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SOUTHERN ENGINES OF GLOBAL GROWTH

Edited by
Amelia U. Santos-Paulino
and Guanghua Wan

UNU-WIDER STUDIES IN DEVELOPMENT ECONOMICS

Southern Engines of Global Growth

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SOUTHERN ENGINES OF GLOBAL GROWTH

UNU World Institute for Development Economics Research (UNU-WIDER) was established by the United Nations University as its first research and training centre and started work in Helsinki, Finland, in 1985. The purpose of the institute is to undertake applied research and policy analysis on structural changes affecting developing and transitional economies, to provide a forum for the advocacy of policies leading to robust, equitable, and environmentally sustainable growth, and to promote capacity strengthening and training in the field of economic and social policymaking. Its work is carried out by staff researchers and visiting scholars in Helsinki and via networks of collaborating scholars and institutions around the world.

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To our families, for their support

Foreword

ANTHONY SHORROCKS

Director, UNU-WIDER

Discussion of economic development issues has been dominated recently by the global economic crisis and the associated challenges for policymakers and regulators worldwide. A consensus seems to be emerging for action aimed at reducing the negative impact of economic vulnerability on the real economy, particularly in the world's poorest countries.

This volume presents a valuable selection of historical, empirical, and case studies on the development experience in large emerging economies, particularly China, India, Brazil, and South Africa—referred to here as the 'Southern Engines'. The key role and the potential impact of these countries in trade, capital flows, official financial and technical assistance, and opportunities for investments are increasingly significant.

Development, particularly its financing, is no longer confined to the old North–South paradigm. The increasing contribution of these emerging countries to trade and financial flows creates opportunities for a broader and more inclusive framework for international cooperation and global decision-making. Capital markets in the Southern Engines are attracting massive flows of foreign investment. The major attractions for investors are the sheer size of these economies and their large populations, translating into a potentially vast domestic market, progressive infrastructure (particularly in China), and straightforward trade and exporting platforms. Adding to these attractions are the political and economic reforms which have facilitated stability and consistent growth, and their record of achievement in upgrading production and trade from commodities to manufacturing and on to high-technology advanced services.

Despite rapid growth and successful trading and financial systems, deep concerns remain about the continued high rates of poverty in the Southern Engine countries. More than one-third of the world's poor live in China and India and other developing giants. Economic growth in these countries will therefore contribute significantly to global poverty reduction. These topics are examined in the present volume by prominent economists from the perspectives of economics, politics, and governance. China and India are two of the world's oldest civilizations, home to an ancient tradition of culture, commerce, and imperialism. This economic and cultural legacy endures in

the new era of globalization and conveys a symbolic message of evolving political and economic ideas. The Southern Engines are driving a shift in the balance of power from North to South, forging a new global economic and political landscape in the process.

These are hugely important contemporary topics, which will continue to attract significant research and attention. There is a widespread belief that the world's future lies in the hands of China and India—particularly China. This book will therefore interest anyone concerned about global prosperity in the next few decades, particularly scholars and students of politics and economics, and policymakers in both developed and developing countries.

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List of Abbreviations

ACFTA	ASEAN and China free trade agreement
ADF	augmented Dickey–Fuller [test]
ADR	American depositary receipts
AfrIPANet	African Investment Promotion Agency Network
AFTA	Asian Free Trade Area
AGOA	African Growth Opportunities Act
APEX-Brasil	Agência Brasileira de Promoção de Exportação e Investimentos [Brazilian Trade and Investment Promotion Agency]
BDR	Brazilian depositary receipts
BEEPS	Business Environment and Enterprise Performance Survey
BRIC	Brazil, Russia, India, and China
CAL	capital account liberalization
CC-5	Carta-Circular no. 5
CCES	China Center for Economic Studies
CE	common era
CEPII	Centre d'études prospectives et d'informations internationales
CGE	computable general equilibrium
CIBS	China, India, Brazil, and South Africa
CIPS	coordinated investment portfolio survey
CISA	China, India, and South Africa
DI	domestic investment
EBA	'Everything but Arms' [Agreement]
ECM	error correction model
EDB	Economic Development Board
EPZ	export processing zone
ETDZ	economic and technology development zone
FAPESP	Fundação de Amparo à Pesquisa do Estado de São Paulo [Foundation for Research Support of the State of São Paulo]
FCAC	fuller capital account convertibility
FDI	foreign direct investment
FIEs	foreign-invested enterprises

Fiex	Fundos de Investimento no Exterior [special investment funds abroad]
FMCG	fast-moving consumer goods
FTA	free trade agreement
GCF	gross capital formation
GDP	gross domestic product
GDS	gross domestic saving
GIDD	global income distribution dynamics
GIO	[monthly] gross industrial output
GTAP	Global Trade Analysis Project
IBSA	India, Brazil, and South Africa
ICOR	incremental capital:output ratio
ICT	information and communication technologies
IDA	Industrial Development Agency
IIP	international investment position
IMF	International Monetary Fund
IPA	investment promotion agency
IPI	industrialized products tax
IT	information technologies
LDC	least-developed country
L-M	P. Lane and G. M. Milesi-Ferretti (2006) 'The External Wealth of Nations Mark II: Revised and Extended Estimates of Foreign Assets and Liabilities, 1970–2004'. IMF Working Paper WP/06/69 (Mar.) (Washington, DC: IMF).
m km ²	million square kilometres
M&A	mergers and acquisitions
MDG	millennium development goal
MFN	most-favoured nation
MNC	multinational corporation
MNE	multinational enterprise
MOST	Ministry of Science and Technology
NBS	National Bureau of Statistics
NEC	new engineering contract
NEPAD	New Partnership for Africa's Development
NERC	National Engineering Research Centre
NPL	non-performing loan

NSF	[American] National Science Foundation
NSI	National System of Innovation
OFC	offshore financial centre
OFDI	outward foreign direct investment
PPP	purchasing power parity
PTI	process theory of internationalization
RENAI	Rede Nacional de Informações sobre o Investimento [National Network of Investment Information]
RoW	rest of the world
S&T	science and technology
S&T&I	science, technology, and industry
SADC	Southern African Development Community
SEBI	Security Exchange Board of India
SEZ	special economic zone (China) / zones (India)
SSA	sub-Saharan Africa
TFP	total factor productivity
TNC	transnational corporation
TRIPS	trade-related intellectual property rights
TWMNE	third world multinational enterprise
USBTA	bilateral trade agreement with the United States
USITC	United States International Trade Commission
VAT	value added tax
WIR	(UNCTAD) World Investment Report
WTO	World Trade Organization

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