

# The Outlook for Emerging Markets: A Tropical, Temperate View

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# The Rest Will Continue to Rise

- Is the “Rising Rest, Weakening West” story over or significantly changed?
- Is trade ceasing to be an engine of growth?

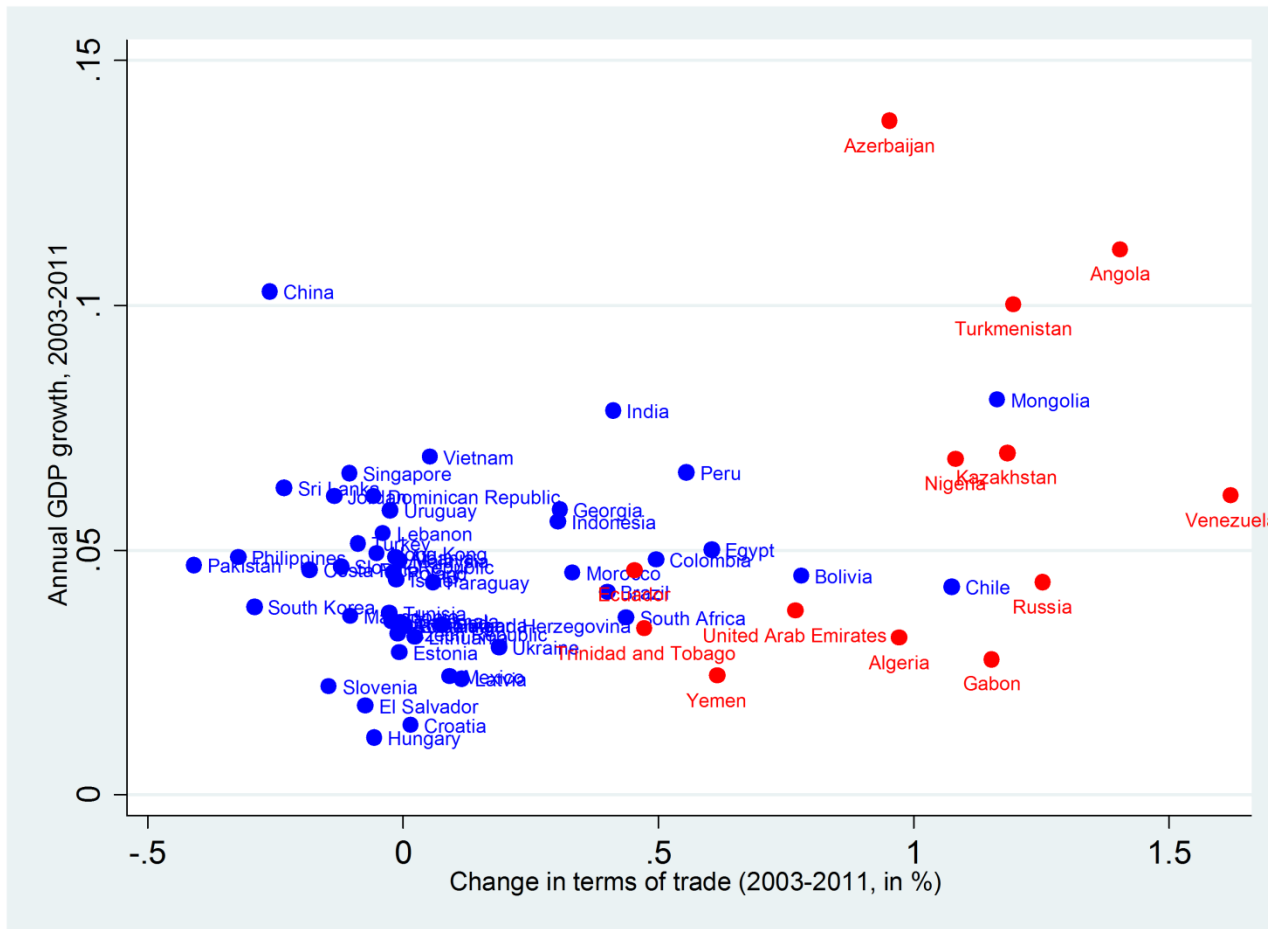
# Is the Rising Rest Story Over?

## Unprecedented rise of developing economies: *Convergence with a Vengeance*

	1870- 1960	1960- 2000	2000- 2011	2008- 2012	2012-2019 (WEO – Apr. 2014)
U.S. Growth Rate of GDP per capita	1.7%	2.47%	0.65%	0.02%	1.83%
Number of developing countries where growth exceeds US growth	2	21	80	78	80
<b>BROADENING</b> Percentage of developing countries where growth exceeds the US	<b>5.3%</b>	<b>29.2%</b>	<b>89.9%</b>	<b>83.9%</b>	<b>84%</b> (N = 93)
<b>ACCELERATION</b> Excess over US growth (unweighted)	<b>0.02%</b>	<b>1.53%</b>	<b>2.94%</b>	<b>3.03%</b>	<b>1.94%</b>

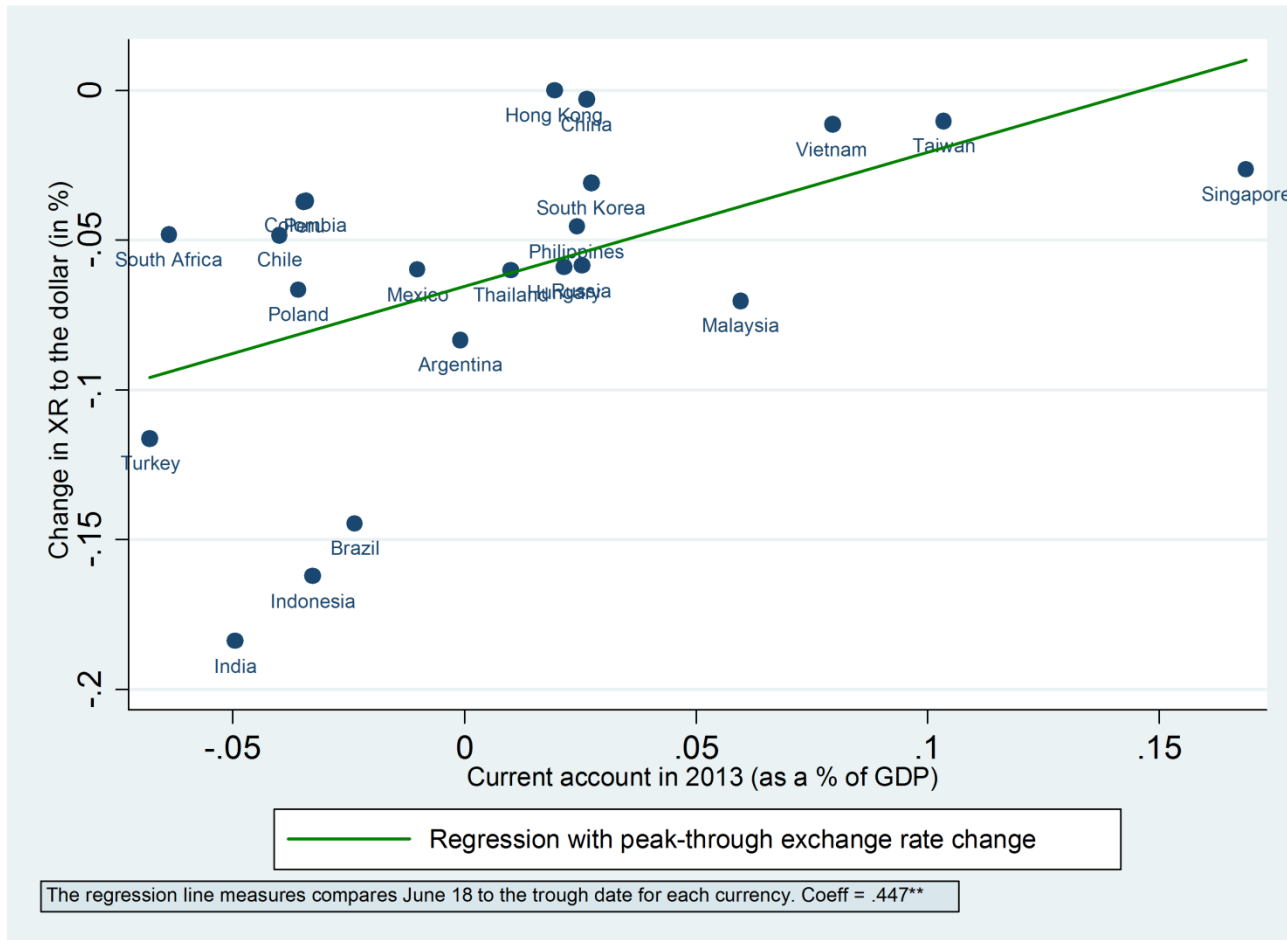
# Is the Rising Rest Story Over? Favorable Commodity Prices

Less than half of non-OECD countries are net exporters of primary commodities and correlation between medium-term growth and commodity prices not very strong



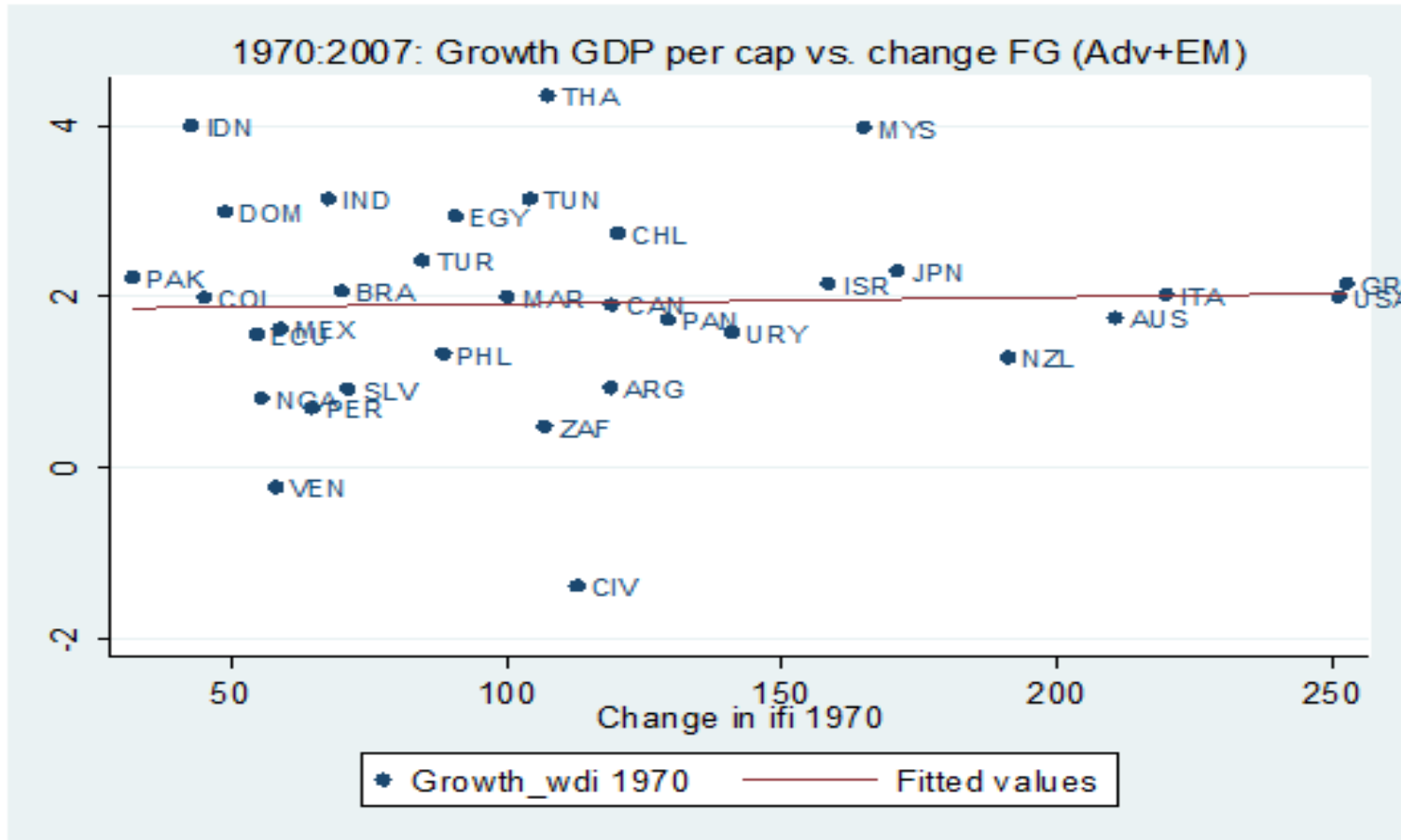
# Is the Rising Rest Story Over? Easy Liquidity

**Capital flows (current account deficits) increase susceptibility to financial crises and turbulence HENCE...**



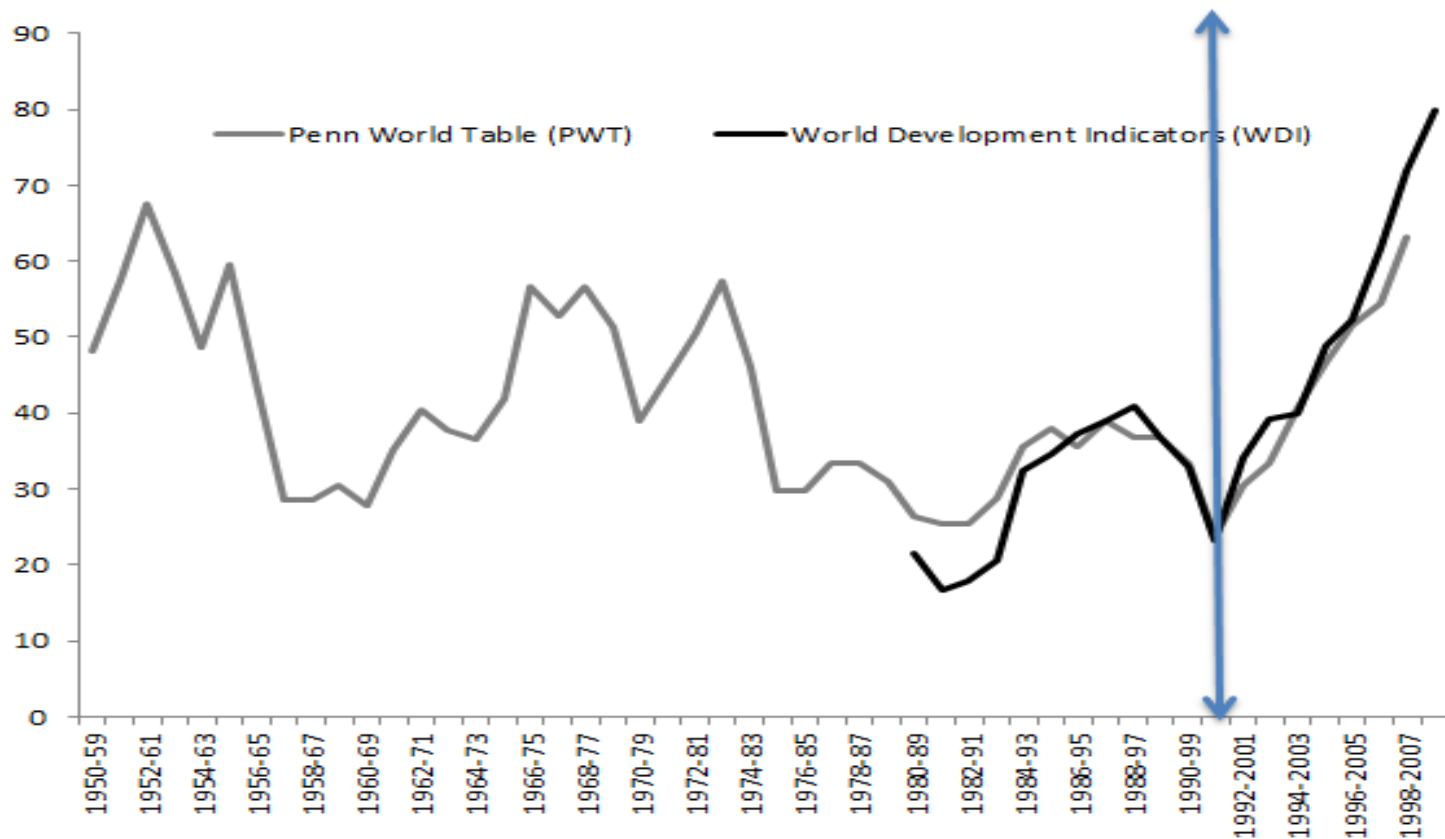
# Is the Rising Rest Story Over? Easy Liquidity

Medium term growth completely uncorrelated with capital flows

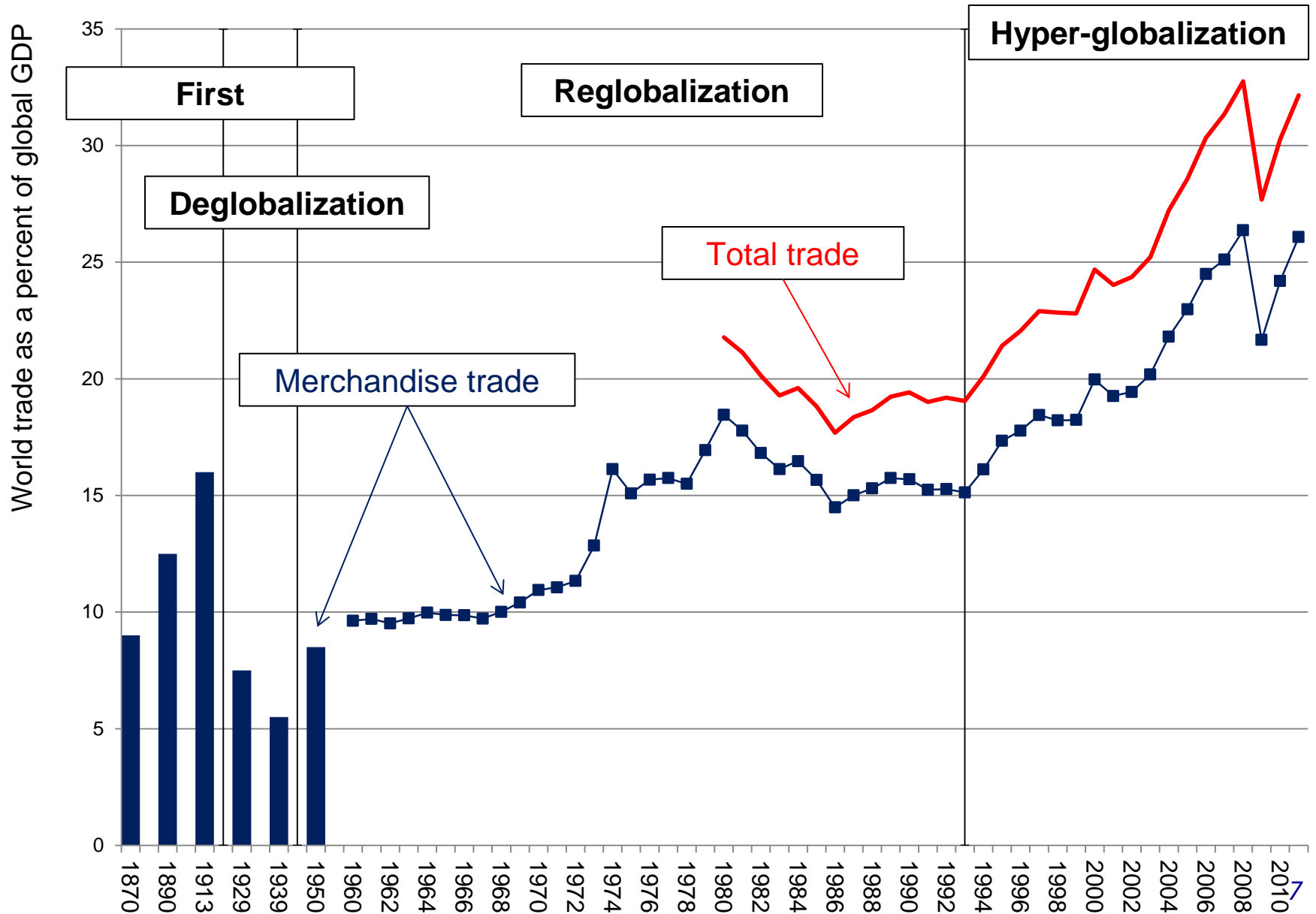


# Is the Rising Rest Story Over? Timing

- Improving economic performance pre-dates the commodity and liquidity cycles
- Percent of countries converging based on rolling 10-year average growth of per capita GDP

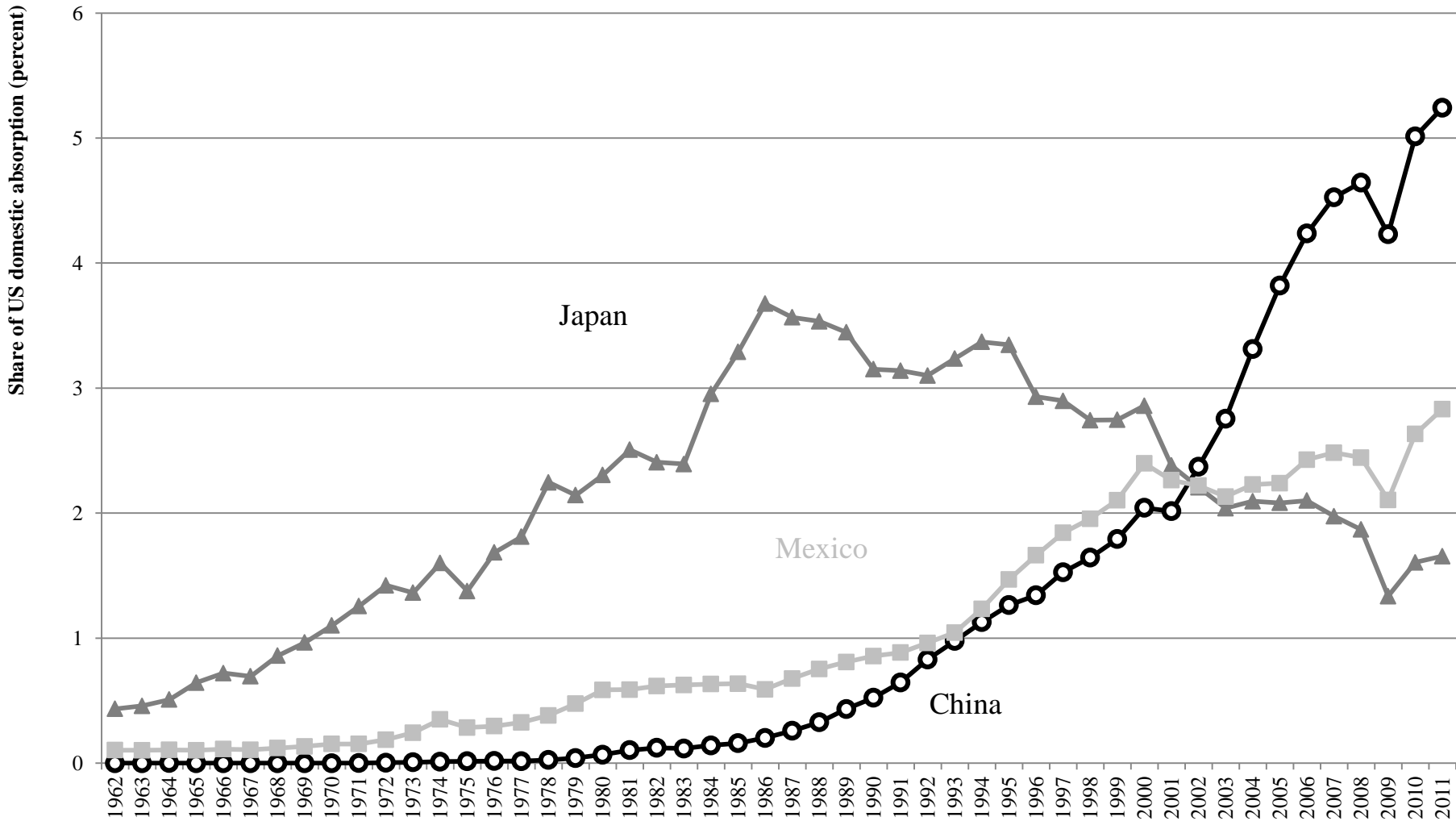


# Is Hyper-globalization Over?





# The Protectionist Dog that Did Not Bite or even Bark



# Promiscuous Regional Liberalization

## Free Trade Agreements: Last Men Standing

	<i>USA</i>	<i>European Union</i>	<i>Japan</i>	<i>South Korea</i>	<i>ASEAN</i>	<i>Brazil</i>	<i>China</i>	<i>India</i>
<i>USA</i>								
<i>European Union</i>	Initiated (TTIP)							
<i>Japan</i>	Initiated (via TPP)	Negotiations near-completion						
<i>South Korea</i>	Done	Done	Initiated					
<i>ASEAN</i>	Initiated (via TPP)		Initiated (via TPP)	Done				
<i>Brazil</i>	No	Negotiations under way	No	No	No			
<i>China</i>	No	No	Early stages (via RCEP)	Negotiations advanced	Initiated (via RCEP)	No		
<i>India</i>	No	Negotiations advanced	Done	Done	Done	No	Early stages (via RCEP)	

# Cautious Optimism

- In the short run, there will be slower growth in many of the BRICs than expected a year ago
- But since October last year, even short-run outlook has improved in India, Korea, Malaysia etc. because of some adjustments and change in political outlook
- In medium-term, convergence likely to continue, because fundamentals different (though at a slower pace)
- China is sui generis, slow-down consistent with convergence
- Trade can continue to be an engine of growth—US Congress  
Where art Thou?