

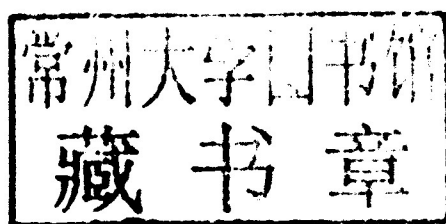


Boao Forum for Asia  
**Development of Emerging Economies**  
Annual Report 2014



对外经济贸易大学出版社  
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# NOTES AND ACKNOWLEDGEMENTS

Organized by the Boao Forum for Asia secretariat, the annual E11 Development Report has been compiled by the researchers of the Institute of World Economics and Politics (IWEP), Chinese Academy of Social Sciences (CASS), to help readers grasp the latest developments of the emerging market economies and provide a platform for communication and cooperation across the board among those economies. The report, focusing on the 11 major emerging market economies (E11) in the Group of 20, tries to reflect the latest economic and social developments and cooperation of the E11 economies and their economic and trade links with other parts of the world through accurate data, thorough materials and in-depth analyses.

Prof. Zhang Yuyan, director of the IWEP, CASS, has been in charge of the compilation of the 2014 Annual E11 Development Report and is responsible for its whole chapter design. Exclusive of the preface, the full text of the report comprises nine chapters, with the first one making a review of the overall development of the E11 economies and looking ahead to their development prospect. In its second-sixth chapters, the report introduces economic development conditions of the E11 economies from the perspectives of economic growth, employment, prices, internal and external balance as well as trade and investment. The seventh chapter makes analyses of the economic cooperation among the E11 members and their economic cooperation with developed countries. The eighth chapter analyzes social development of the E11 economies. From the perspective of individual countries, the ninth chapter reviews and analyzes the economic situation and policies of the E11 economies in 2013. Prof. Zhang Yuyan and Dr. Xu Xiujun co-drafted the first chapter while Dr. Huang Wei authored the second, fourth and fifth chapters. Dr. Feng Weijiang undertook the writing of the third, eighth and ninth chapters. Aside from co-writing with Prof. Zhang Yuyan the first chapter, Dr. Xu Xiujun also drafted the sixth and seventh chapters. Besides, Yang Tao assisted the team in collecting part of the report's data. Prof. Zhang Yuyan and Dr. Xu Xiujun collaborated to finalize the report.

We would like to thank Mr. Zhou Wenzhong, secretary-general of the Boao Forum for Asia, and Dr. Yao Wang, executive director of the Boao Forum for Asia and executive president of the Institute of the Boao Forum for Asia, for their valuable opinions and generous help for the compilation of the report. We are also grateful to Biswajit Dhar, director-general of the Research and Information System (RIS) for Developing Countries; Evi Fitriani, head of the International Relations Department, Faculty of Social and Political Science, University of Indonesia; Catherine Grant-Makokera, programme head of the Economic Diplomacy, South African Institute of International Affairs (SAIIA) and her colleagues Chris Wood and Mark Schoeman; Vasily V. Mikheev, deputy director of the Institute of World Economy and International Relations (IMEMO), Russian Academy of Sciences and his colleague Vitaly Shvydko; Maddaremmeng A. Panennungi, director of the APEC Study Centre University of Indonesia (ASCU). We would also like to extend thanks to Zhang Yansheng, secretary-general of the Academic Committee under the National Development and Reform Commission; Liu Yuanchun, deputy dean of the School of Economics, Renmin University of China; Zhou Xiaojing, director of the Asia-Africa Development Research Institute, the Development Research Center of the State Council; Pei Changhong, director of the Institute of Economics, CASS; and Yao Zhizhong, deputy director of the IWEP, CASS, for their useful ideas and suggestions. At the same time,

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There could be some mistakes in this report due to limited resources available and research limitations of the authors. Any comments and criticisms are welcome. This report does not necessarily represent the views of the Boao Forum for Asia and the authors are responsible for any errors and mistakes in the report.

# PREFACE

The Boao Forum for Asia, as a non-governmental and non-profit international organization, has become an important and high-profile platform for dialogues on Asian and global issues for government, industrial and commercial as well as academic leaders in Asia and other continents. The forum is committed to pushing Asian countries to fulfill their development goals through furthering regional economic integration. It also focuses on development of, and cooperation among, the emerging-market economies to expand the external communication channels of Asian economies and establish wider cross-regional links among them. The forum has started to organize the compilation of the annual development report for the emerging-market economies since 2010.

In 2010, the forum for the first time defined the term E11 (11 major emerging economies) in its annual development report, which aroused widespread repercussions both at home and abroad. The 2014 report continues to focus on the study of the E11 and introduces the basic economic and social conditions of the E11 economies. It also analyses the development of, and changes in, the economic cooperation among the E11 economies and between the E11 and developed economies before reviewing and anticipating the economic situation and policies of the E11 economies.

Since the 1980s, the emerging-market and developing economies have seen their status in the world economy improve continually as their economic scale expanded at a fast pace. Representing the emerging-market and developing economies, the E11 economies have aroused great attention from all over the world. Against the backdrop of slowing world economy in 2013, the E11 economies have maintained the growth momentum seen in 2012 and injected fresh blood into the recovery process of the world economy. In retrospect, the E11 economies achieved stable economic growth in 2013, although they differed from each other in economic performance. Their employment situation was largely stable, but some of them suffered from high unemployment rate. Their price levels rose mildly, but remained controllable on the whole. Their external trade and investment growth remained slow and was yet to be improved. Meanwhile, their government debt levels were much lower than those of the developed world and were further lowered in 2013.

In terms of foreign economic cooperation, the E11 economies have had increasingly closer internal trade links. Their economic and trade links with the developed economies have had new characteristics. Regarding trade, the internal trade links of the E11 bloc have been increasingly strengthened, while their trade links with major developed economies have been on the decline. Regarding foreign direct investment, the internal investment cooperation among the E11 economies have deepened and the bilateral investment flows between the E11 and major developed economies have strengthened. Regarding financial cooperation, the E11 economies have become more active, with the BRICS economies, in particular, having played a leading role in pushing foreign financial cooperation of the emerging-market economies.

Looking forward, in 2014, most E11 economies will continue to undergo the process of economic development pattern transformation. Meanwhile, due to the complicated and volatile external economic environment, for the E11 economies, the road leading to recovery will continue to be bumpy. To sum up, mainly

six factors will shape the economic trends in 2014: first, the economic recovery of the developed economies; second, the developed economies' monetary policy adjustment and its spill-over effect; third, the risk of economic hard-landing some E11 economies will face; fourth, the slowing economic growth affecting the internal trade links of the E11; fifth, the public debt risk; last but not least, elections in some E11 economies that should be closely monitored.

Seen from the basic conditions and economic development trends of the E11 and the many risks they will face, in 2014, it is not very possible that the economic fundamentals of the E11 will improve substantially, although on the whole, they will bump along the way of recovery. We still believe that the emerging-market economies will play a more important role in the world economy and push the world to become fairer, more equitable and more balanced.



**Zhou Wenzhong**  
**Secretary General**  
**Boao Forum for Asia**

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# Chapter 1

## Overview

### 1.1 Economic Situations in 2013

The growth of emerging-market and developing economies as a whole slowed down in 2013, which indicates that the negative effects of the global financial crisis still exist. This report will review the overall development of the 11 major emerging market economies (E11)<sup>1</sup> in 2013 from the perspectives of economic growth, employment, prices, trade and public debt.

#### 1.1.1 Growth: Slowed Economic Recovery

The economic growth rate of the E11 as a whole in 2013 was slightly higher than that in the previous year but different members have not displayed the same characters. According to the IMF data, the growth rate of the E11 was 5.1% (See Table 1.1) in 2013, an increase of 0.1 percentage points from the previous year.<sup>2</sup> Such a growth rate was 0.4 percentage points higher than the per capita growth rate of the emerging market and developing economies and also 3.8 percentage points higher than that of developed economies. From the perspective of individual countries, Turkey, Argentina, Brazil, India and the Republic of Korea (hereinafter referred to as Korea) achieved better economic performance in 2013 than that in the previous year, with their economic growth rate forecasted by the IMF to be 3.8%, 3.5%, 2.3%, 4.4%

and 2.8% respectively, an increase of 1.6, 1.6, 1.3, 1.2 and 0.8 percentage points respectively from 2012. Meanwhile, Mexico, Russia and Saudi Arabia saw a considerable slide, with their economic growth forecasted by the IMF to slow to 1.2%, 1.5% and 3.6% respectively in 2013, a decline of 2.5, 1.9 and 1.5 percentage points respectively. The economy of the People's Republic of China (hereinafter referred to as China) grew by 7.7% in 2013.

**Table 1.1 Growth rates of the E11  
in 2011-2013 (%)**

	2011	2012	2013
World	3.9	3.1	3.0
developed economies	1.7	1.4	1.3
Emerging market and developing economies	6.2	4.9	4.7
E11	6.9	5.0	5.1
BRICS	7.2	5.5	5.7
Argentina	8.9	1.9	3.5
Brazil	2.7	1.0	2.3
China, People's Republic of	9.3	7.7	7.7
India	6.3	3.2	4.4
Indonesia	6.5	6.2	5.3
Korea, Republic of	3.7	2.0	2.8
Mexico	4.0	3.7	1.2
Russia	4.3	3.4	1.5
Saudi Arabia	8.6	5.1	3.6

1 "E11" refers to the 11 major emerging market economies in the G20, namely, Argentina, Brazil, the People's Republic of China (hereinafter referred to as China), India, Indonesia, the Republic of Korea (hereinafter referred to as Korea), Mexico, Russia, Saudi Arabia, South Africa and Turkey.

2 If not specifically mentioned, the 2013 data used in this chapter are all based on estimation.

continued

	2011	2012	2013
South Africa	3.5	2.5	1.8
Turkey	8.8	2.2	3.8

**Note:** The growth rates of the E11 and BRICS economies are based on the weighted calculation of the purchasing power parity (PPP) converted GDP (current-price) of each economy.

**Source:** IMF (2014).

### 1.1.2 Employment: General Stability of Jobless Rate

Employment conditions in E11 economies generally maintained stability in 2013 and the unemployment rate in some countries still stayed at a relatively higher level. According to the IMF forecast, the weighted average unemployment rate of the E11 was 5.3% (See Table 1.2) in 2013, which was generally the same as that in the previous year. The data from China's Ministry of Human Resources and Social Security indicate that the number of newly-employed people in the country's urban areas continuously rose in the first three quarters of 2013 and reached 10.66 million and the registered jobless rate had stood at 4.0% by the end of the third quarter, a slight decline from 4.1% by the end of 2012. According to the the Brazilian Institute of Geography and Statistics, a total of 1.3 million people were registered jobless in Brazil in September 2013, a jobless rate of 5.4%, which was 0.1 percentage points down from the average jobless rate of the previous year. Data from the Russian federal statistical authorities indicate that Russia's unemployment rate was 5.3% in September 2013, a decline of 0.7 percentage points from the previous year. According to the Statistics South Africa, the country's jobless population was 4.609 million in the third quarter of 2013, a jobless rate of 24.7%, which was 0.4 percentage points down from the previous year. Employment conditions remained generally stable in other E11 economies in 2013 and a slight decline in the jobless rate was reported, demonstrating an upward employment prospect.

**Table 1.2 Unemployment rates of the E11 in 2011-2013 (%)**

	2011	2012	2013
Argentina	7.2	7.2	7.3
Brazil	6.0	5.5	5.8

continued

	2011	2012	2013
China, People's Republic of	4.1	4.1	4.1
India	n.a.	n.a.	n.a.
Indonesia	6.6	6.1	5.9
Korea, Republic of	3.4	3.2	3.2
Mexico	5.2	5.0	4.8
Russia	6.5	6.0	5.7
Saudi Arabia	5.8	5.5	n.a.
South Africa	24.9	25.1	26.0
Turkey	9.8	9.2	9.4
E11	5.4	5.3	5.3

**Note:** In this report "n.a." means the data are not available. The jobless rate of the E11 is based on the weighted calculation of the total population of the E11 economies.

**Source:** IMF (2013).

### 1.1.3 Prices: A Mild Rise and Generally Controllable

In 2013, prices in E11 economies experienced a mild rise and were generally controllable. According to the IMF forecast, the average inflation rate of E11 economies stood at 4.8% (See Table 1.3) in 2013, an increase of 0.2 percentage points from the previous year. From the perspective of individual economies, China witnessed a slight decline in its inflation rate in the first nine months of 2013, and the other BRICS countries—Brazil, India, Russia and South Africa—witnessed a rise to different degrees. Statistics from the Organization for Economic Cooperation and Development (OECD) show that China's CPI increased by 2.5% year-on-year in the first three quarters of 2013, 0.1 percentage points lower than the previous year's average. India, Russia, Brazil and South Africa saw a CPI rise of 11.1%, 7.0%, 6.4% and 5.9% respectively during the nine-month period, an increase of 1.8, 1.9, 1.0 and 0.2 percentage points respectively from the 2012 average.

**Table 1.3 Inflation rates of the E11 in 2011-2013 (%)**

	2011	2012	2013
Argentina	9.8	10.0	10.5
Brazil	6.6	5.4	6.3
China, People's Republic of	5.4	2.7	2.7
India	8.4	10.4	10.9
Indonesia	5.4	4.3	7.3

continued

	2011	2012	2013
Korea, Republic of	4.0	2.2	1.4
Mexico	3.4	4.1	3.6
Russia	8.4	5.1	6.7
Saudi Arabia	3.7	2.9	3.8
South Africa	5.0	5.7	5.9
Turkey	6.5	8.9	7.7
E11	6.0	4.6	4.8

**Note:** The inflation rate of the E11 is calculated based on the weighted GDP average of it E11 countries (denominated in the US dollar at the present price).

**Source:** IMF (2013).

#### 1.1.4 Trade and Investment: Slow Growth

The slow trade growth momentum of the E11 did not change a lot in 2013. According to the IMF forecast, the nominal trade growth rate of the E11 was 4.8% in 2013, 0.8 percentage points up from the previous year, of which, the import grew by 5.3% (See Table 1.4), an increase of 1.5 percentage points, and the export grew by 4.4%, a rise of 0.2 percentage points. Despite a higher growth rate than anticipated, the trade growth of the E11 is still at a low level if compared with a 10 percent growth rate it once achieved after the global financial crisis. Such negative macroeconomic factors as the European economic recession and the overall economic deceleration of emerging economies have inflicted comparatively big impacts to the trade of emerging economies. Aside from this, protectionism is still a prominent factor that allows no ignorance, with its form becoming more covert than ever.

**Table 1.4 Growth rates of the import and export of the E11 in 2011-2013 (%)**

	2011	2012	2013
Import			
Argentina	22.3	-5.9	7.7
Brazil	8.9	-2.3	6.2
China, People's Republic of	10.1	6.2	7.6
India	8.1	1.8	3.1
Indonesia	13.5	14.0	1.4
Korea, Republic of	6.1	2.5	4.2
Mexico	7.1	3.7	0.2
Russia	16.9	10.7	2.6
Saudi Arabia	3.5	9.8	5.1
South Africa	9.7	6.3	5.1

continued

	2011	2012	2013
Turkey	10.9	-0.1	9.3
E11	9.6	3.8	5.3
Export			
Argentina	3.4	-6.2	6.1
Brazil	2.9	-0.3	1.4
China, People's Republic of	8.9	5.2	6.5
India	9.0	1.4	3.7
Indonesia	5.8	-1.0	1.1
Korea, Republic of	9.1	4.2	5.7
Mexico	7.5	3.5	2.6
Russia	6.7	4.1	2.0
Saudi Arabia	4.6	4.3	-0.4
South Africa	5.9	0.1	5.3
Turkey	6.0	13.0	3.5
E11	7.6	4.2	4.4

**Source:** IMF (2013).

Global foreign direct investment activities decreased by a large margin in 2012. The data from the United Nations Conference on Trade and Development (UNCTAD) showed that the world's FDI inflow volume was USD1.35 trillion in 2012, a decline of 18.2% from the previous year, and 52% of them flowed to developing economies. It was the first time that developing economies absorbed more FDI than developed economies. In 2012, the E11 witnessed a sharp drop in its FDI inflow and a slight rise in its FDI outflow. According to the UNCTAD, the volume of FDI inflow of the E11 decreased by 8.8% year-on-year to USD347.451 billion in 2012, a decline of 27.9 percentage points from a 19.1% growth rate recorded in 2011, and the volume of FDI outflow grew by 4.9% year-on-year to USD218.970 billion. According to the UNCTAD forecast, the global FDI volume in 2013 will be equivalent to that in 2012, with its ceiling expected to be USD1.45 trillion. Due to fluctuations of the international financial market, a sluggish recovery of developed economies as well as the negative influences of some investment policies adopted by emerging economies on investor confidence, there will be big difficulties for the E11 to boost its FDI growth by a large margin in 2013, but a majority of E11 economies will still remain an attractive investment destination.

#### 1.1.5 Public Debt: Better Than Before

The fiscal conditions of the emerging market economies have turned obviously better than