

Emerging Economies- - The Next Wave : A Competitive Analysis

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ABSTRACT

This paper examines the traditional and unique factors that influence and determine national competitiveness and the overall business climate for a group of countries whose economies are undergoing rapid economic growth and competing aggressively in the global market for FDI. There exist a number of studies of competitiveness that generate comparative national rankings, but the most recognized globally are IMD, World Competitiveness Yearbook and WEF, Global Competitiveness Report. These reports often apply a common set of factors to very diverse economies, large or small, less-developed or developed, emerging or advanced. In addition, they utilize quantitative and survey measures of economic and non-economic variables that can be inaccurate and often not available for smaller emerging economies and fixed weighting of competitiveness factors, regardless of development stage and economic size.

In addition to these well respected and utilized competitiveness report and rankings, there exist a number of other measures and indices that compare and rank economies. This paper also examines among other well known sources the World Bank Ease of Doing Business Index, Transparency International Corruption Perceptions Report, the Heritage Foundation Index of Economic Freedom. Other ranking measures such as the Grant Thornton Emerging Markets Opportunity Index and the Milken Institute Global Opportunity Index and various FDI Country Attractiveness reports are reviewed in this paper.

The purpose of this paper is to analyze and apply these studies and indices of competitiveness to develop a relative competitiveness ranking for the next wave of emerging economies. Although almost 90 countries are categorized as frontier or emerging economies, this study will examine seven countries whose economies are much smaller than the BRICs but whose economic performance in recent years and economic potential in the future may make them significant competitors in the global economy. In this study, seven geographically and demographically diverse economies that are referred to as the E-7 are examined. They include more economically advanced developing countries, Tier I, Colombia, Mexico, and Turkey as well as more traditional frontier

economies such as Indonesia, the Philippines, and Vietnam. Nigeria is also included because of its size and strategic location, although in many measures it is an outlier with significant corruption and competitiveness problems. This paper will identify and compare key competitiveness indicators and studies, calculate the relative competitiveness ranking of countries in our sample, and examine the public policy and economic implications.

To provide an economic framework for the analysis, this paper also includes data on a number of important macro economic indicators, such as nominal and real GDP, GDP per capita, population, real GDP growth, trade openness, exchange rates, corporate tax rates and foreign direct investment inflows. In each of the E-7 countries, these economic indicators are traditionally viewed by economists and private sector corporate decision makers as important predictors of competitiveness and future economic performance. Also, the data examined will be reported for the period 2008 until 2015, during which the global economy and the E-7 countries in our study dealt with significant economic and political issues stemming from the global financial crisis and some domestic political instability. Although the countries in our sample are quite different in their cultural, economic, and political environment and the role of government and economic regulation, they are likely to attract a greater share of FDI flows and generate strong economic growth, given future political stability and cost competitiveness, in the future. This “next wave” of emerging economies led by the E-7, with a total population of almost 300 million, may supplant the BRICs as markets for FDI and the nexus of global economic growth in the next decades!