

**Emerging Economies,
International Conference, 6th- 7th, November 2003, Toledo, Spain**

**Exchange Crisis and Misalignments in the Four Main Latin American Countries:
Lessons from a Fundamental Equilibrium Exchange Rate (FEER) Approach**

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ABSTRACT

The theoretical framework of FEER of Williamson (1994) serves as a reference to appreciate the exchange rate misalignments of four Latin American currencies during the period 1982-2000. The Mexican and Brazilian currencies were estimated overvalued before 1994 and 1999 financial crises. The same result was obtained before the debt crisis of 1982. At the opposite, since the middle of the 1980, the Chilean peso remained fairly undervalued. The Argentine peso suffered from a moderate overvaluation during 1997-1998, but became undervalued during 1999-2000 with slight economic recession and rapid absorption of current account deficits. The financial crisis in 2001-2002 in Argentina seems to have begun by contagion effects from other emerging countries, which have provoked violent reversal of international capitals in a context where the FMI could not play a role of reliable international last resort.

JEL Classification : F31, F32, F33, F42.

Key words: Fundamental equilibrium exchange rates, Latin American countries, financial crisis.

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