



Globalization and the Rise of Emerging Markets

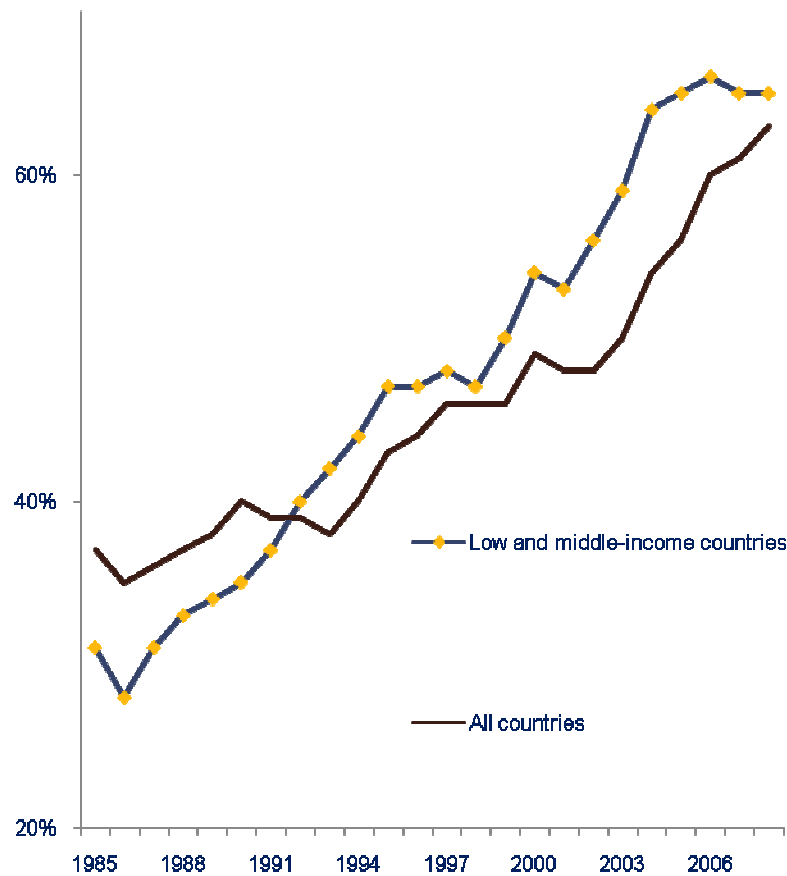
Bernard Hoekman
Banque Mondiale

« Marchés émergents: Espoirs et désillusions »

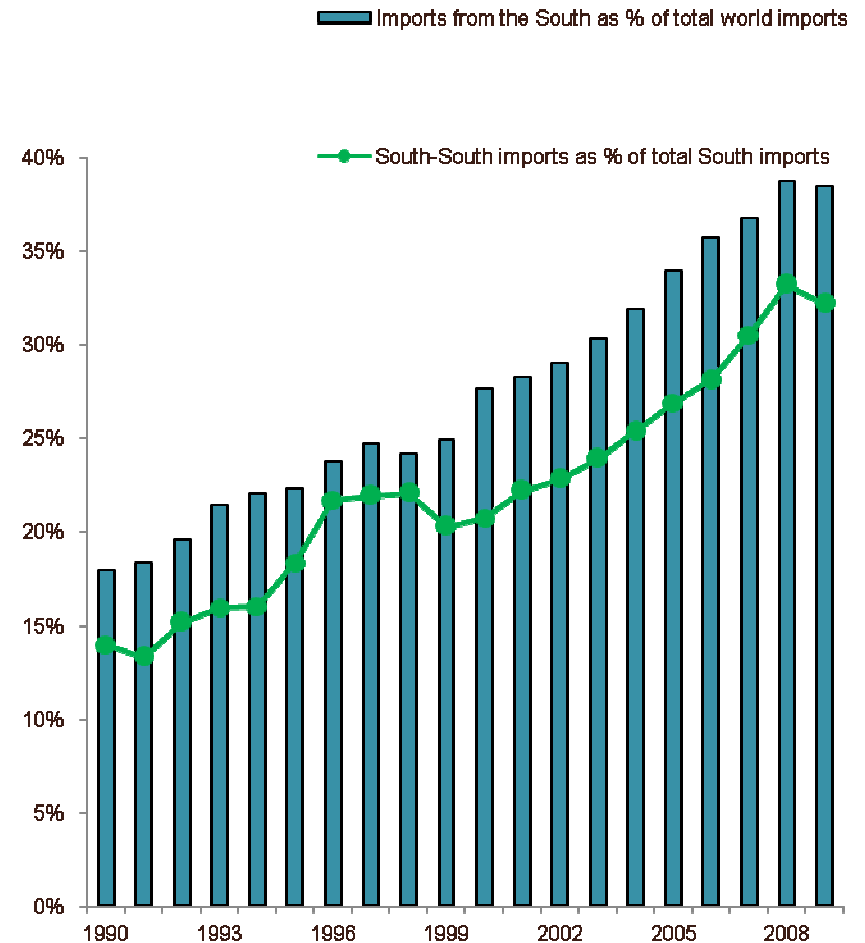
Lyon, Novembre 9, 2011

Trade/GDP and South-South trade

Total trade as a percentage share of GDP

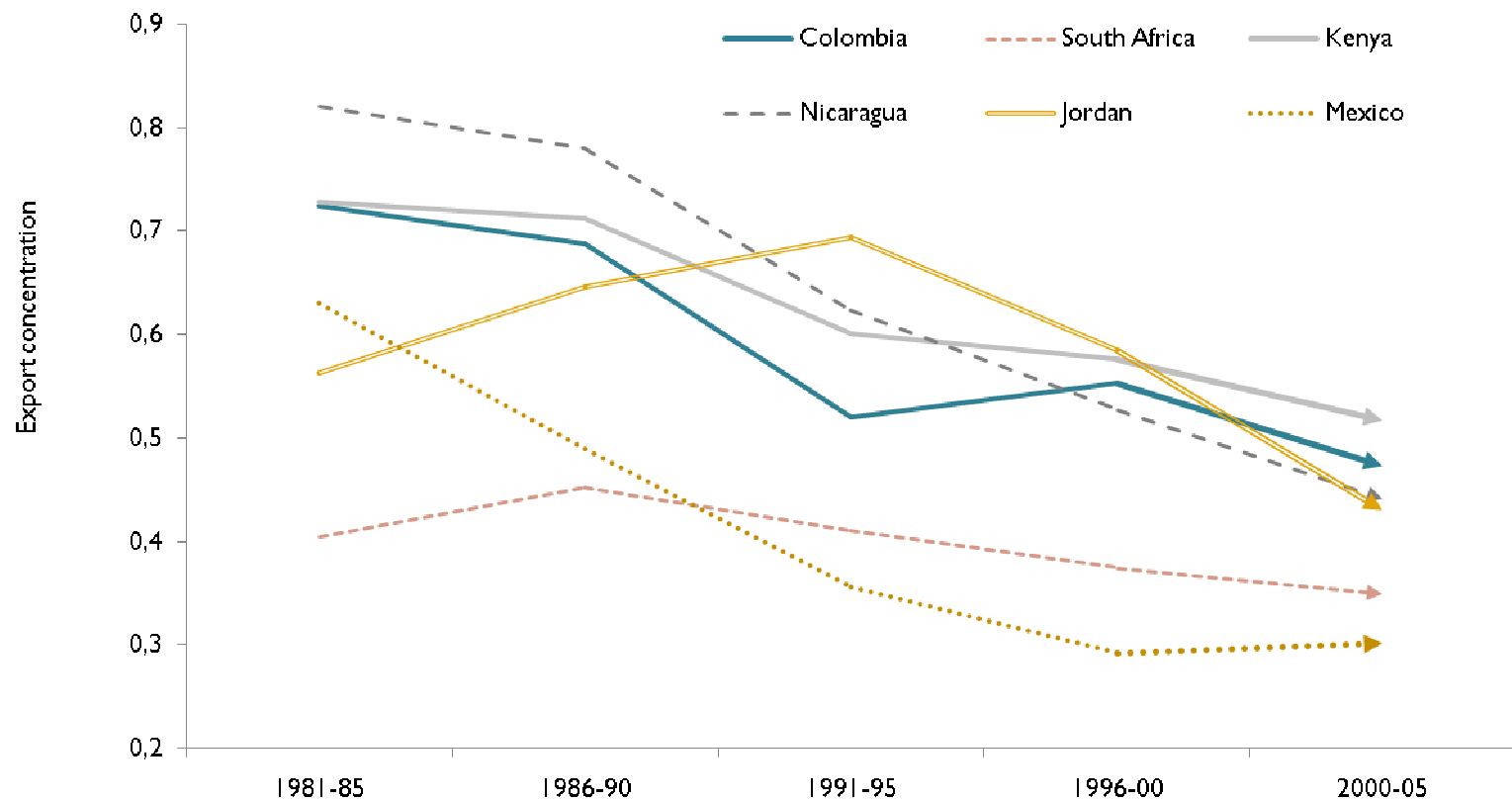


Percentage share as Indicated



Steady diversification of exports

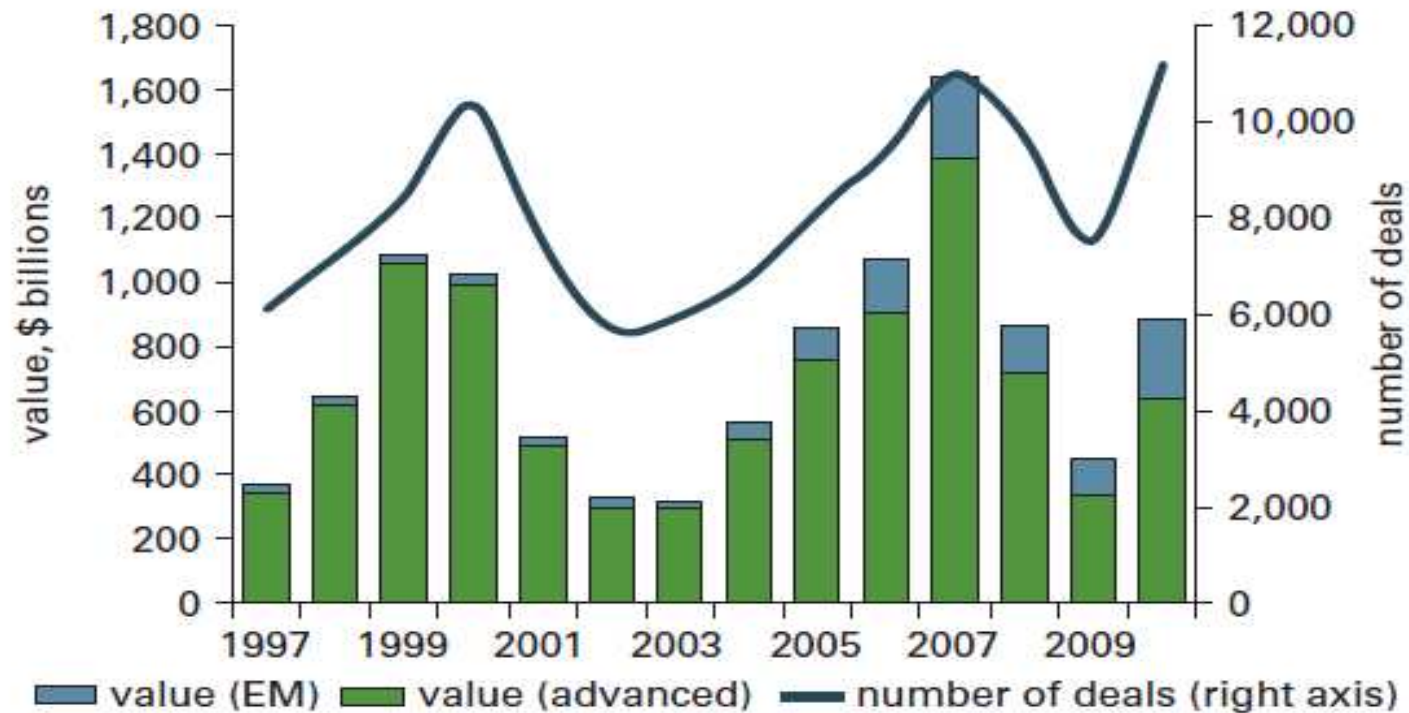
Export Concentration Indices; Selected Economies; 1981-2005.



Source: Haddad et al. (chapter 11).

Rise of emerging-market multinationals

Total cross-border M&A deals by firms from advanced economies and emerging-market economies, 1997–2010

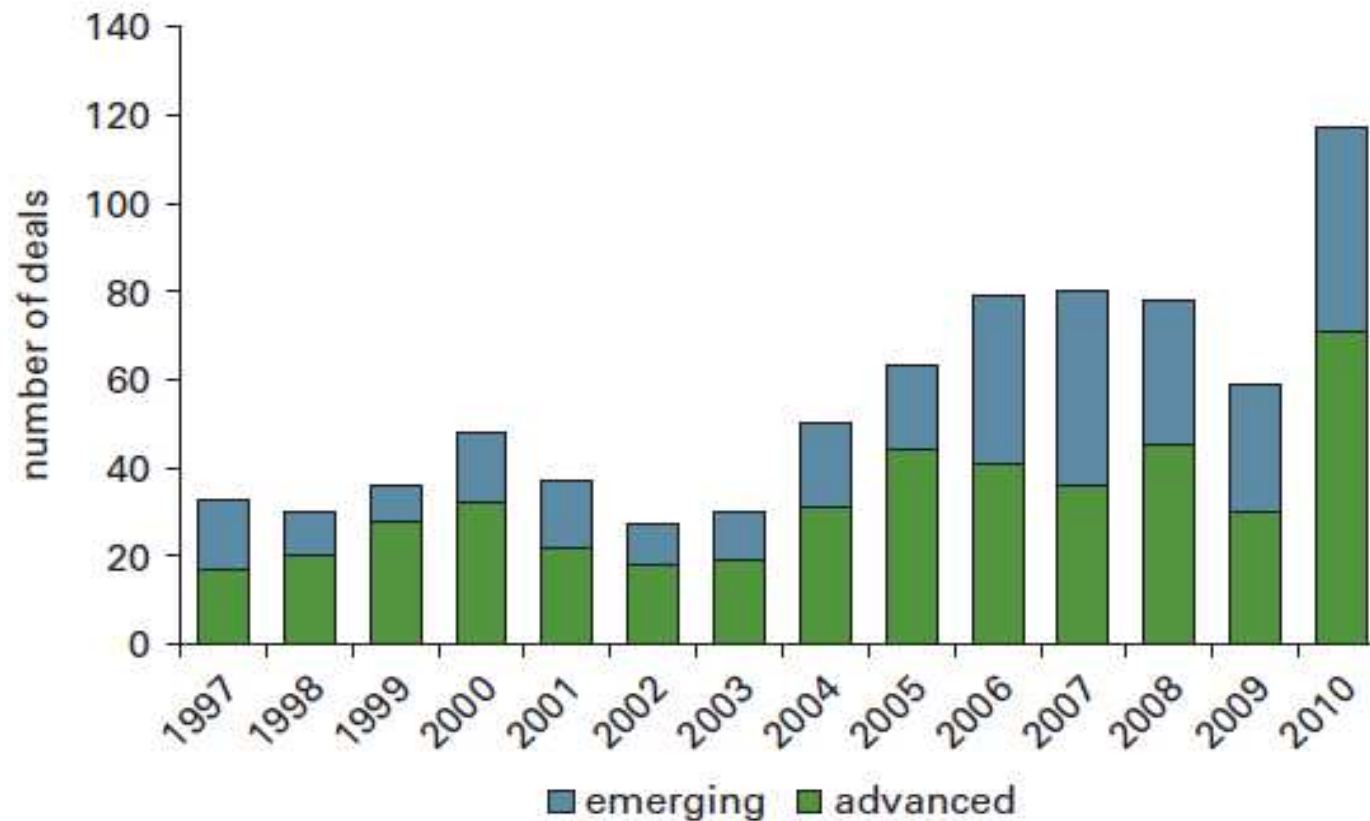


Source: World Bank staff estimates based on Thomson-Reuters SDC Platinum.

Note: EM = emerging markets.

Low-income countries have benefited from the growth in South-South FDI flows

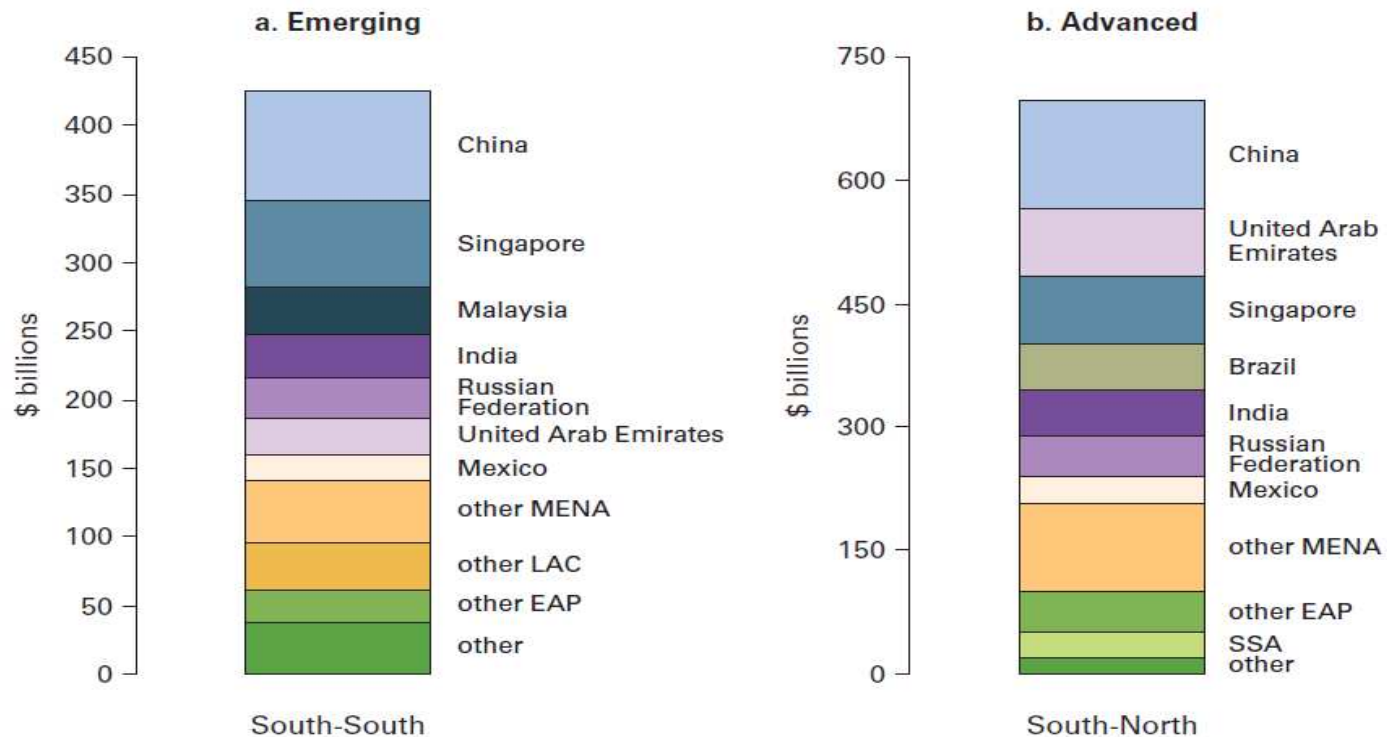
Cross-border M&A investment to low income countries, 1997–2010



Source: World Bank staff estimates based on Thomson-Reuters SDC Platinum.

Largest and fastest-growing emerging markets are the source of most cross-border M&A

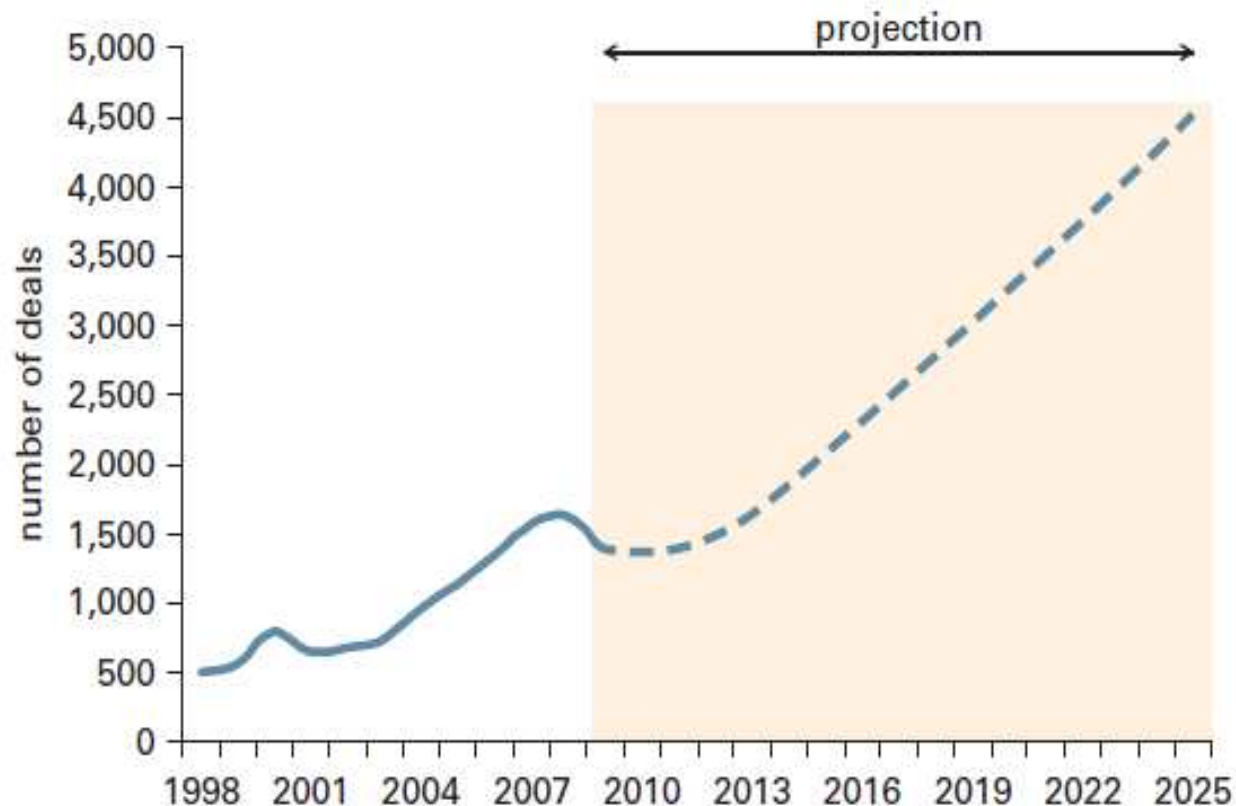
China, India, and the Russia are among the top 10 emerging-market source countries of cross-border M&A transactions by number of deals



Source: World Bank staff estimates based on Thomson-Reuters SDC Platinum.
 Note: EAP = East Asia and the Pacific; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; SSA = Sub-Saharan Africa.

Growth and globalization of emerging economies will likely continue

Projected emerging-market outbound cross-border deals through 2025



Source: World Bank staff estimates.

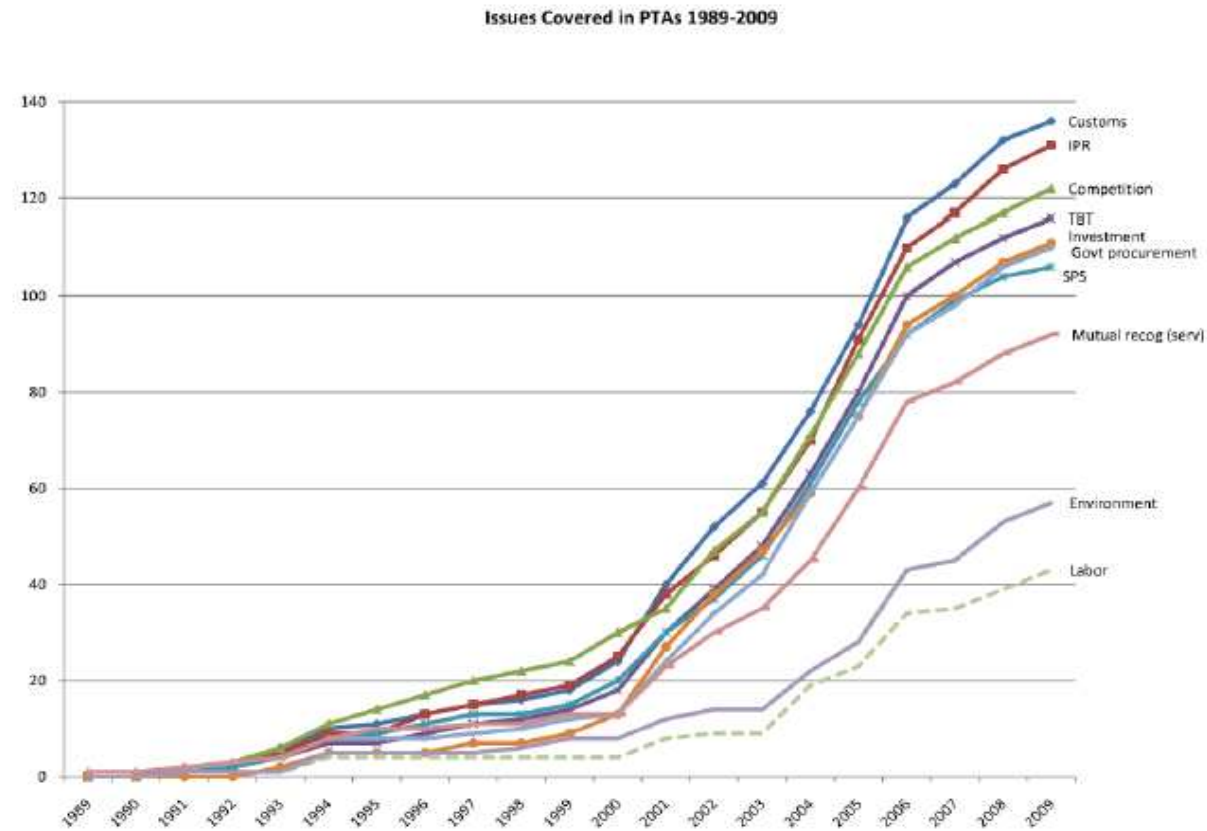
Note: Based on the 53 countries for which complete data are available.



Managing integration pressures

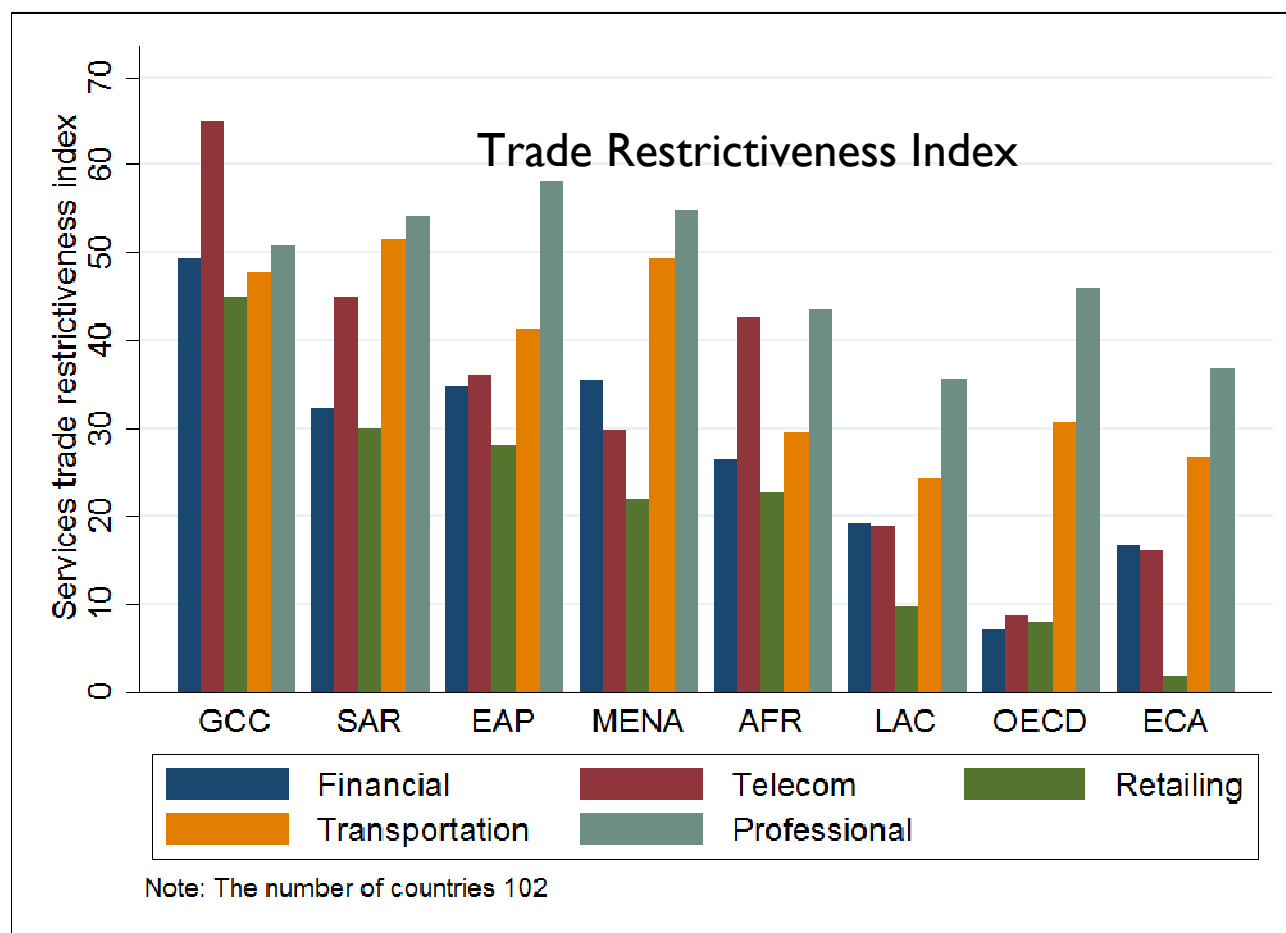
- Open trading system supported trade growth
- Some emerging markets imposing greater barriers to trade post-crisis, but levels of openness not significantly affected (so far)
- WTO deals mainly with trade in products
 - No general rules on investment
 - Limited disciplines on industrial policies, subsidies and government procurement
- Doha Round in trouble

Regional integration: substitute for WTO?



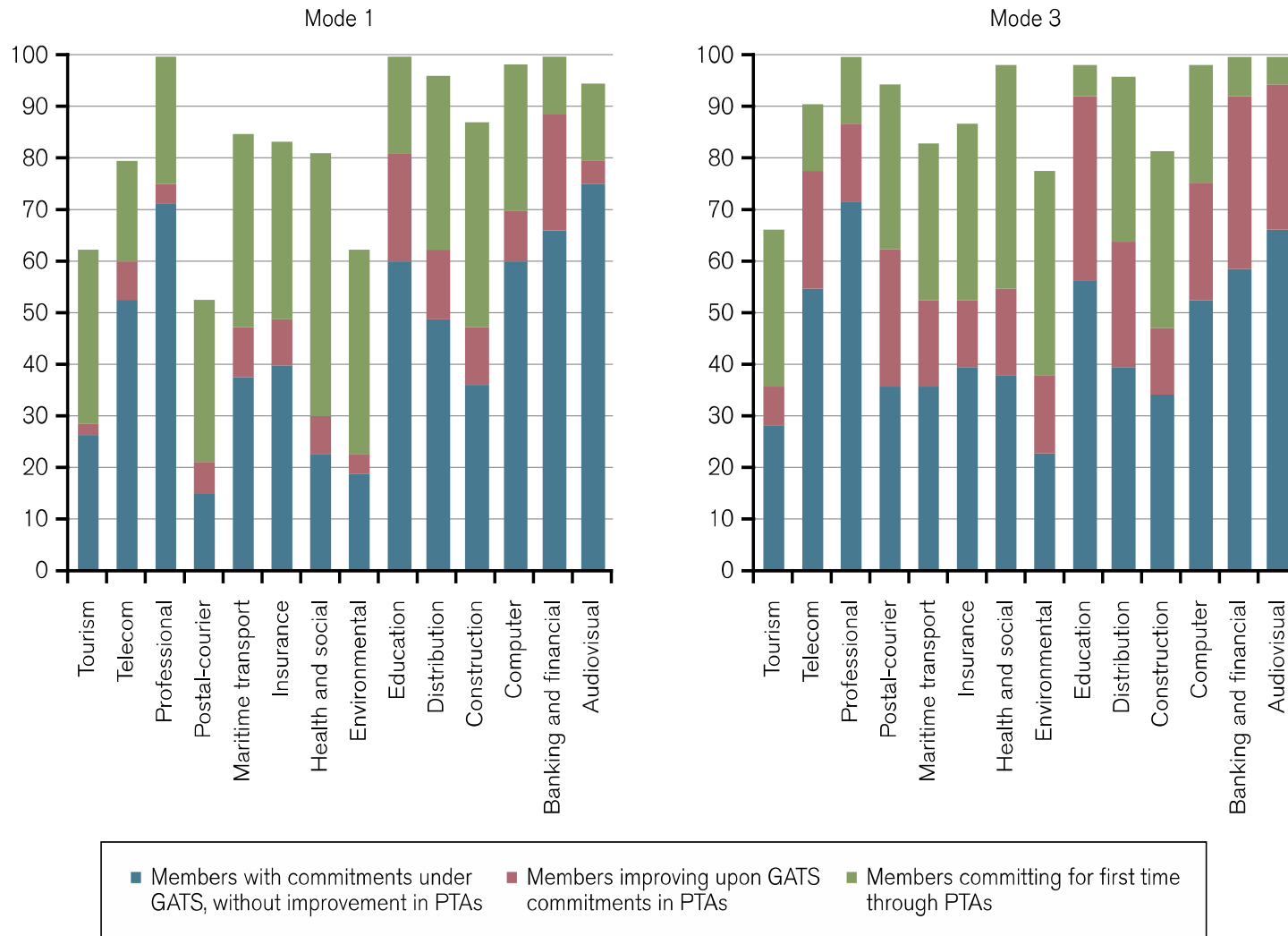
source: WTO RTA database; World Bank Global Preferential Trade Agreements database; Global Economic Prospects (World Bank 2006); and additional observations based on Horvath, Meunier, and Sapir 2009.
Note: IPRs, intellectual property rights; SPS, sanitary and phytosanitary; TBT, technical barriers to trade.

Lowering services restrictions a priority



Source: Ingo Borchert, Batshur Gootiiz and Aaditya Mattoo (2011), World Bank forthcoming.

Commitments on services in PTAs compared to WTO, by sector, cross-border and FDI (%)





Revitalizing Multilateral Cooperation

- Areas (an incomplete list!)
 - Liberalization of trade and investment in services
 - Rules for climate change-motivated trade policies
 - Export restrictions to support local consumption
 - Subsidies and “green” industrial policy
 - Access to natural resources
 - Access/rules for direct investment
 - Discriminatory procurement (“Buy National”)
- In the interest of emerging markets themselves
- Requires “leadership” – i.e., mobilization of domestic interest groups and cross-country coalitions
- Precondition: less negotiation; more communication and learning