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# EMERGING MARKETS FORUM

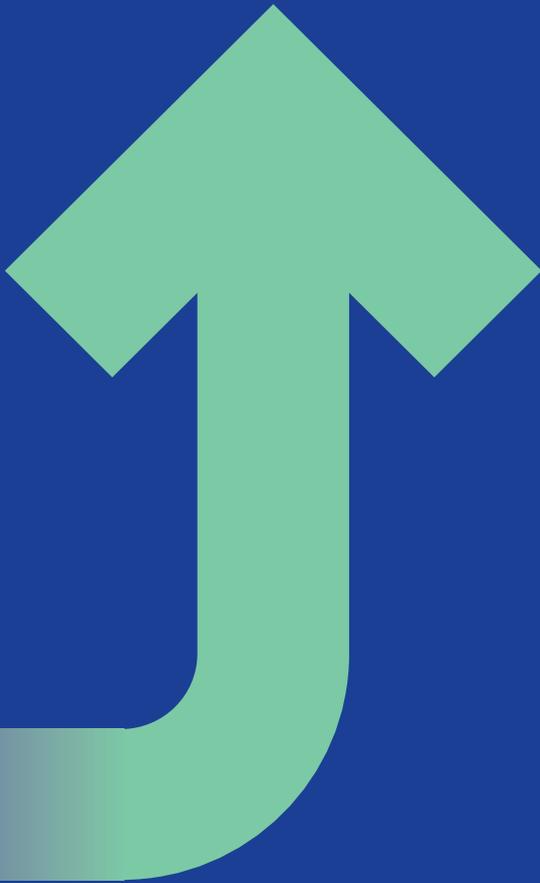
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## Who We Are and What We Do

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EMERGING MARKETS FORUM

SEPTEMBER 2011



**Emerging  
Markets  
Forum**

A nonprofit initiative of the Centennial Group

Bringing people together to  
accelerate growth and  
well-being in emerging markets





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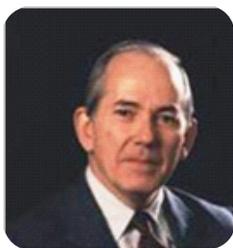
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## MESSAGE FROM OUR CO-CHAIRS



**Fidel Ramos**  
Former President of the  
Republic of Philippines



**Michel Camdessus**  
Former Managing Director  
International Monetary Fund



**Haruhiko Kuroda**  
President  
Asian Development Bank

September 2011

In the past several years, emerging market economies have experienced the adverse effects of the global financial crisis and faced the challenges of restoring growth while maintaining fiscal discipline, achieving inclusive growth, enhancing regional cooperation, managing urbanization, building modern infrastructure, and mitigating climate change. At the same time, emerging markets are encouraged by the emergence of China, India, and Brazil as global front runners in terms of growth and development. These developments are central to their future growth prospects and are thus at the core of the discussions at the Emerging Markets Forum.

Since its inception in 2005, the Emerging Markets Forum has blossomed into a preferred venue for discussion and debate between leading policy makers and top business executives committed to creating and shaping policy solutions to the key challenges facing emerging economies. Indeed, a unique feature of the Forum is that its participants include leaders from both the public and private sector and that it seeks to further strengthen interactions between them. While the Forum's public impact is steadily growing, it maintains its core mission to provide a platform for candid, honest, and intellectual dialogue between high-level government and corporate leaders in an intimate and informal setting.

The Forum has held fourteen highly successful meetings in: Oxford (UK); Jakarta (Indonesia); Madrid (Spain); Montevideo (Uruguay); Gerzensee (Switzerland); Rabat (Morocco); Hanoi (Vietnam); Bogota (Colombia), Mumbai and Delhi (India); Cape Town (Africa); Thun (Switzerland); Washington, D.C. (United States); Tokyo (Japan). A total of nearly 1,000 participants from 78 countries have joined the meetings; the esteemed participants include current and former Heads of State, Central Bank Governors, Ministers, Heads of Multilateral and Bilateral Institutions, Chief Executives and Board Members of private banks and corporations, as well as heads of think tanks and other leading opinion makers.

The Forum discussions are based on substantive papers prepared for the purpose. The papers are disseminated through three channels. First, the papers are available on its website ([www.emergingmarketsforum.org](http://www.emergingmarketsforum.org)). Second, selected papers are published as books marketed by a commercial publishing house. Third, many papers are carried in the Global Journal on Emerging Market Economies, which is published three times a year, and is devoted mainly to the work of the Forum; it is available through subscription.

At its meetings, the Emerging Markets Forum has unveiled a number of publications, including *Asia 2050: Realizing the Asian Century*; *Latin America 2040: Breaking Away from Complacency—An Agenda for Resurgence*; and *India 2039: An Affluent Society in One Generation*. These reports were received positively and have attracted considerable media attention, but perhaps more importantly, they have attracted the attention of policy makers, politicians, as well as business leaders. At its September 2011 meeting, the Forum will release its latest book on the Reform of the International Monetary System.

The Forum has made great strides since its first meeting at Oxford. In many senses, the Forum is a pioneer in its field and we are indeed honored to be involved with an international think tank devoted exclusively to the needs and concerns of the emerging market economies.

A handwritten signature in blue ink, appearing to read 'F. Ramos'.

Fidel Ramos

A handwritten signature in blue ink, appearing to read 'M. Camdessus'.

Michel Camdessus

A handwritten signature in blue ink, appearing to read 'H. Kuroda'.

Haruhiko Kuroda

# Our Purpose: Beyond Talk



The Emerging Markets Forum is a not-for-profit initiative that brings together high-level government and corporate leaders from around the world to engage in dialogue on the key economic, financial and social issues facing emerging market countries.

The Forum is focused on some 80 emerging market economies in East and South Asia, Eurasia, Latin America and Africa that share prospects of superior economic performance, already have or seek to create a conducive business environment and are of near-term interest to private investors, both domestic and international.



Emerging market countries vary in size, history, resource endowments and income levels, but they share common aspirations and often face similar challenges for achieving sustainable growth. The Emerging Markets Forum is committed to bridging the gaps across countries through knowledge sharing, policy debate and private-sector engagement to facilitate their common goal of sustainable growth and development.



Many countries are implementing strategies that will lead to faster economic growth and social progress through prudent macroeconomic management, economic liberalization, openness to global markets and support for a dynamic domestic private sector. Emerging market countries and the international business community share and interest in trade and investment and in issues specific to these economies. The Emerging Markets Forum aims to enable leaders from these countries to engage in a candid exchange of views with their peers in a private and intimate setting.



The Emerging Markets Forum focuses on substantive discussions on common issues and on reaching actionable solutions and conclusions which can then be disseminated and applied by the participants in their respective countries and organizations. This is pivotal in ensuring that the Forum serves not only as an avenue to cultivate such discussion, but also is an avenue to reach consensus on approaches in dealing with common challenges.

# Making a Difference

## What Sets the Emerging Markets Forum Apart

### An agenda with the right priorities

The agenda is driven by the priorities of emerging market countries rather than those of OECD countries or multilateral institutions.

### The belief that emerging markets can achieve sustainable development and alleviate poverty

Sustainable development and poverty alleviation ultimately depend mainly (though not exclusively) on long term economic growth and on public-private partnerships.

### Experienced and accomplished participants

Participants have significant and real life experience in high level policy formulation and in senior executive positions in the private sector.

### A meeting size that is practical and effective

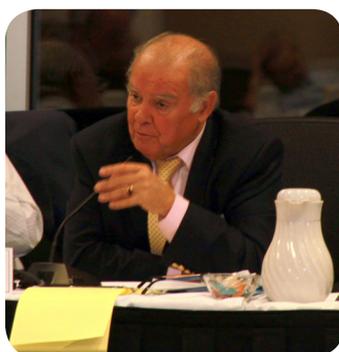
The meetings are small enough to permit candor and intensive dialogue, and yet large enough to incorporate diversity of experience and views.

### Thought provoking papers

Deliberations are grounded in substantive papers written by experts with experience in policy formulation.

### A unique approach to reaching and disseminating solutions

Its modalities are both private (because nothing said is attributed to any individual) and public (because collective conclusions are actively disseminated through publications and the media).



# Our Leadership

The Global and Regional Forums are co-chaired by distinguished and internationally renowned political and economic leaders.

## Co-Chairs



*Global Forum:*

**Fidel V. Ramos**, Former President of the Republic of Philippines

**Michel Camdessus**, Former Managing Director, International Monetary Fund (IMF)

**Haruhiko Kuroda**, President, Asian Development Bank (ADB)

*Latin America Emerging Markets Forum:*

**Enrique V. Iglesias**, Secretary General, Ibero-American General Secretariat; Former President, Inter-American Development Bank (IADB)

**Michel Camdessus**, Former Managing Director, International Monetary Fund (IMF)

**L. Enrique Garcia**, President and Chief Executive Officer, Corporación Andina de Fomento (CAF)

*Africa Emerging Markets Forum:*

**Benjamin William Mkapa**, Former President of Tanzania

**Horst Koehler**, Former President of the Federal Republic of Germany

*Eurasia Emerging Markets Forum:*

**Joseph Deiss**, Former President of the Swiss Confederation, Switzerland

**Michel Camdessus**, Former Managing Director, International Monetary Fund (IMF)

## Founding Directors

**Gautam S. Kaji**, Chairman, Centennial Group; Former Managing Director, World Bank

**P. R. Narvekar**, Vice Chairman, Centennial Group; Former Deputy Managing Director, International Monetary Fund (IMF)

**Harinder S. Kohli**, President and Chief Executive Officer, Centennial Group; Former Director and Senior Advisor, World Bank

## Chief Executive

**Harinder S. Kohli**



# Participants

The Emerging Markets Forum has attracted nearly 1,000 participants from 78 countries. Forum participants include former and current Heads of Government, Central Bank Governors, Heads of Multilateral organizations, CEO's of companies, Heads of Think Tanks, and other high profile leaders in their respective fields.

## Heads of Government:

### **Fakhruddin Ahmed**

Former Prime Minister of Bangladesh

### **Kim Campbell**

Former Prime Minister of Canada

### **Joaquim Chissano**

Former President of Mozambique

### **Joseph Deiss**

Former President of the Swiss Confederation

### **Nguyen Tan Dung**

Prime Minister of the Socialist Republic of Vietnam

### **Vicente Fox**

Former President of Mexico

### **Oswaldo Hurtado**

Former President of Ecuador

### **Horst Koehler**

Former President of the Federal Republic of Germany

### **Paul Martin**

Former Prime Minister of Canada

### **Carlos Mesa**

Former President of the Republic of Bolivia

### **Benjamin William Mkapa**

Former President of Tanzania

### **Moeen Qureshi**

Former Prime Minister of Pakistan

### **Fidel V. Ramos**

Former President of the Republic of Philippines

### **Alvaro Uribe**

President of Colombia

### **Susilo Bambang Yudhoyono**

President of Indonesia





### Heads of Multilateral Institutions:

**Jaseem Ahmed**

Secretary General, Islamic Financial Services Board

**Alicia Barcena**

Secretary General, UN Economic Commission for Latin America and the Caribbean (ECLAC)

**Michel Camdessus**

Former Managing Director, International Monetary Fund (IMF)

**Enrique Garcia**

President, Corporación Andina de Fomento (CAF)

**Enrique V. Iglesias**

Former President, Inter-American Development Bank (IADB)

**Abdoulie Janneh**

Secretary General, Economic Commission for Africa (ECA)

**Omar Kabbaj**

Former President, African Development Bank (AfDB)

**Haruhiko Kuroda**

President of the Asian Development Bank (ADB)

**Luis Alberto Moreno**

President, Inter-American Development Bank (IADB)

**Babacar Ndiaye**

Former President of the African Development Bank (AfDB)

**Surin Pitsuwan**

Secretary General, ASEAN

**Hiroshi Watanabe**

President and CEO, Japan Bank for International Cooperation (JBIC)



### Central Bank Governors/Deputies from:

Argentina, Azerbaijan, Bangladesh, Botswana, Bolivia, Brazil, Chile, Colombia, Egypt, France, Georgia, Ghana, Hong Kong, Hungary, India, Indonesia, Kazakhstan, Kyrgyz Republic, Luxembourg, Malaysia, Mauritania, Morocco, Pakistan, Peru, Spain, Sweden, Switzerland, Tanzania, Thailand, United Kingdom, Uruguay, Vietnam, and Zambia.

### Ministers/ Deputies from:

Argentina, Armenia, Azerbaijan, Bangladesh, Bolivia, Brazil, Cambodia, Chile, Colombia, Costa Rica, Georgia, India, Indonesia, Japan, Kazakhstan, Kyrgyz Republic, Mauritania, Mexico, Mongolia, Morocco, Pakistan, Philippines, South Africa, Spain, Switzerland, Thailand, Turkey, Uruguay, and Vietnam.

# Global and Regional Forums

## Structure and Past Meetings



The Emerging Markets Forum's focal point is the Global Meeting which is held annually. The global meetings are supplemented by meetings of Regional Forums. In this context, in 2008, the Emerging Markets Forum successfully organized the Latin America Forum in Montevideo, Uruguay and the Africa Forum in Rabat, Morocco. In 2009, a new regional meeting was added: the Eurasia Emerging Markets Forum, inaugurated in Gerzensee, and subsequently held in Thun, Switzerland in 2010.



5TH GLOBAL MEETING OF THE EMERGING MARKETS FORUM  
OCTOBER 11-13, 2010  
AIRLIE CENTER, WARRENTON, VIRGINIA USA



**Emerging Markets Forum (EMF) Meetings to date:**

**2005 Inaugural Meeting of the EMF**

*Oxford, United Kingdom, December 9–11*

**2006 Global EMF**

*Jakarta, Indonesia, September 20–22*

**2007 Inaugural Meeting of the Latin America EMF**

*Madrid, Spain, June 7*

**2007 Inaugural Meeting of the Africa EMF**

*Gerzensee, Switzerland, September 30–October 1*

**2007 Latin America EMF**

*Montevideo, Uruguay, December 12–14*

**2008 Africa EMF**

*Rabat, Morocco, April 7–9*

**2008 Global EMF**

*Hanoi, Vietnam, June 29–July 1*

**2009 Inaugural Meeting of Eurasia EMF**

*Gerzensee, Switzerland, January 31–February 2*

**2009 Latin America EMF**

*Bogota, Colombia, April 1–3*

**2009 Global EMF**

*Mumbai and New Delhi, India, June 23–26*

**2009 Africa EMF**

*Cape Town, South Africa, September 13–15*

**2010 Eurasia EMF**

*Thun, Switzerland, January 24–26*

**2010 Global EMF**

*Airlie Center, United States of America, October 11–13*

**2011 EMF Asia 2050 Book Launch Seminar**

*Tokyo, Japan, August 1–2*

**2011 Global EMF**

*Airlie Center, United States of America, September 25–27*



# Key Themes for Discussion & Related Papers

The Forum focuses on specific themes for in-depth exploration around which to develop policy consensus:



**Global Financial Crisis and the Impact on Emerging Markets**



**Economic Development and Inclusive Growth**



**Climate Change and Energy**



**Infrastructure Development and Public Private Partnerships**



**Capital Flows to and from Emerging Market Economies**



**Regional Cooperation, Trade and Investment**



**Development of National and Regional Financial Markets**



## Global Financial Crisis and the Impact on Emerging Markets

Each Forum meeting starts with a review of new trends in the global economy and financial markets and their implications for emerging markets. Issues discussed include global imbalances, economic and financial crisis, and the role of EMCs in the global economic architecture. In the early stages of the current financial crisis, the prospects for emerging economies looked very promising. While there were concerns about the effects of a shallow recession in the United States, the general perception was that emerging economies were decoupled from the advanced economies and that wealth would grow with few restrictions. As it continued to unfold, however, the financial crisis has become the worst in the last seventy years. While sound policies have ensured that some emerging markets were spared the worst, the indirect impact of financial turmoil in developed economies is being felt in many emerging markets, particularly in terms of its effects on the real economy. Demand for exports has been significantly reduced, debt flows have been declining and commodity prices have fallen. The authorities and economic agents were initially taken by surprise. Now they are responding to the challenges caused by the rapidly deteriorating external environment. However, there are serious economic and political stumbling blocks that may well cause the recovery to be costly and slow to consolidate. In light of the current turmoil, recent Forum meetings have incorporated discussions focused on viewing the crisis from the eyes of emerging markets with a view to practical steps that can be taken by governments to overcome challenges caused by the external environment.

The crisis has also triggered significant changes in the governance of the global economic and financial system with the G20 rising to new prominence and with many proposals for the reform of the International Monetary Fund. The Forum aims to incorporate these latest developments into the forefront of current discussions.

### **Papers:**

*Global Financial Turmoil and Emerging Market Economies: Major Contagion and a Shocking Loss of Wealth* (2009), Claudio Loser, Centennial Latin America.

*Global Governance and Reform of the International Monetary Fund: An Update* (2009), Jack Boorman, Emerging Markets Forum.

*Mexico: A Safe Vessel or a Risky Wreck in Turbulent Waters?* (2009), Claudio Loser, Centennial Latin America.

*The Impact of the Financial Crisis on Emerging Market Economies: The Transmission Mechanism, Policy Mechanism, Policy Response, and Lessons* (2009), Jack Boorman, Emerging Markets Forum.

*A Market Player's View of the Implications of Current Global Financial Turmoil* (2008), Caio Koch-Weser, Gustavo Canonero, Arend Kapteyn, and Michael Spencer, Deutsche Bank.

*Emerging Market Economies and the Global Financial Crisis: Resilient or Vulnerable in Turbulent Times* (2008), Jack Boorman, Anupam Basu, Manu Bhaskaran, and Claudio Loser, Centennial Group.

*Will Emerging Markets Remain Resilient to Global Stress?* (2008), Peter Dattels and Ken Miyajima, International Monetary Fund.

*An Agenda for the Reform of the International Monetary Fund* (2007), Jack Boorman, Emerging Markets Forum.

*The Impact of the Global Financial Crisis on Emerging and Frontier Markets in Africa* (2009), Jack Boorman, Emerging Markets Forum, and Benedicte Vibe Christensen, International Monetary Fund.

*The New Resilience of Emerging Market Countries: Weathering the Recent Crisis in the Global Economy* (2010), Jack Boorman, José Fajgenbaum, Manu Bhaskaran, Harpaul Alberto Kohli, and Drew Arnold, Centennial Group.

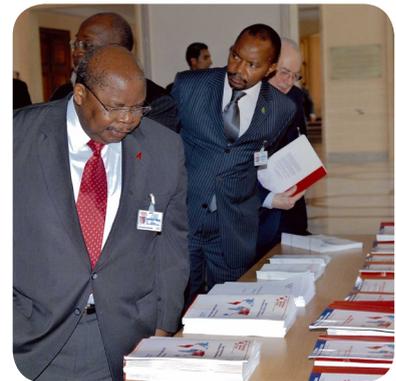
*The Global Economic Crisis of 2008–09 in the Caucasus, Central Asia and Mongolia* (2010), Pradeep K. Mitra, World Bank.



## Economic Development and Inclusive Growth

With their rising share in the international economy, emerging market countries are finding that their economic prospects and policies are heavily influenced by the broader global economic environment. The competitiveness of regional economies and their long-term relative performance must be viewed in the global context. The Forum's agenda attempts to do so.

An important and socially desirable way to ensure lasting growth is through the implementation of inclusive growth policies. Over the long term, this would lead to higher economic growth as well as a reduction in income disparities and therefore make the development process politically and economically more sustainable. Since the beginning of the decade, household income inequality has actually fallen in many emerging economies, particularly those of Latin America. While this is a welcome development, it should not lead to complacency. Inequality still remains high in Latin America, and in many other emerging markets, inequality is yet to fall. There is a need to learn from the experiences of those countries where significant progress has recently been achieved. The Forum discussions take into account the need for inclusive pro-poor growth as a necessary condition for sustainable development in emerging economies.



### Papers:

*Is Latin America Becoming More Inclusive?* (2009), Nora Lustig, George Washington University & Center for Global Development.

*Lessons from Colombian Economic Development* (2009), Juan Carlos Echeverry, University of Los Andes, Colombia.

*Cross-Border Trade and Investment among Emerging Economies: Lessons from differing experiences in Africa, Asia, and Latin America* (2008), Claudio Loser, Centennial Latin America.

*Income Disparity and Growth* (2008), Vinod Thomas, World Bank.

*South Africa in the Africa Economy: Growth Spillovers* (2009), Vivek Arora and Athanasios Vamvakidis, International Monetary Fund.

*El Salto del Siglo XX al Siglo XXI: Del "Neoliberalismo" al "Neopopulismo". ¿Una Caracterización Suficiente?* (2007), President Carlos D. Mesa Gisbert.

*Productivity and Competitiveness in Latin America: Policy Options to Close the Gaps* (2007), Adriana Arreaza and Luis Miguel Castilla, Corporación Andina de Fomento.

*The Difference Inclusive Growth Makes* (2007), Vinod Thomas, World Bank.

*The Prospects for Latin America: Risks and Opportunities with a Historical Perspective* (2007), Claudio Loser, Centennial Latin America.

*Structural Transformation and African Agriculture* (2009), Hans P. Binswanger-Mkhize, Praful Patel, Centennial Group, and Alex F. McCalla, University of California.



## Climate Change and Energy



Climate change has become one of the central issues of our time because global warming affects every nation and every person on this planet. Potential risks include: sea level projected to rise up to one meter in the future, with a dramatic impact on many developing countries; and the glaciers in the Himalayas melting rapidly, a development that will lead to serious water shortages on the Indian sub-continent.

Emerging market countries cannot afford to be complacent about climate change, nor should they be defensive. Currently 29% of emissions come from Asia, and on current trends, this would increase to over 42% over the next two decades. India and China will build coal fired plants in the next five years that will add more CO<sub>2</sub> than Kyoto will have saved. Greater energy efficiency as well as a low carbon footprint can be achieved through clean energy policies, focusing on renewable energy sources, carbon taxes and through the trade of carbon credits. Technological solutions to reducing emissions will not come from a centralized approach but rather through partnerships with the private sector. Industries such as the Clean Development Mechanism (CDM) provide significant opportunities and need to be pursued relentlessly.

### Papers:

*Energy and Sustainability in an Affluent India: Unleashing an Energy Revolution* (2009), Hossein Razavi

*Climate of Opportunity: Developing Asia's Potential to Address Climate Change* (2009), Bindu Lohani, Asian Development Bank.

*Business Opportunities in Africa for CDM-Projects and Carbon Trading* (2008) , Rolf M. Jeker, Emerging Market Services Ltd.

*Climate Change: Opportunities for Africa* (2008) , Maria Ramos and Vuyo Kahla, Transnet Limited.

*Climate Change: Opportunities for Private Sector* (2008), Kevin Leo-Smith, Sustainable Forestry Management Africa.

*Climate Change: Priority Agenda for Policy Makers and Opportunities for Business in Emerging Markets in Asia* (2008), Bindu Lohani, Asian Development Bank.

*New Global Energy Scene and Emerging Markets* (2006), Armando Ribeiro de Araujo, Centennial Latin America.

*Should Emerging Market Economies Act on Climate Change, or Wait?* (2010), Cameron Hepburn and John Ward, Vivid Economics.

*The Role of Emerging Markets in Climate Change: The Asian Perspective* (2010), Bindu N. Lohani, Asian Development Bank.

*Central Asia's Oil and Gas Reserves: To Whom do they Matter?* (2010), Martha Brill Olcott, Carnegie Endowment for International Peace.

# Infrastructure Development and Public-Private Partnerships

It is now widely agreed that infrastructure is an essential building block for economic growth and social development. Infrastructure enhances productivity, social progress, international competitiveness and the attractiveness of a country for foreign investment. It is fundamental for enhancing regional trade and investment flows. In recent years, while parts of Asia in particular have witnessed an increase in access to infrastructure, overall access still remains uneven within many countries, particularly between rural and urban areas.

In some fast growing countries, particularly in Asia, infrastructure bottlenecks are threatening to suffocate future growth. In many countries, the public sector has neither the financial nor human resources to meet their massive infrastructure needs. Policymakers are seeking ways to promote public-partnerships in infrastructure development geared towards providing greater access to their citizens and businesses. However, it is crucial that these public-private partnerships operate within a well-conceived legal and regulatory framework informed by global experience. Policy makers and private sector leaders have much to learn from each other by sharing their experiences and discussing their concerns. This subject is therefore a part of the Forum's core agenda.

Improving the stock of infrastructure is a priority in Latin America, which has been exhibiting a growing productivity gap with respect to the rest of the world and a fall in relative participation in world trade. The region has made important advances in the provision of infrastructure services but continues to lag behind other developed and developing regions. The Forum aims to address this issue.

## Papers:

*Infrastructure in Latin America: Achieving High Impact Management* (2009), Stefania Scandizzo & Pablo Sanguinetti, Corporación Andina de Fomento.

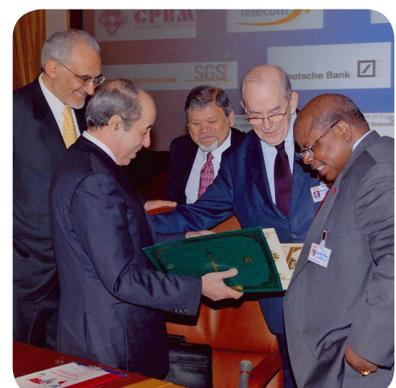
*Issues in Infrastructure Investment in Africa* (2008), Maria Ramos and Vuyo Kahla, Transnet Limited.

*Infrastructure Development and Services in Selected Emerging Market and OECD Countries: Key Indicators* (2007), Harpaul Alberto Kohli, Centennial Group.

*Public-Private Partnerships and the Infrastructure Challenge in Latin America* (2007), Stefania Scandizzo, Corporación Andina de Fomento.

*Building Asia's Infrastructure: Issues and Options* (2006), Haruhiko Kuroda, Rajat Nag, and Rita Nangia, Asian Development Bank.

*Africa's Infrastructure: A Time for Transformation* (2009), Vivien Foster and Cecilia M. Briceño-Garmendia, World Bank.





## Capital Flows to and from Emerging Market Economies

For a long time, emerging market countries have largely attracted capital flows, mainly official flows, from developed nations. In the past decade, private capital flows to emerging market countries have increased dramatically as a result of economic growth, increased stability, and the liberalization of capital accounts, and now dwarf official flows. In more recent times, emerging market countries themselves have become an important source of lending and investment in other emerging market countries. And, in the past few years, some emerging market countries have started investing in the developed world particularly through Sovereign Wealth Funds. Management of capital flows—both inward and outward flows of capital and their potential benefits are a regular topic of discussion at the Forum.

### Papers:

*The Coming of Age of Sovereign Wealth Funds: Perspectives and Policy Issues Within and Beyond Borders* (2008), Adriana Arreaza, Luis Miguel Castilla, and Cristina Fernández, Corporación Andina de Fomento.

*FDI Outflows from Emerging Economies* (2006), Heinz Hauser, Swiss Institute for International Economics & Applied Economic Research and University of St.Gallen.

*Global Imbalances and Capital Flows to Emerging Market Countries* (2006), Jack Boorman, Emerging Markets Forum.

*Outward Foreign Direct Investment from India* (2006), Rakesh Jha, ICICI Bank Limited, India.

*Private Capital Flows to Emerging Market Economies: Major Drivers, Recent Developments and Key Issues* (2006), V. Sundararajan and Harinder Kohli, Centennial Group.

*The International Capital Flows' New Directions* (2006), Marcílio Marques Moreira, Centennial Latin America.

*Foreign Direct Investment in Emerging Economies* (2005), Klaus Meyer, Reading University.

*Managing Capital Inflows: What Have We Learned?* (2005), Barry Bosworth, Brookings Institution, Washington DC.

*Managing Portfolio Equity Flows in Emerging Market Countries* (2005), Manu Bhaskaran, V. Sundararajan and Harinder Kohli, Centennial Group.





## Regional Cooperation, Trade and Investment



Over the last quarter century, international trade and investment growth has constituted the most dynamic aspect of international cooperation and globalization and has led to a shift in regional interactions as trade flows among developing countries have grown faster than overall trade. In East Asia, regional trade now exceeds levels of NAFTA and approaches levels close to the European Union. As emerging economies see the benefits of greater trade and investment flows between themselves, there is a keen interest in all regions to emulate the example of Europe. Yet, clear differences exist between regions on trade openness and integration. Despite a number of intra-regional trade agreements in Latin America, Africa and South Asia, the level of intra-regional trade in these regions has remained well below the expectations of policy makers. Intra-Africa trade is hindered by the difficulty of travel and transport and lack of investment. In South Asia, political tensions have stymied progress. In sharp contrast, trade in East Asia is undergoing a transformation driven by China's shift in competitive advantage away from low-cost to high value production.

Policymakers need to focus on the fundamentals to increase regional trade among emerging countries, rather than focusing excessive energy on trying to pass macro-level free trade agreements. This would include creating an environment that is business friendly; facilitating trade logistics; and creating physical connectivity between countries. This is particularly true for smaller developing nations, where it is much more productive to focus on micro-level changes, such as customs reform. Given the intense interest of the participants in enhancing regional cooperation, this subject is a regular part of the Forum agenda.

### Papers:

*Cross-Border Trade and Investment among Emerging Economies: Lessons from differing experiences in Africa, Asia and Latin America* (2009), Claudio Loser, Centennial Latin America.

*First Eurasia Emerging Markets Forum: 'Connecting Central Asia with the World'* (2009), Johannes F. Linn

*Barriers to Cross-Border Trade and Investment: Lessons from Southern Africa* (2008), Lesetja Kyanyango, National Treasury of South Africa.

*Challenges to Cross-Border Investments in Mining in Africa* (2008), Samuel Jonah, Jonah Capital

*Looking East: Africa's Newest Investment Partners* (2009), Deborah Brautigam, American University.

*Trade and Transport in Central Asia* (2010), Richard Pomfret, University of Adelaide.

*The Challenges of Regional Integration in Africa and Policy Options* (2008), Anupam Basu, Centennial Group.

*Trade Facilitation and Public-Private Partnerships in Africa* (2008), Rolf M. Jeker, Emerging Market Services Ltd.

*Latin American and East Asian Trade Strategies* (2006), Luis Miguel Castilla, Corporación Andina de Fomento.

*Outsourcing and Offshoring: Key Trends and Issues* (2005), Mari Sako, Saïd Business School, University of Oxford.

*Connecting Central Asia and the Caucasus with the World* (2010), Johannes F. Linn, Emerging Markets Forum.

*Rivalry and Competition in Central Asia* (2010), Martha Brill Olcott, Carnegie Endowment for International Peace.

# Development of National and Regional Financial Markets

Many emerging market economies—particularly in Asia and the Middle East—have started to generate surplus savings and recently have become net exporters of capital to developed countries. At the same time, most Asian countries need to increase investment rates, including for the purpose of eliminating infrastructure bottlenecks. Investment requirements will be partly met by importing private capital from capital markets in the US and Europe because national and regional financial markets of many emerging markets are not sufficiently developed to intermedicate their own surplus savings. The financial markets in Asia, for example, do not match the region's prowess in manufacturing. Financial markets in many Latin American countries and most African countries have a long way to go.

Public and private sector leaders in emerging markets are therefore keenly interested in developing both regional and national financial markets, including equity and bond markets. The speed of capital market development and integration will ultimately be determined by market forces. However, if the process is not given greater urgency, regional capital markets may be marginalized by larger and more mature markets such as in the US. The basic building block must be the development of national financial and regional capital markets that adopt global standards. Greater coordination among all the exchanges and capital markets is required and efforts must be properly synchronized. It is also imperative that there is greater cooperation with the private sector.

## Papers:

*Regional Integration of Capital Markets in ASEAN: Recent Developments, Issues, and Strategies (With Special Reference to Equity Markets)* (2008), Jaseem Ahmed, Asian Development Bank, and V. Sundararajan, Centennial Group.

*Financial Integration in Africa: BMCE Group Strategy* (2008), Jaloul Ayed, BMCE Bank.

*Financial Sector Challenges in Africa's Emerging Markets* (2008), Massimo Russo and Piero Ugolini, Centennial Group.

*Policies to Support Financial Sector Development in Africa* (2008), Philipp M. Hildebrand, Swiss National Bank.

*Securing International Finance: Issues of Debt Management, Prospects, and Modalities* (2008), Paul A. Acquah, Central Bank of Ghana.

*The Capital Markets in Latin America: Are they at a turning point?* (2007), Miguel Alberto Kiguel, EconViews and Universidad Di Tella.

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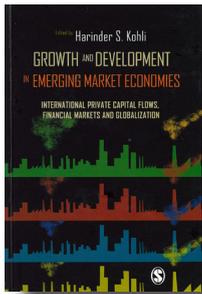
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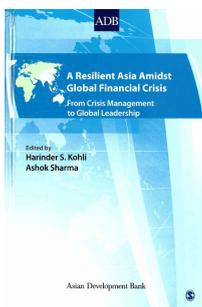
# Publications

In addition to producing and publishing papers for the Forum Meetings, the Emerging Markets Forum focuses on ensuring that the papers reach a larger audience through an active publications strategy. Among its publications are:



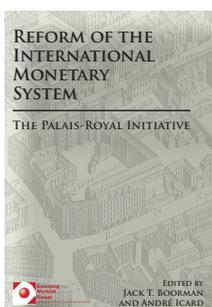
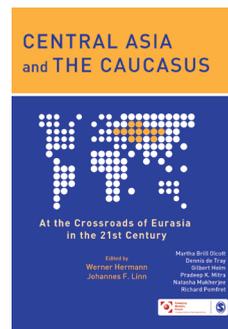
**Growth and Development in Emerging Market Economies: International Private Capital Flows, Financial Markets and Globalization**, a book published in early 2008 which contains selected papers from the 2006 Global Meeting in Jakarta. Edited by Harinder Kohli, Sage Publications India, 2008.

**The Global Journal of Emerging Market Economies**, a professional journal started in 2008 which is published three times a year and available by subscription. This Journal contains selected papers from the Global Meetings of the Emerging Markets Forum. The aim of the Journal is to provide an international platform for publication of original research on the emerging economies.



**A Resilient Asia Amidst Global Financial Crisis: From Crisis Management to Global Leadership**, a book based on the papers presented and discussions held at a high-level regional workshop organized by the Asian Development Bank in January 2010 to discuss the impact of the global economic and financial crisis on developing Asia. Edited by Harinder Kohli and Ashok Sharma, Sage Publications India, 2010.

**Central Asia and the Caucasus: At the Crossroads of Eurasia in the 21st Century**, a book published in 2011 bringing together a series of background papers prepared for the 2010 Eurasia Emerging Markets Forum held in Thun, Switzerland. Edited by Werner Hermann and Johannes F. Linn, Sage Publications India, 2011.



**Reform of the International Monetary System: The Palais-Royal Group**, a book released at the 2011 Global Meeting of the Emerging Markets Forum, September 25–27 at Airlie Center, Virginia, USA, presents the report (and background papers) of the Palais-Royal Group, which was formed to evaluate the international monetary system. These discussions, organized by Michel Camdessus, Tommaso Padoa-Schioppa, and Alexandre Lamfalussy, propose changes that would be needed to help stabilize the International Monetary System and reduce the likelihood of future failures.

In addition to the above publications, the Emerging Markets Forum has prominently featured the following publications at past meetings: **Asia 2050: Realizing the Asian Century**; **Latin America 2040: Breaking Away from Complacency—An Agenda for Resurgence**; and **India 2039: An Affluent Society in One Generation**. Full descriptions of these published books can be found on the following pages.

# ASIA 2050

## Realizing the Asian Century

*Debuted at the Emerging Markets Forum Asia 2050 Book Launch Seminar in Tokyo, Japan, 2011.*

This book presents an image of what Asia as a whole is capable of achieving by the year 2050, and the related policies and reforms that are required to reach its development potential. Asia is in the midst of a truly historic transformation. If it continues to grow on its recent trajectory, it could, by 2050, account for more than half of global GDP, trade and investment, and enjoy widespread affluence. Its per capita income could rise six-fold. It thus holds the promise of making some 4 billion Asians, hitherto commonly associated with poverty and deprivation, affluent by today's standards. By nearly doubling its share of global GDP (from 27 percent in 2010 to 51 percent by 2050) Asia would regain the dominant global economic position it held some 250 years ago, before the Industrial Revolution. Some have called this possibility the "Asian Century".

While this promising outcome, premised on the major economies sustaining the present growth trajectory, is plausible, it does not imply that the path ahead is just doing more of the same. Indeed, just maintaining the present growth rates will require urgently tackling a broad array of politically difficult issues over a long and sustained period, even though benefits may not be obvious in the near term. Asia's rise is by no means preordained.

Asia is a region of paradoxes. The gap between advanced economies and the least developed is the largest of any region of the world. In fact, income inequality in Asia is mostly explained by differences between countries, in sharp contrast to income inequality in Europe, North America or Latin America, where most income inequality is within countries. As yet, Asia has given little thought as to how to manage inter-country inequality, suggesting that Asia faces a considerable risk if some countries are allowed to lag behind while others enjoy the benefits of global and regional expansion. This report recommends two initiatives under Asia's regional cooperation agenda: (i) unhindered trade and investment flows across all 49 Asian economies; and (ii) the launching of a meaningful intra-regional development assistance program—on a bilateral or multilateral basis—consistent with Development Assistance Committee (DAC) guidelines.

A distinguishing feature of Asia's economic story during the past fifty years has been the singular focus of most policy makers and political leaders on domestic economic and social development. This was appropriate as countries attempted to eradicate poverty and rapidly catch up with the developed countries. It was also possible to do so when Asia's global footprint was smaller. But as the center of gravity of the world economy moves to Asia, culminating in its share of global GDP rising to half or more, it will no longer be possible or desirable. It is therefore important that Asian policy makers look beyond their national borders. Managing some of the biggest risks facing the region—particularly, cross-country disparities that could lead to conflict—will require region-wide discussion and action.

In this book, Centennial Group presents a strategic framework and the contours of general strategies for Asia as a whole. The framework covers three dimensions: national action; regional cooperation; and collective action on the global agenda.

# LATIN AMERICA 2040

## Breaking Away from Complacency: An Agenda for Resurgence

*Debuted at 2010 Global Meeting of the Emerging Markets Forum, Washington, DC, USA.*

This book presents a long term vision of Latin American society and economies, within which current policy debates and actions must be anchored. It presents a set of multigenerational issues that must be tackled urgently in order for countries in the region to sharply reduce inequities as well as raise their economic growth rates. The authors provide insight and advice regarding: budgetary policy and management; poverty reduction; macroeconomic policy coordination and integration; labor market policy; long-term macroeconomic reforms; innovation and technological development; infrastructure needs; regional cooperation and trade; and governance and political sustainability.

This book provides an analysis of the challenges facing economic growth, equality, public safety, education, competitiveness and technology and innovation. In doing so, the authors analyze the reasons for underperformance of the Latin America region during the past 30 years as compared to Asia and highlight issues related to the unsustainable economic, social and political state of Latin America.

Centennial's econometric model used for this study is its proprietary instrumental-variable-based structural equation model used to project infrastructure needs of 21 countries for 10 sectors through 2040 for alternate growth scenarios. The innovative methodology was published in a 2011 journal article, and its results constituted an entire chapter in the Latin America 2040 book. As one explanatory variable affected others, instrumental variables were required to ensure un-biasedness.

Latin America 2040 presents a strategy to realize the vision for rapid economic growth and faster reduction in disparities during the next three decades. It offers an agenda for what Latin America's national leaders, policy makers and private businesses must do to regain the region's past momentum and achieve a much needed resurgence.

# INDIA 2039

## An affluent society in one generation

*Debuted at the 2009 Global Meeting of the Emerging Markets Forum, Mumbai, India.*

This book provides a perspective on where India could be in the year 2039 if it maintains similar economic growth rates as it has experienced recently. In addition to emphasizing the virtuous cycle between growth and poverty reduction, the book outlines the salient challenges that India must overcome to achieve this end. These challenges include:

- Addressing structural inequalities that lie at the core of poverty and exclusion of the most vulnerable groups
- Provision of quality social (education and health) and infrastructure services to rural and urban populations
- Ensuring an improved environment—clean air, clean water and sanitation etc.
- Launching an Energy revolution, also with a view to reducing the economy's carbon intensity
- Overcoming Infrastructure (including power) bottlenecks
- Improving the quality of education and access to secondary and tertiary education
- Fostering Innovation
- Improving the business environment including to foster entrepreneurship and innovation
- Assistance to less well-off neighboring countries
- Taking on the role of a responsible global citizen

The book proposes that India could be one of the top three global economic powers in 30 years, by presenting a persuasive case that if India succeeds in sustaining its recent economic success over the longer term (as many East Asian economies have done in the past), India can realistically aspire to become an affluent society—with a GDP per capita of \$22,000 (PPP terms) and no poor people—within one generation.

India 2039 provides a description and analysis of alternative scenarios of India's long term growth between 2009 and 2039. It draws lessons from other successful developing countries for India and identified the key multi-generation issues that need priority attention to allow India to continue its recent progress. The book assesses the many hurdles—political, social, policy and institutional—that India must overcome to realize this vision and lift millions of Indians from relative poverty today to enjoy the fruits of a modern and inclusive affluent society within 30 years. It provides an agenda of intergenerational issues that are central to India avoiding the middle income trap—where countries stagnate at middle income levels and are unable to achieve high income status—that so many other countries have fallen into. The recommendations also emphasized a pro-active stance on the climate change agenda, indicating that this would be in India's self-interest.

Prepared for

For over two decades, India's economic development has gathered impressive momentum, and looking beyond the short-term impact of the current worldwide crisis, this book explains how a continued high savings rate combined with far reaching institutional changes can lead almost 1.5 billion people to real prosperity—equivalent to, say, Portugal today. The recommendations of the book were discussed with senior level policy-makers (including from the National Planning Commission) as well as a number of private sector executives at a 2-day forum in Mumbai, and shared with all Members of India's parliament.

COHESIVE  
SOCIETY

COMPETITIVE  
ECONOMY

GLOBAL  
CITIZEN

# In the Press

The Emerging Markets Forum Meetings have attracted significant international press coverage. Some prominent press pieces that have been published follow. Full access to these press articles can be found on the EMF website.



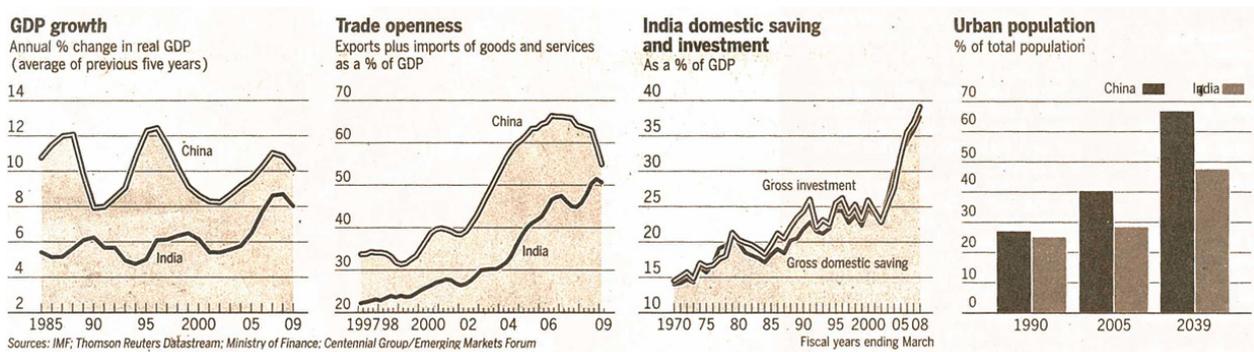
## How India must change if it is to be an advanced economy

By Martin Wolf  
July 8th, 2009

“What will the world economy - indeed, the world - look like after the financial crisis is over? Will this prove to be a mere blip or something more fundamental? Much of the answer will be provided by the performance of the two Asian giants, China and India. Rightly or wrongly, it is widely accepted that China will continue to grow very rapidly. But what is the likely future for India?

I attended debates on this question in Mumbai and Delhi two weeks ago. The occasion was the launch of a report prepared by the Centennial Group for this year’s Emerging Markets Forum.\* It addresses a provocative question: what would need to change if India were to become an affluent country in one generation? The answer is: a great deal. But one thing is clear: after the performance of the past three decades, the goal is not absurd....

... Just how far the transformation would have to go is shown by the “seven inter-generational issues” on which this report focuses: first, tackling disparities, not least among social groupings, but without further entrenching group-based entitlements and group-based politics; second, improving the environment, including the global environment; third, eliminating India’s pervasive infrastructure bottlenecks; fourth, transforming the delivery of public services, particularly in India’s ill-served cities; fifth, renewing education, technological development and innovation; sixth, revolutionising energy production and consumption; and, finally, fostering a prosperous south Asia and becoming a responsible global power. ...”



## Economics focus | Middle-age spread

### More mature relations with foreign creditors are benefiting emerging markets

EMERGING markets are alternately courted by foreign capital and savagely rejected by it. Many of the luminaries who assembled on December 9th-11th at Templeton College, Oxford for the first annual meeting of the Emerging Markets Forum bear the scars of this torrid relationship. The forum—chaired by Fidel Ramos, former president of the Philippines, and Michel Camdessus, once managing director of the IMF—brings together veterans from ministries, markets and multilaterals, in a room where no one is trying to sell a bond or secure a bail-out.

Not that emerging markets are struggling to do either these days. Mexico's government has already raised the foreign money it needs for 2006 and 2007. It can now borrow almost as cheaply as its northern neighbour. The spread on its debt—the premium it must offer investors above the yield paid on American Treasuries—is little more than a percentage point. Last month, spreads on J.P. Morgan's index of emerging-market bonds (the EMBI Global) fell below 2.3 percentage points, the lowest on record (see chart). According to economists at Goldman Sachs, countries such as Brazil are borrowing at margins not seen since Britain was the world's banker and gold its standard of value.

Why are spreads so narrow? The commonplace answer is "global liquidity". With interest rates so low for so long, yields in the rich world have grown flat, stale and unprofitable. Investors have sought higher rewards on chancier investments farther afield. Their custom has pushed up the price on emerging-market debt and narrowed the spread. In 2001 two IMF economists calculated that a 1% fall in American ten-year yields subtracted 0.78% from the spread demanded by buyers of emerging-market bonds in the secondary market.

But Treasury yields are no longer falling. The ten-year rate is now back near its 2002 average, and yet spreads on emerging-market debt are still 4.9 percentage points below theirs. In a recent study, Mike Buchanan and Mónica Fuentes, two economists at Goldman Sachs, calculated that "virtually none" of the narrowing of spreads since the end of 2002 can be explained by the search for yield.

What, then, can explain it? Faster growth, lower inflation and tighter public finances in most emerging markets (outside central

Europe) have played a role. Also important is a greater appetite for risk among investors. But 27% of the compression in spreads, reckon Mr Buchanan and Ms Fuentes, is due to a change in the "investor base", a shift in who the buyers are, not just in their willingness to pay.

### Out of my class

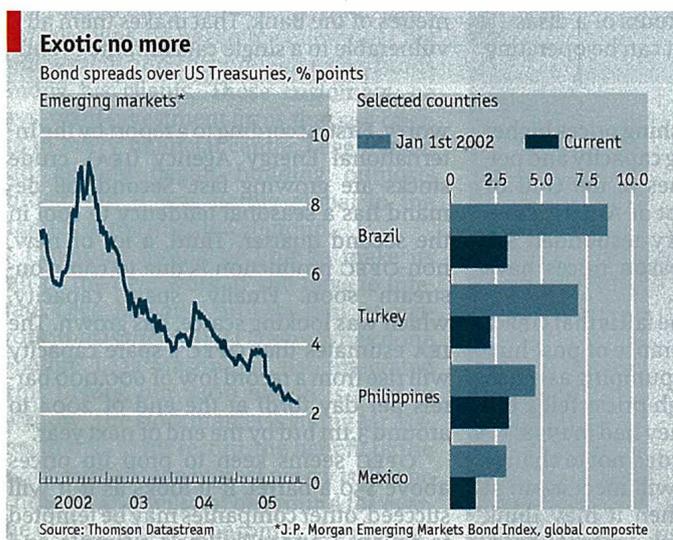
Emerging markets, it seems, are appealing to a different class of suitor these days. Traditionally the preserve of adventurous cosmopolitans and reckless opportunists, these markets have now claimed a place in some of the more staid and parochial portfolios. In the first half of the year institutional investors, such as pension funds, allocated \$7.3 billion to strategic investments in emerging markets, according to the IMF, a 73% increase over the first half of 2004. Funds dedicated to emerging markets have enjoyed large inflows of money, even as their traditional rivals—junk-bond funds—have suffered heavy outflows.

At the Emerging Markets Forum, the private-sector participants pointed out that this broader class of investors has changed the nature of the courtship between buyers and issuers. Whereas in the past, foreign creditors sought only a short-term commitment; the new money seems prepared to stick around. Panama, Peru and Brazil have all succeeded in exchanging near-dated securities for longer-dated instruments this year. Poland had the audacity to issue a 50-year bond.

By tradition, foreigners have also demanded repayment in hard currency. But as this dollar- and euro-denominated debt has grown more expensive, international investors have been drawn to local alternatives. Overseas buyers hold more than a fifth of Turkey's lira bonds, according to the IMF, and almost a quarter of Poland's zloty securities. Uruguay, Colombia and Brazil have all issued international bonds in their own money. Last month, Mexico sold warrants that gave holders of its dollar bonds the option to switch into peso debt in a year's time. Currency risk, after all, has an upside as well as a downside.

Will these new suitors prove faithful? Goldman's Mr Buchanan and Ms Fuentes are optimistic. It takes time and money to get to grips with a new asset class, they note, and these costs are irrecoverable. Thus investors' new commitment to emerging-market debt should outlive the circumstances that first motivated it. As rich-world interest rates return to more normal levels, the search for yield becomes less pressing and foreign investors will prove more demanding. But the Goldman economists argue that "a moderate sell-off in emerging markets would not see all this new money rushing back to its old haunts."

The Emerging Markets Forum, however, concluded on a more wistful note. The relationship between emerging markets and global capital may be more stable than it was. But it is also less rewarding than it should be. However strong the flow of private capital from abroad, the forum noted, it continues to be more than matched by public flows in the opposite direction. Emerging economies will add more than \$400 billion to their foreign-exchange reserves this year, according to some estimates, and their net exports of capital will near \$200 billion. Rich-world investors have shown themselves willing to buy emerging-market assets at high prices, in local currencies and at lengthy maturities. Yet the flow of capital out of poorer countries is greater than the flow in. The challenge for emerging markets, the forum-goers concluded, is not only to seduce and tame overseas capital, but also to put their own savings to better use at home. ■



## **India warned wealth cluster is risk to growth**

By Joe Leahy

Published June 25, 2009

India needs to curb a concentration of wealth greater than that seen in Brazil and Russia or risk becoming hostage to a corporate oligarchy that will depress its rapid economic growth.

A study funded by the Asian Development Bank found that, by early last year, India had 50 billionaires who together controlled wealth equivalent to 20 per cent of gross domestic product and, reportedly, 80 per cent of stock market capitalisation.

“This concentration of wealth and influence could be a hidden time bomb under India’s social fabric,” warned the report. It was prepared by economists for the US-based Emerging Markets Forum, co-chaired by Michel Camdessus, former IMF head, Haruhiko Kuroda, ADB president, and Fidel Ramos, former president of the Philippines....

...The Emerging Markets Forum report, titled “India 2039 - an affluent society in one generation”, warned that the creation of oligarchies was a common trap in developing countries that often prevented them from realising their potential.

The US in the 19th century developed partly on the back of the powerful “robber barons” but then had to find ways to check their power through the creation of strong policies and institutions.

“India is vulnerable precisely because parts of the state are weak and so susceptible to influence, whether via political finance, the political need to get investment or outright corruption,” the report said....”

## **Newsweek**

### **POINT OF VIEW**

#### **Between Hanoi And Havana**

By Jorge Castañeda | NEWSWEEK

Published July 26, 2008 , From the magazine issue dated August 4, 2008

“At a recent meeting in Hanoi of a new global outfit called the Emerging Markets Forum, a group that is positioning itself as an emerging-economy, though business-oriented, alternative to Davos, participants were exposed to a fascinating perspective on the Vietnamese experiment. At the meeting—and during this writer’s additional week touring the country—officials outlined a combination of rigorous one-party rule in the classic socialist style (including a Ho Chi Minh mausoleum indistinguishable from Mao’s and Lenin’s, and a completely official, propagandistic press) with freewheeling, swashbuckling, barely regulated market economics. Over the past 15 years, Vietnam has grown 8 percent annually, and last year saw more than \$18 billion in foreign investment—one of the highest totals in the world as a percentage of GDP. Such an impressive performance (despite the current specter of rising inflation and slower growth) has led many to view the country as a model for nations now going through what Vietnam went through in the early 1990s after the collapse of the Soviet Union and the end of the Socialist bloc....”

## **The Economist**

### **What’s Schadenfreude in Chinese?: Disarray in the West generates mixed reactions in Asia**

Published August 20, 2011

“A recent study by the Asian Development Bank projected that, on optimistic assumptions, China would by 2050 account for 22% of the global economy, compared with 14% for America (and India). In another plausible, if less rosy, scenario, in which China and India find themselves caught in a “middle-income trap”, the proportions would be 11% for China, 21% for America and 6% for India. But even on the optimistic projection, China would still be, per head, less than half as rich as America....”

## Other Articles in the Media



### America Economía

“Sería increíble que Asia se hiciera tan rica como América Latina”, May 26, 2008

### Bao Vietnam

“PM Dung meets Emerging Markets Forum’s VIPs”, July 1, 2008

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### The Business Times

“How bright is India’s future in 2039?”, July 22, 2009

### The Citizen (Dar es Salaam)

Tanzania: Mkapa to Chair Forum On Africa’s Emerging Markets”, March 4, 2008

### The Daily Star (Bangladesh)

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“Baja inflación brasileña obedece a la política ortodoxa del Banco Central”, January 21, 2008

“El modelo vietnamita”, August 18, 2008



### Emerging Markets

“‘Middle income trap’ threatens Asia”, By Anthony Rowley, May 4, 2011

“Asia key to global rebalancing”, By Anthony Rowley, May 5, 2011

### The Financial Chronicle (India)

“Asia and the middle income trap”, By Simon Evenett, August 3, 2011

### The Financial Express (India)

“Economy will kickstart in 3rd quarter”, June 23, 2009

## ‘Emerging mkts to grow 7 times faster than industrialised economies in 2010’

Sanjay Jog  
Mumbai, Jun 25

EMERGING markets, the markets of the future, will grow seven times faster than industrialised economies in 2010, driven predominantly by the BRIC nations. These markets contributed 45% to the global GDP, and this is expected to jump to around 50% by 2013, and potentially by over 60% by 2050. According to Deutsche Bank estimates, emerging markets clearly have a vitally important role to play in re-engineering the global financial architecture.

“Unsurprisingly, emerging markets are leading the way out of the current economic crisis. This tumultuous time has also shone a spotlight on the importance of the largest emerging economies through highlighting the dramatic imbalances in global savings and

underlying demographics of the emerging markets. Given this context, it is clear of vital importance that we ensure emerging economies are well consulted and integrated into future global regulatory and oversight architecture. Long-term financial stability will only be achieved if this is a fully inclusive and sustainable process,” said Deutsche Bank chief executive officer Asia Pacific, Colin Grassie, in his comprehensive presentation on “Role of Emerging Markets in the New Global Financial Architecture - What’s Next?” at the global meeting of the Emerging Markets Forum here on Thursday.

Grassie noted that the financial



scale, deregulation and financial sophistication over time, will present potential challenges, similar to the ones faced by developed economies. “There is at least a general consensus on the areas that have proven deficient and need reform, for example market risk and liquidity management, transparency, market infrastructure and capital requirements,” he said.

Grassie further added that in view of the collapse of banks and financial institutions in developed economies, macro prudential supervision must become a central pillar for the supervisory system in both developed, as well as emerging markets and it must be

tor need to be involved. The macro prudential supervisor must have full, direct access to real time data, which is needed to assess systematically important financial institutions and infrastructure. There must be political backing for warnings. Also, macro and micro level prudential supervision must be intertwined, whereby warnings must be translated into regulatory supervisory action for every bank in the course of the individual supervisory review process,” he added.

Moreover, Grassie argued that there is a need for better mechanisms at national and international levels to deal with failures of systematically important institutions. These would include rules on nationalisation, the orderly winding up of institutions, cross border transferability and insolvency rules. He said

## The challenge is to escape the middle income trap

THERE is much cause for celebration in India today: a successful democratic election, growth rates for 2009 and 2010 averaging 5 percentage points more than the world, and a stock market up 77% in the last three months. For a country that graduated from low income status only in 2007, these are heady statistics.

For the first time in many years, a single party emerged as a clear winner in national elections. The size of the Congress Party victory has raised hopes that, despite India’s complex coalition politics, serious reform is possible. If growth can be sustained or even accelerated to reach its potential, India could be transformed into an affluent country within one generation. The prize is huge: the elim-

ination of institutional reforms to achieve the transformation from poor to advanced economies. History offers some lessons on the needed transformations. The first transformation is to shift from accumulating factors of production to using resources more efficiently in the modern economy. In India this shift towards efficiency can happen only if cities develop properly. Urbanisation is happening fast, with millions moving out of the countryside every year. Today, just the fact of urbanisation is enough to yield growth. But eventually growth will depend on cities becoming more efficient-delivering what is known in the jargon as “agglomeration” benefits. Poorly managed cities, with crime, congestion, and squalor, do not deliver such bene-



- “Infrastructure is key to success of govts: Montek”, June 23, 2009
- “India affluent in 30 yrs: Experts”, June 23, 2009
- “The challenge is to escape the middle income trap”, June 24, 2009
- “Shourie: smaller policy gestation time to help growth”, June 24, 2009
- “India to pip China in GDP growth”, June 24, 2009
- “India really is a supply side story”, July 14, 2009

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- “Asia must spend to grow, ADB report says”, By Shawn Donnan, September 22, 2006
- “Asia warned of growing poverty”, By Joe Leahy, June 29, 2009
- “Doubts cast on Asia’s sprint to economic domination”, By Kevin Brown, May 4, 2011



**The Indian Express (India)**

- “Worst is over, we will now get back to more normal growth’ June 23, 2009
- “India’s per capita income could cross Rs 10 lakh by 2039 June 23, 2009
- “India should address trade, economic issues to play global role”, June 24, 2009
- “The middle-income trap”, July 2, 2009

**Manila Bulletin**

- “The Philippines as an emerging market” , October 15, 2006

**Mail Today (India)**

- “ADB sees India’s middle class at 1.2 bn in next 20 yrs”, By R. Srinivasan, May 5, 2011

**Reforma (Mexico)**

- “México un ‘outlier’”, By Jorge G. Castañeda, October 14, 2010

**Tehelka (India)**

- “Corruption may not impede economic development, but for how long?”, November 18 2006
- “India’s huge gap between rich and poor threatens growth, warns study”, June 25, 2009



**Vietnam News, The National English Language Daily**

- “Emerging Markets Forum opens in Capital”, June 30, 2008

*A comprehensive list of articles can be found on the website at [www.emergingmarketsforum.org](http://www.emergingmarketsforum.org)*

■ Montek says infra key to govts’ success; indicates its possible importance in Budget

## ‘Worst is over, we will now get back to more normal growth’

NEWS ECONOMIC BUREAU  
MUMBAI, JUNE 23

**I**NFRASructure development will be the key to running successful governments in India, feels Planning Commission deputy chairman Montek Singh Ahluwalia.

Speaking at a conclave of Indian and global top financial experts, Ahluwalia said: “The recent poll results show that governments that are seen to have developed infrastructure have won, which in the long run will support demand.” He was speaking at the fourth Emerging Markets Forum organised by IDFC and supported by the Express group along with the Bombay Chamber of Commerce.

The deputy chairman’s statement is the clearest indication so far of the importance the government is expected to place on infrastructure in the Budget, and through the rest of the year.

Ahluwalia assured the bankers that the economy is in good shape and that they should not have any fears in financing infrastructure projects

## India affluent in 30 yrs: Experts

fe Bureau  
Mumbai, Jun 23

**EXPERTS** are of the opinion that India is likely to transform into an affluent nation in one generation or in the next thirty years, however for this to happen, there are several roadblocks in the way that need to get cleared.

Speaking at the fourth Emerging Markets Forum in Mumbai, hosted by the Bombay Chambers of Commerce and Industry (BCCI), and partnered by FE, Centennial Group president and CEO Harinder Kohli said, “The studies we have carried out and the papers we have presented have taken over 150 country experiences into consideration and it is a scenario analysis and not a predictive one.”

The forum would have a total of nine papers on various elements that could take India into the league of transformed nations that have seen a change in affluence over a single generation.

Over the three days in Mumbai and a day in Delhi more than 100 experts from the global financial world are slated to attend the forum. The forum intends to act as a platform for communication for the Indian corporates, investors with key policymakers and bureaucrats.

IDFC MD & CEO Rajiv Lall said, “Unlike other studies, this one looks at how public services can be delivered to the whole of India ‘inclusively’ and this would bring in social cohesion which is so important to the sustainable growth.”

Through these studies an overriding observation that comes out is that the Indian policy makers need to be proactive and anticipate change in a better manner. “Simply being reactive will not help in the cause to take the country into the new level of growth,” Kohli added.

“The pace of growth and India’s cultural miske at the moment indicates that there could be severe income disparity causing political uncertainties and thereby create the inconsistencies,” said Centennial Group chairman Gautam Kaji.

The forum will be attended by key players and observers of the Indian economy, such as Planning Commission deputy chairman Montek Singh Ahluwalia, HDPC chairman Deepak Parekh, Gujarat chief minister Narendra Modi, minister of state for corporate affairs Salman Khurshid.

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### **Latin America Emerging Markets Forum, 2007**

Banco de España; Banco Republica; Banco Central Del Uruguay; IberoAmericana General Secretariat; Saludsa; Zonamerica

### **Global Meeting of the Emerging Markets Forum, 2008**

CRA Rogers Casey; Ministry of Planning and Investment of Vietnam

### **Africa Emerging Markets Forum, 2008**

BMCE Bank; Caisse de Depot et de Gestion (CDG); CRA Rogers Casey; Professional Association of Moroccan Banks (GPBM); Groupe OCP; Kingdom of Morocco; Maroc Telecom; Royal Air Maroc

### **Latin America Emerging Markets Forum, 2009**

Alcaldia Mayor de Bogota DC; Avianca; Banco de la Republica Colombia; Bancoldex; BOG Bogota Positiva; Energia de Bogota; Proexport Colombia; Revista Dinero; Universidad de los Andes Facultad de Economia

### **Global Meeting of the Emerging Markets Forum, 2009**

Amarchand Mangaldas; AZB & Partners; Bombay Chamber of Commerce; Darby Private Equity; Ernst & Young; HDFC; JPMorgan; KKR; Kotak Investment Banking; Mahindra; New Vernon Capital; SAGE; Tata

### **Africa Emerging Markets Forum, 2009**

National Treasury of the Republic of South Africa; Transnet; Pan African Infrastructure Development Fund; Centennial Group; Deutsche Bank

### **Eurasia Emerging Markets Forum, 2010**

State Secretariat for Economic Affairs SECO; Swiss National Bank; Deutsche Bank; Holcim; Centennial Group

### **Global Meeting of the Emerging Markets Forum, 2010**

CAF; IDFC; Deutsche Bank; Mitsubishi Corporation; Syngenta Foundation for Sustainable Agriculture; Asian Development Bank; Japan Bank for International Cooperation; Centennial Group; SAGE

### **Emerging Markets Forum Asia 2050 Book Launch Seminar, 2011**

Japan Bank for International Cooperation; CAF; SAGE; Centennial Group; Holcim; Asian Development Bank

### **Global Meeting of the Emerging Markets Forum, 2011**

CAF; Mitsubishi Corporation; Holcim; SAGE; Deutsche Bank; Syngenta Foundation for Sustainable Agriculture; IDFC; Bancoldex

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## The EMF Emerging Market Economies

There is some debate as to how to define emerging market economies and therefore which countries to include in this category. We have used a relatively broad definition to include countries which are of most interest to international investors at this time and compete with each other in attracting international private capital flows. While most of these countries are middle or upper middle countries developing countries in Asia, Europe and Latin America, we also include some low middle income and low income countries (e.g. China, India, Vietnam, Kenya, Nigeria, etc.) which are capable of attracting significant capital flows. We also include selected countries that have recently achieved high-income status, primarily the "tiger" countries in Asia that spawned the original club of the EMCs, and whose economies are intertwined with the rest of Asia, because their successful economic policies provide best practice EMC policies emulated in the rest of the world.

Algeria	Ghana	Philippines
Angola	Hong Kong, China	Poland
Armenia	Hungary	Romania
Argentina	India	Russia
Azerbaijan	Indonesia	Saudi Arabia
Bahrain	Iran, Islamic Rep.	Senegal
Bangladesh	Israel	Serbia
Barbados	Jordan	Serbia and Montenegro
Botswana	Kazakhstan	Seychelles
Brazil	Kenya	Singapore
Bulgaria	Korea	Slovak Republic
Cameroon	Kuwait	Slovenia
Cape Verde	Kyrgyz Republic	South Africa
Chile	Latvia	Sri Lanka
China	Lithuania	Taipei, China
Colombia	Madagascar	Tanzania
Costa Rica	Malaysia	Thailand
Cote d'Ivoire	Mauritius	Trinidad and Tobago
Croatia	Mexico	Tunisia
Czech Republic	Morocco	Turkey
Dominican Republic	Mozambique	Uganda
Ecuador	Namibia	Ukraine
Egypt, Arab Rep.	Nigeria	United Arab Emirates
El Salvador	Pakistan	Uruguay
Estonia	Panama	Venezuela
Ethiopia	Peru	Vietnam
		Zambia

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The Emerging Markets Forum was created by the Centennial Group as a not-for-profit initiative to bring together high-level government and corporate leaders from around the world to engage in dialogue on the key economic, financial and social issues facing emerging market countries.

The Forum is focused on some 80 emerging market economies in East and South Asia, Eurasia, Latin America and Africa that share prospects of superior economic performance, already have or seek to create a conducive business environment and are of near-term interest to private investors, both domestic and international. Our current list of EMCs is shown on the inside back cover. We expect this list to evolve over time, as countries' policies and prospects change.

Further details on the Forum and its meetings may be seen on our website at

<http://www.emergingmarketsforum.org>

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