China and the US had been faltering. Yet in January 2009, the ROK's exports to China began an astounding recovery, while exports to the US remained stagnant. There is, at least, a close correlation between the resumption of Chinese demand and the unexpected recovery of South Korean economy since the first quarter of 2009. The diversification of South Korea's foreign trade and its reliance on Asian markets in the most critical moments was complemented by an exchange paradox: however anguishing it might have been, the sharp devaluation of the won assisted the increasing competitiveness of ROK's exports.

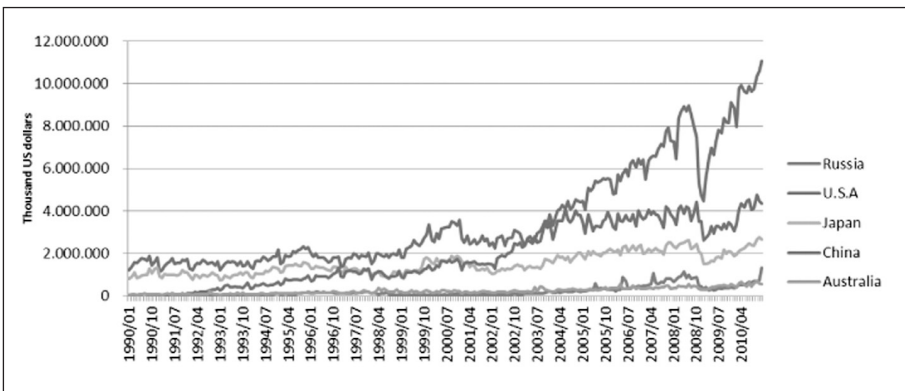
The diversification and 'asianization' of foreign trade was extremely useful for the ROK at the height of the global crisis. Apart from China, countries like India and Russia, and regions like Southeast Asia and Central Asia, have turned into major recipients of South Korean exports, thereby mitigating the impact of the falling US market (see Figure 3.9). As I mentioned above, Asia implemented generous economic stimulus packages, and has led the international economic recovery. This process has been a blessing for the ROK, insofar as the bulk of its exports are now directed to one of the world economy's main engines of growth. For South Korean business, ensuring a constant demand from different Asian sub-regions was particularly useful, inasmuch as their exports could keep running.

Figure 3.8: Korea: Short-term Evolution of Exports to USA and China, June 2008–June 2009



Source: BOK 2012

Figure 3.9: Korea: evolution of exports to elected markets 1990-2010



Source: BOK 2012

While trade diversification in the ROK has been progressing since the mid-1990s, during the global crisis the South Korean government insisted on seeking new alternatives to skew any negative impacts from economic dependence. In October 2008, President Lee asked his ministers to redouble their efforts to strengthen coordination in international economic policies and to conclude bilateral and multilateral FTAs under negotiation (Xinhua 2008).

These directions bore fruits quickly. In 30 October, the BOK was able to establish – as did the central banks of Brazil, Singapore and Mexico – a line of US\$ 30 billion for a foreign exchange swap with the US Federal Reserve. This measure helped to appease, in the short term, further exchange rate pressures on the won. In December, the BOK ironed out similar agreements with Japan (US\$ 20 billion) and China (US\$ 26 billion) to stabilize currency markets in East Asia. To improve the anti-crisis coordination of the three largest economies in the region, on 13 December the leaders of China, Japan and South Korea held a trilateral summit in Fukuoka, Japan. Meaningfully enough, this meeting was the first of its kind outside the ASEAN plus 3 negotiations.

Conclusion and Recommendations

While globalization affected Mexico, South Korea and many more countries around the world, it did not breed the same type of responses everywhere. In so far as Mexico and the ROK are quite open economies, the Great Recession affected them via financial turmoil and decreasing exports to the US. Both countries implemented monetary policies aimed at reducing interest rates.

The differences in Mexico and South Korea's responses to the crisis have to do with two variables. The first is the degree of diversification of foreign trade. While Mexico features an overwhelming concentration of exports in the North American market, the ROK has been able to increasingly rely on East Asian markets, especially China; fortunately for South Korea, that region managed to offset the most adverse effects of the global crisis. It is true that ROK's exports are increasingly concentrated on China. Nevertheless, the Chinese share in South Korean exports is far from the sheer asymmetry (80 per cent of exports to a single country) that Hirschman proposes as a measure of dependency.

A second key variable to understand how both countries dealt with global hardship is the pace and scope of fiscal policies. Both from quantitative and qualitative viewpoints, South Korea crafted a much more dynamic response to global crisis than Mexico. While public spending in Mexico was sluggish in order to avoid inflation, the ROK designed a massive public budget for 2009. While South Korea cut taxes, Mexican policymakers increased them in the midst of a sinking GDP.

It is worth ascertaining, even if briefly, the reasons for this diverging response to the Great Recession. At least two explanatory variables could be further discussed in future research: 1) the resilience of the developmental state in the ROK, despite the neoliberal reforms that started in the early 1980s and were deepened after the Asian crisis in 1997-98; and 2) South Korean nationalism, that has been an enduring trait of ROK's developmental experience.

This chapter has been focused on the analysis of positive policies rather than on normative perspectives. Nevertheless, the comparative study of Mexico and South Korea's responses to the global crisis in 2008-10 draws some lessons that could be the basis for recommendations with further deductive scope. Let me sketch some:

1. Capitalism is vulnerable to periodic systemic crises. So far there is no a better invention than Keynesian, countercyclical policies to face the worst effects of the crises. In South Korea, as well as in most of the countries included in this book, economic recovery from the Great Recession has been closely linked to the assertiveness and generosity of discretionary packages. One should not ignore, however, the economic distortions that the massive injection of public funds in the economy can breed. Keynes (1981) foresaw state intervention as a temporary expedient to avoid the most deleterious effects of post-war depression. Once the economic cycle gets into an upward trajectory, it is advisable to implement a more orthodox economic policy and restore private demand. That is precisely what the ROK, China, Australia and other East Asian countries have been doing since 2011.
2. There is an important debate on the accuracy of neoliberal policies to improve economic efficiency in the Global South. While some countries (especially in Latin America) may claim some success in stabilizing the fiscal deficit, curbing inflation, promoting exports and putting in order other key economic variables after protracted periods of shakiness, to apply the Washington Consensus during systemic crises does not seem to be a sound strategy. In the Mexican case, the enduring faithfulness of policymakers to liberalism deepened the most injurious effects of the global shocks in 2008-09. The lesson here is that key decision-makers should avoid ideological approaches during the crisis. South Korean economists, educated in the same US graduate schools as Mexican top officers, showed quite a pragmatic attitude during the Great Recession.

3. Monetary and fiscal policies can be equally efficient to deal with economic crises. The South Korean case illustrates how, in the midst of economic problems, a low interest rate can be a boon for business in trouble. Fiscal policies via stimulus packages are also a powerful tool for reinvigorating the economy. There is, however, a hint on the use of these two policies. The Mexican case shows that a sluggish reduction of interest rates can be deleterious to the economy. In turn, fiscal policies lose strength if they are half-heartedly implemented, if the resources they get are insufficient or, even worse, if countries raise taxes in the middle of the economic crunch.

References

- AMIA, 2011, 'Estadísticas. Exportación por región'. Asociación Mexicana de la Industria Automotriz. www.amia.com.mx/expr.html.
- Banxico, 2009, *Política monetaria. Informe sobre el primer semestre de 2009*, Mexico City: Banco de México, September.
- Banxico, 2013, 'Tasas de interés representativas 2008-2013'. Available online at : <http://www.banxico.org.mx/SieInternet/consultarDirectorioInternetAction.do?accion=consultarCuadroAnalitico&idCuadro=CA51§or=18&locale=es>.
- BBVA Research, 2011, México. Situación regional sectorial, Mexico City: BBVA Bank, January.
- Bloomberg, 2011, 'Interactive Chart, Korea Kospi 100 Index, 5 Years (2006-2011)', *Bloomberg*. <http://www.bloomberg.com/apps/quote?ticker=KOSPI100:IND#chart>.
- BOK, 2012, 'Economic Statistics System', Seoul: Bank of Korea. Available online at http://ecos.bok.or.kr/flex/EasySearch_e.jsp.
- Clavijo, F. and Valdivieso, S., 1994, 'La política industrial de México, 1988-1994', in F. Clavijo and J. I. Casar, eds, *La industria mexicana en el mercado mundial: elementos para una política industrial*, Mexico City: Fondo de Cultura Económica.
- CNN-Expansión, 2009, 'Slim vs Calderón, ¿huele a pelea?', CNN-Expansión.com. Available online at: <http://www.cnnexpansion.com/negocios/2009/02/10/slim-vs-calderon-huele-a-pelea>, 11 February.
- Dent, C.M. and Dosch, J., eds, 2012, *The Asia-Pacific, Regionalism and the Global System*, Cheltenham (UK) and Northampton, MA: Edward Elgar and World University Network (WUN).
- ECLAC, 2012, 'Database of the Division of International Trade and Integration', Economic Commission for Latin America and the Caribbean-Comisión Económica para América Latina y el Caribe. www.cepal.org/comercio/SIGCI.
- El Universal*, 2008, 'México tendrá catarrito por crisis en EU: Carstens', *El Universal*, Finance Section, 8 February.
- El Universal*, 2009a, 'México no supo manejar la crisis: Stiglitz', *El Universal*, 19 November.
- El Universal*, 2009b, 'Cordero pide a Stiglitz leer sobre México', *El Universal*, 19 November.

- Fackler, M., 2008, 'South Koreans Reliving Nightmare of Last Financial Crisis', *New York Times*. <http://www.nytimes.com/2008/10/24/business/worldbusiness/24iht-24won.17217405.html>, 24 October.
- Hirschman, A.O., 1980 [1945], *National Power and the Structure of Foreign Trade*, Berkeley and Los Angeles: University of California Press.
- Ilf, L., 2011, 'Mexico Auto Exports Gobbling Up More US Market Share', *Wall Street Journal*. Available online at <http://online.wsj.com/article/BT-CO-20110209-715864.html>, 9 February.
- IMF, 2009, *World Economic Outlook: Crisis and Recovery*, Washington, DC: International Monetary Fund, April.
- IMF, 2010, *World Economic Outlook: Rebalancing Growth*, Washington, DC: International Monetary Fund, October.
- Jones, R. S. and Yoo, B.S., 2010, *Korea's Green Growth Strategy: Mitigating Climate Change and Developing New Growth Engines*, OECD Economics Department Working Papers, No. 798, 28 July.
- Keynes, J.M., 1981, *The Collected Writings of John Maynard Keynes*, Vol. 20, London and New York: Royal Economic Society.
- Krugman, P., 2010, 'Keynes in Asia', *New York Times*, 24 July.
- La Crónica de Hoy*, 2009, 'Admite Calderón: hay 6 millones más de pobres desde que estalló la crisis', *La Crónica de Hoy*, 3 October.
- La Jornada*, 2010, 'La refinera Bicentenario va, afirma Georgina Kessel', *La Jornada*, 24 June.
- Lange, J., 2009, 'Mexico Unemployment Rate Hits 14-yr High in Sept', Reuters, <http://www.reuters.com/article/2009/10/21/mexico-economy-jobs-idUSN2150760420091021>, 21 October.
- Lowe-Lee, F., 2008, 'Korea Feels Wall Street Crisis... and Reacts', Korea Insight, 4 November.
- Milenio, 2009, 'Calderón pide 'aportar, no atemorizar'', Milenio. Available at <http://www.milenio.com/node/165682>, 20 February.
- Milenio, 2010, 'Poco impacto de exportaciones mexicanas en PIB nacional: Serra Puche', *Milenio Diario*. Available at www.milenio.com/node/457836, 4 June.
- OECD, 2010, *OECD Economic Surveys: Korea. Organisation for Economic Co-operation and Development*, Paris: OECD, June.
- OECD, 2012, 'OECD Stat. Income distribution – Inequality'. Paris: OECD. Available at: <http://stats.oecd.org/Index.aspx?DataSetCode=INEQUALITY>.
- Park, Y.C., 2009, *Global Economic Recession and East Asia: How Has Korea Managed the Crisis and what Has it Learned?* Working Paper num. 409, Seoul: Institute for Monetary and Economic Research, The Bank of Korea, November.
- Presidencia de la República, 2008, 'Mensaje del Presidente Felipe Calderón sobre el programa para impulsar el crecimiento y el empleo', *Presidencia de la República*. Available online at www.presidencia.gob.mx/prensa/?contenido=39279.
- Secretaría de Economía, 2011, 'Balanza Comercial de México con el Mundo', Secretaría de Economía. http://200.77.231.38/sic_php/pages/estadisticas/mexicojun2011/TTbc_e.html.

- SHCP, 2008, 'El Gobierno federal anuncia el lanzamiento del Fondo Nacional de Infraestructura'. Secretaría de Hacienda y Crédito Público'. Available online at: <http://www.indetec.gob.mx/cpff/politica/opiniones/Fondo%20Nacional%20de%20Infraestructura%202007-2012.pdf>.
- Slim, C., 2009, 'Foro: México ante la crisis. ¿Qué hacer para crecer? Ponencia del Ingeniero Carlos Slim'. Available online at: http://www.carlosslim.com/preg_resp_videoslim_foro_mexico_crisis.html, 9 February.
- The Economist*, 2009, 'Keynesian Principles. This House Believes We Are All Keynesians Now', *The Economist*. www.economist.com/debate/days/view/276.
- The Economist*, 2010, 'Mexico's Economy. Bringing NAFTA Back Home', *The Economist*, 28 October.
- Villagómez, A. and Navarro, L. 2010, Política fiscal contracíclica en México durante la crisis reciente: un análisis preliminar. Documentos de Trabajo del CIDE, No. 475, Mexico City: CIDE, March.
- World Bank, 2011, World Development Indicators Database 2011, Washington, DC: World Bank.
- WTO, 2012, 'Trade Profiles Korea, Mexico', World Trade Organisation. <http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=KR,MX>.
- Xinhua, 2008, 'Corea del Sur reducirá impuestos para evitar que crisis financiera afecte a la economía real', Xinhua Press Agency. Available online at: http://www.spanish.xinhuanet.com/spanish/2008-10/26/content_748381.htm, 26 October.

