The Long Crisis Facing Emerging Markets: 
A Roadmap for Policy Reforms.

By Rajiv Biswas and Álvaro Méndez.
Emerging markets have enjoyed a protracted period of rapid growth in recent years, underpinned by sustained, strong growth in China and buoyant world commodities prices. However, Chinese growth has slowed significantly since 2012 against a backdrop of weak economic conditions in the US, EU and Japan – the consumer markets for China – and this, plus an oversupply of key commodities, has weakened global commodity prices significantly. As a result, export revenues have declined and the terms of trade deteriorated for many commodity-exporting nations in Latin America, Sub-Saharan Africa, and the Middle East. These developing countries face severe economic challenges in the medium term, confronted with protracted weakness in global commodity demand, owing especially to the structural trend of China’s transition to a more moderate pace of economic growth and the cyclical impact effect of US Fed monetary policy tightening.

Among the early casualties are some of the largest emerging markets, including several BRICS economies. Russia and Brazil are both large commodity exporters and were already in recession in 2015, while another eponymous BRICS country, South Africa, has also been deeply impacted by the decline in global commodity prices.

Many other commodity-exporting emerging markets are also vulnerable to the economic impact of long-term global commodity price weakness and the slowdown in the Chinese economy. This brings with it risks of deteriorating fiscal revenues and weakening capital inflows, which could generate large economic shocks to emerging markets with more vulnerable macroeconomic fundamentals. This would be a considerable setback to international efforts to eradicate extreme poverty as well as to other UN sustainable development goals, as envisaged for the United Nations post-2015 development agenda. Consequently, there is an urgent need for policy reforms in many of the commodity-exporting nations in order to fashion greater resilience to such external shocks and reduce their economic vulnerability.

**THE IMPACT OF CHINA’S SLOWDOWN ON EMERGING MARKETS.**

Over the past decade, China has emerged as an increasingly important growth engine for the global economy, as its share of world GDP has risen from 5% in 2005 to around 15% by 2015, making it the world’s second largest economy after the US. China’s dramatic economic ascent has driven rapid growth in bilateral trade with many developing countries. In the aftermath of the global financial crisis in 2008-09, China’s importance as a global growth
The slump in global commodity prices.

Global commodity prices have already slumped significantly since 2012, as key commodities have suffered from overcapacity as final consumer demand, mainly in the West, has stagnated or declined as well as due to oversupply issues due to recent capacity expansion in key commodities such as coal, iron ore and oil. But the slowdown in aggregate (not merely consumer) demand in China is also a key element in the weakness of global commodity prices. Chinese GDP growth in 2015 is estimated to be around 6.9 per cent, which is almost 4 percentage points slower than in 2010, when Chinese GDP growth was 10.6 per cent. China is the major market for almost all internationally traded commodities, not just industrials like iron ore, coal and oil. The downturn in the Chinese residential construction sector since 2013 has been a significant contributing factor in weakening Chinese demand for construction materials such as steel and copper.

The transmission effects of weaker metals prices are already having a significant impact on resource exporters, as reflected in the decision by Glencore to suspend operations at several copper mines in the Democratic Republic of Congo and Zambia, which will hit exports and fiscal revenue for both of those economies. Chinese demand for imported coal has also slumped significantly during 2014 and 2015, reflecting greater use of domestic coal resources as well as Chinese government efforts to limit coal consumption as part of its initiatives to
stabilise carbon emissions. This has hit coal exporting nations, with Indonesia suffering particularly large declines from declining Chinese coal import volumes. Total Chinese coal imports fell by an estimated 30% in the 2015 calendar year, with further declines in Chinese coal imports expected in 2016.

The collapse in global oil prices in late 2014 created another shockwave for many emerging market economies, given that so many emerging markets, even the larger ones, such as Venezuela, Nigeria, Iraq, Iran, Russia and the Persian Gulf oil producers are still heavily dependent on oil and gas as a key source of export value and fiscal revenues. The impact of lower oil prices is already being felt: even Saudi Arabia, which had massive accumulated foreign exchange reserves estimated at US$746 billion in August 2014, has seen a rapid slide, falling to an estimated 635 billion by November 2015 due to its large fiscal expenditure program and the sharp drop in export revenues from oil. The IMF has projected that Saudi Arabia will run a budget deficit of around 20% of GDP in 2015 (IMF, 2015). The IMF has also projected that the six Gulf Co-operation Council States will see their combined budget surplus of US$76 billion in 2014 turn into a combined budget deficit of US$113 billion in 2015.

While the Gulf Cooperation Council (GCC) States have relatively strong fiscal reserves to withstand such a fiscal shock for some period of time, other oil exporting nations are much more vulnerable, notably Venezuela. That nation’s ongoing economic crisis has escalated due to the fall in global oil prices. The Venezuelan central bank has estimated that Venezuela’s GDP contracted by 7% in 2015, while the IMF forecasts a further 6% decline in GDP for 2016. The fiscal deficit is likely to have been around 20% of GDP in 2015, with increasing and credible risks of a debt crisis that could see Venezuela defaulting on its debt in the near future. President Maduro declared a 60-day national economic emergency on 15 January 2016 due to slumping GDP and hyperinflation that reached 141% year-on-year in late 2015.

Governments in oil-exporting countries had already slashed their oil price assumptions for their 2015 budgets, yet continuing conditions of significant oversupply in global oil markets, and an increase in Iranian oil exports anticipated following the lifting of economic sanctions in January 2016, has pushed the Brent crude benchmark oil price down to around US$29 as at 15 January 2016, well below the budgetary oil price assumptions for 2015 used by most of these governments.
VOLATILE CAPITAL FLOWS TO EMERGING MARKETS.
In the aftermath of the global financial crisis in 2008-09, with very weak growth in the US, EU and Japan, capital flows to emerging markets strengthened significantly as global investors sought higher yields and better earnings growth in the faster growing economies of Asia and Latin America. However, the investment landscape changed significantly after 2013, as growth in China and other large emerging markets like Brazil and Russia has slowed, and the slump in global commodity prices has dampened the economic outlook for commodity-exporting emerging markets.

The US Federal Reserve System is expected to begin a policy cycle of monetary tightening, which will tend to increase the attractiveness of the US dollar and dollar-denominated assets relative to emerging-markets asset classes. These trends have increased the risks that previously high capital flows into many emerging markets could slow significantly over the medium term. This would result in weaker net capital inflows for commodity-exporting developing countries, which are already facing a significant slowdown in export earnings from commodities.

The deteriorating macroeconomic profile for many resource-exporting developing countries is also likely to result in deteriorating credit ratings for the more vulnerable nations, increasing their cost of borrowing in international debt markets. It could also further reduce the flow of international bank finance to them.

The Institute of International Finance has estimated that emerging markets in 2015 saw total net capital outflows of around US$540 billion, the first time they have seen net capital outflows since 1988 (Financial Times, 2015). Capital outflows out of China are estimated to be a very significant contributor to these net capital outflows, while the Central Bank of Russia has estimated capital outflows out of Russia in the first ten months of 2015 at US$50 billion.

THE OUTLOOK FOR EMERGING MARKETS.
The combination of slower Chinese growth, the slump in global commodity prices, and the prospect of Fed monetary tightening indicates that emerging markets are facing a much more challenging global economic outlook over the medium term than they have in the recent past. The vulnerability of different emerging markets varies considerably, reflecting a
wide range of factors such as macroeconomic resilience, degree of dependence on commodity exports, vulnerability to capital outflows, and banking sector instability. Nevertheless, macroeconomic, external-account and debt indicators overall have shown significant deterioration during 2015 for a large number of emerging markets.

With the outlook for commodity prices expected to remain weak during 2016, many emerging-market commodity exporters face a protracted period of weak commodity export demand compounded by oversupply due to recent capacity expansion in some key commodities that will damage their external account position as well as erode their fiscal balance. Furthermore, many commodity-exporting nations, having experienced significant currency depreciation against the USD during 2014-15 as a result of slumping commodity prices and weakening export earnings, face increasing debt-servicing costs for their foreign currency-denominated debt.

POLICY RECOMMENDATIONS.
Most developing countries in Latin America, Sub-Saharan Africa, and the Middle East remain highly dependent on commodities as a key source of export earnings and fiscal revenues. The current slump in global commodity prices and the prospects of a protracted period of weakness as China’s maturing economy transitions to a less resource-intensive growth path creates major risks and challenges to resource-exporting nations.

Unlike East Asia, which has followed a path of industrialisation and manufacturing export-led growth for decades, many nations in Latin America and Sub-Saharan Africa have not yet successfully developed a more diversified economic structure in which manufacturing plays a significant role in either exports or domestic value-added.

To address this crisis we offer six key policy recommendations for developing countries.

(1) Formulate long-term development plans and stick to them.
The secret of the Asian tigers was their governments’ ability to sustain development policies over the long term. The Asian tigers did not apply the Washington Consensus dogmatically; they were not shy about intervening in the economy, whilst the opening to international finance and the liberalisation of international commerce were generally cautious, selective and pragmatic. Political stability attracts private investment and allows societies to build on
past achievements. The nurturing of export clusters and the qualification of the work force for economies of scale enabled a catch-up in manufacturing technology that soon evolved highly complex, technology-based economies (Salam, 2012).

Democratic countries may have a harder time of it, but they need to concentrate none the less on building a durable consensus around long-term development policies. The main problem appears to be partisan gridlock, and the temptation is to suspend democracy, as has so often been done in Latin American political history – “at least to the extent of development policy” (though it is not really possible to suspend democracy “just a little bit”). Thankfully, the days of coups and juntas in Latin America are mostly gone by, yet the exigency of finding durable consensus on certain overarching issues never goes away. What developed countries have long done to evade the distempers of democracy is to repair to the supranational level to forge their policy consensus. A supranational organisation to formulate and set specifically development policy – not just trade policy, – or trade subsumed under a common development policy, may be what Latin America needs most of all. Development usually is conceived as a domestic issue, but more and more it needs to be realised how much domestic development implicates international relations and international trade and vice versa. A regional development policy-making organ might be more popular and not so controversial as the multitude of failed regional trade blocs have been, as it would be focussed everywhere on fostering, foremost, the domestic but also the regional capacity of Latin American nations for creating wherewithal to trade, instead of haggling over the spoils of trade long after it is too late to address the lack of the wealth of nations in the region to trade with. Democratic accountability for the execution of supranationally made development policies would of course remain essential in such a regional “development condominium”.

(2) Improve the international competitiveness of the business environment.
After three decades in which China was the low-cost factory of the world, rising manufacturing wages in coastal China are forcing multinationals to look farther afield for lower-cost labour, furnishing opportunities for other emerging markets to attract new manufacturing investment. New locations, however, need to provide cost-effective, stable environments for investors.

All too many countries in Latin America, Sub-Saharan Africa, and the Middle East are exacerbating cost and profitability problems for business due to a range of issues that has
reduced their competitiveness compared to the industrialised nations of North America, Europe and East Asia. According to the World Bank Ease of Doing Business 2016 Survey, many of the countries in Latin America, Sub-Saharan Africa, and the Middle East stand relatively low in the world rankings.

In Latin America there are some success stories, with Mexico ranked 38th in the world, Chile 48th, Peru 50th, and Colombia 54th out of the global index of 189 nations. Nevertheless, many other Latin American nations still rank very low on the global scale, with Brazil ranked 116th, Ecuador 117th, Argentina 121st, and Venezuela 186th, almost at the bottom of the world.

Similarly, the World Bank Ease of Doing Business Survey of Sub-Saharan Africa portrays a region of nations ranked very low in terms of the international ease of doing business. South Africa, which is the region’s industrial leader, is only ranked 73rd, Kenya is 108th, Ghana 114th, Tanzania 139th, and Nigeria 169th.

In the Middle East it is perhaps surprising that some oil-rich nations still rank poorly in the Survey despite having had for decades considerable fiscal resources that could have been expended on establishing best practice governance standards and an attractive business environment. The rankings, however, suggest that this has not always happened in practice: Qatar is ranked 68th, Saudi Arabia 82nd, and Kuwait 101st. By contrast, the UAE, ranked 31st in the world, stands out as a success story in the Middle East. With the lifting of economic sanctions, a new window of opportunity may be opening for Iran, currently ranked at 118th, to create a more internationally friendly business environment for investment, as many global investors can explore opportunities there for the first time in many years.

In order to address the lack of international competitiveness, many of these nations need to embark on far more aggressive strategies to reduce regulatory burdens and barriers to investment. For example, the excessive bureaucracy and patchy taxation systems in Latin America are a great deterrent to investors. The high cost of employment in manufacturing, and labour-intensive industries in general, are a significant barrier to the growth of that sector. These costs are not high salaries so much as a multitude of taxes of various kinds.

Around ¼ of Latin American States’ fiscal income comes from taxation of commodities production. The incapacity of the State to control taxation and the preponderant informality
of the economy makes it more dependent on royalties to finance itself. However, royalties are nominal or non-existent in many Latin American countries, hence State revenue is meagre at all events. The weakness of the State is also reflected in the compensation strategy of imposing on some sectors of the formal economy a disproportionately and unprofitably high tax burden. Simplifying the taxation system and investing fiscal resources in enforcement will provide a more sustainable and stable source of income to the State.

(3) Invest in research and development.
Economic development is known to be in causal nexus with the expansion of industry and knowledge-intensive services. The development of these sectors generates a number of positive externalities that tend to accelerate economic growth; including human capital formation, network externalities, and technological spillover. As the spectrum of goods and services widens, the extremes of the business cycle that endanger long-term growth are dampened (Frenkel & Rapetti, 2011).

Manufacturing is becoming digital and technologies are converging. Intelligent software, new materials, robots with high dexterity, and 3D printers, facilitating the making of prototypes of almost anything, are changing the course of business. The geography of supply chains is also changing: – most of the work will not be done in classical factories, but in offices manned by designers, engineers and logistics experts. The production in the developed countries that was driven offshore by lower labour costs will return, where logistics and technological advantages allow for quicker and less costly response to the markets.

A Third Industrial Revolution is thus in the offing, and Latin American and African countries have an opening to catch on to the new world without the drag of existing or “sunk” capital investments. What is needed above all is to invest in scientific research and development, perhaps in partnership with the developed countries of Europe, North American and Japan; and in the education of the populace in all of the relevant competences. Some of the most successful East Asian emerging markets have a relatively high share of R&D expenditure to total GDP, including South Korea, Taiwan and Singapore.

The gap in Latin America is all too high between the training offered by its education systems and the skills in actual demand on the labour market. More than almost any other region in
the world Latin America faces massive shortages of skilled labour and human capital. In concrete terms, 36% of businesses report having difficulties finding employees with adequate formation and training (OECD, 2014α). When asked what skills are needed, Latin America businesses answered that it was “soft skills” that were especially scarce. These are additional to cognitive competence: involving aspects such as critical thinking, responsibility, teamwork, ability to solve complex problems, and oral and written communication.

According to the Report of OECD/ECLAC/CAF, “Latin American Economic Outlook 2016”, published in 2015, skills and technological progress are key priorities for Latin America’s future competitiveness: “Skills are the key to reap the benefits of technological change that will transform the nature of jobs. Technological progress will be at the heart of the capacity of both China and Latin America to avoid the middle-income trap” (OECD/ECLAC/CAF, 2015:148.)

Yet the training provided by business is perfunctory, as the funding for it comes mainly from the “bottom lines” of companies, so that it is tightly focussed on the specific needs of employees in executing their immediate tasks. Ironically, individuals bringing a higher level of skill to their companies receive more training, which widens the gaps between skilled and unskilled employees. It is rare for Latin American businesses to receive State subsidies for the occupational training of their employees, and the smaller the business, the fewer subsidies are available, despite the greater need for resources than the larger ones (OECD, 2014β).

Another factor demanding attention is the disconnect between what young people are apt to study and what the country needs to innovate and grow. In Argentina for example, for every 1000 law school graduates, there are 1428 economists and business managers, 372 psychologists, 300 engineers, 51 chemists, 29 mathematicians and nine physicists, annually (Guadagni, 2013).

These yawning gaps urgently need to be addressed. The quality of secondary education must be enhanced in much of Latin America and Africa, and those pursuing higher education guided toward commercially relevant disciplines. The State must provide stimulus for training by the private sector, especially apprenticeships, as are common in advanced nations like Germany.
(4) Promote reindustrialisation and re-focus on manufacturing.
Economic growth based on commodity exports is not sustainable, as commodity prices do not reflect trends in productivity, which is what sustains growth. The global index for commodity prices is perennially volatile: e.g., it increased 142% from 2002 to 2008, then fell 28% from 2008 to 2009, only to increase 62% from 2009 to 2011 (Cypher, 2015:124). The value added to the domestic GDPs of commodity-exporting countries was correspondingly volatile – not a good development strategy:

The uncertainty generated from commodity price fluctuations hampers economic growth and is associated with increases in poverty. Indeed, the correlation between changes in commodity prices and economic growth is striking ... Examining economic growth rates for developing economies against the annual rate of change of commodity prices for the period 1995–2009 finds an 87 percent correlation between the two variables. (UNDP, 2011:68)

What is worse, that volatility registered a stunning increase of 175% from the decade 1990-2000 to the decade 2000-2009, implying that countries dependent on exporting commodities are more and more exposed to price shocks (UNDP, 2011:59).

Overreliance on primary products makes for dependency and vulnerability to the vagaries of the commodity-importing countries. Latin America and Africa are particularly at risk due to the large number of countries which are dependent on resource exports:

According to the United Nations Conference on Trade and Development, in 2011 agricultural, mineral, and commodity raw materials represented 76 percent of the exports of the countries of the Union of South American Nations, compared to only 34 percent for the world as a whole. The manufacture of advanced technology, in comparison, represented 7 percent and 25 percent, respectively ... China’s entry in the global market compounds the situation, as it quickly imposes itself as an unequal partner in respect to commercial exchange with different countries of the region. (Svampa, 2015:65-66)

Rounding out this picture, in 2013, commodities exports accounted for 73% of total exports to China from Latin America (OECD/ECLAC/CAF, 2015).

Currently, China's imports are decreasing as its economic growth engine transitions from State-led investment to the stimulus of consumption. As wages improve in China, luxury imports are set to increase, whilst commodity imports, fuelled by the infrastructure boom, are bound to slow down or even decrease (Bradsher & Duhigg, 2012).
In some Latin American countries like Colombia, the late emphasis on commodities in the context of trade with China has altered the production profile of domestic agricultural and industrial sectors, moving capital into job-poor investments which deepen the inequality gap. Similarly, there have been decreases in the industrial component of the GDPs of Brazil, Peru, Chile, Mexico and Colombia.

Many African countries, too, have been developing their resource export sectors due to the rapid growth of Chinese demand for African commodities over the last decade. However, with Chinese demand slowing down and commodities prices slumping, commodity export-based development strategies are likely to face extreme difficulties over the medium term, as falling commodity prices and weakening demand curtail new investment inflows into the mining sector. Oil and gas have been a key new frontier of economic development for many African countries in the last decade, with new oil and gas discoveries made in countries such as Uganda, Tanzania, Ghana and Mozambique. But with international oil companies significantly cutting back their exploration and development budgets due to the collapse in world oil prices, new investment inflows into the upstream African oil and gas sectors are likely to be cut back significantly, at least over the next two or three years.

With the resources sector outlook having weakened considerably in the near- to medium-term outlook, industrial development ought to be given a considerably higher priority in the development plans of many African countries. This will be essential for diversifying the economic base of the many African countries that are excessively dependent on mineral and agricultural commodity exports, as well as for generating an important source of employment growth.

According to research by the Brookings Institution, in 2010 the average manufacturing value-added share of GDP in Sub-Saharan Africa was only 10 per cent, the same as in 1970. Brookings calculate that Africa’s share of world manufactured exports is just 0.2 per cent. That means that Sub-Saharan Africa has shown no progress in deepening industrialisation for the last four decades (Brookings Institution, 2014). Nevertheless, their country research does point to several hopeful case studies, notably Mauritius and Tunisia, which have tried to follow development strategies which are closer to the East Asian economic development model.
Premature deindustrialisation follows on from the way some governments practice their openness to external markets. The conditions for industrialisation have to be satisfied in actual practice by judicious governmental economic policies across an array of variables; viz. developing industrial clusters with international competitive advantage; establishment of free trade zones; developing a skilled manufacturing workforce; working with multinationals to develop local manufacturing supply chains; development of best-practice local content policies; and accelerated development of infrastructure to support industrialisation.

(5) Promote internal and regional markets.
Latin American and African countries must make massive investments in science, technology and innovation if they want to escape the middle income and deindustrialisation trap. The scale of the investment needed, however, exceeds the capacities of most nations in these regions, and thus it is duplication of effort which must be anathematised. Regional cooperation agendas for Latin America and also for Sub-Saharan Africa are needed to facilitate the scale and efficiency of these long-term investments. This can only benefit the whole region:

A well-crafted bloc can raise efficiency – and economic welfare – in its member countries by facilitating consumer choice and increasing the competition that producers face. Dropping tariff barriers enlarges markets and gives more efficient producers entry into countries where their prices had been inflated by duties and other trade barriers. (Schiff & Winters, 2003:31)
The sad fact is that Latin America, more than any other region of the world, is strewn with the wreckage of failed schemes of regional market integration. There is no easy way out of this trap: even the most successful nations and economies have had to wrestle with it for generations. In the history of the United States, the southern and northern States, notwithstanding a bond so potent as a common federal government, clashed never more fiercely over slavery than over free trade versus protectionism. They only managed to hold their union together by war.

Such are the stakes in regional integration. Latin America faces many obstacles to simple market integration – some purely physical, like gigantic mountain ranges and vast rainforests that probably ought to be environmentally protected from development, but others quite cultural and conceptual. Regional economic integration will never be a sustainable reality until all parties, all classes, all societies, all nations, all peoples realise gains from it that are, and are felt to be essentially equal – and that before one even reaches the matter of international trade with China or anyone else.

Market integration is needed, of course, but adjuvant and complementary to that there must be agreed sufficient means and common schemes for developing productivity and its correlative income gains up to roughly the same level across the whole region, so that member states will not be tempted to withdraw from a regional arrangement in order to protect their people from the productive capacity of other member states, whose competitive challenges cannot be met within one’s own existing productive capacity.

(6) Adopt a more forward-looking geostrategic foreign policy.
Commodity-dependent emerging markets in Latin America, Sub-Saharan Africa and the Middle East need to reassess their long-term future in a more pragmatic way than they have ever done before. Their prospects are not as rosy as some of their governments have previously assumed, nor have their interests been duly served by the China-driven return to commodity-export dependency; a fact that the current depression in commodity prices proves beyond all doubt. Obviously, Latin America needs a regional geostrategy that will concentrate on what is to be done after the morning after the party. Without a grand central vision for the whole of Latin America or Sub-Saharan Africa or the Middle East, each one of its nations can be “picked off”, as it were, just as single brigades and regiments of an army without a supreme commander might be defeated one by one by an overall inferior force, but
one that can bring off local superiority on the battlefield. Latin America will have to fight for its long-term economic future, in its political relations with China as well as economic, and it must fight in concert if it would have any hope of winning. The necessary goal of comprehensive regional integration, however, should not preclude the achievement of sub-regional integrations to whatever extent they may be feasible now.

No geostrategy at all is feasible without an institutional infrastructure to enforce it, like that which one finds everywhere in the European Union, but nowhere in Latin America. The region abounds in failed multilateral organisations; none has ever had depth or staying power. The Organisation of American States might have laid some foundation, had it been properly developed in ages past, especially as it involves the United States with its multifarious forms of capital. Not surprisingly, the United States has shrugged off the OAS as an echo chamber of idle anti-American animus. Other, exclusively Latin American organisations, from the Andean Group to the Pacific Alliance, underwrite “strategic” universalities like the Washington Consensus, but undertake no concrete steps toward an actual geostrategy tailored specifically to Latin America in its relations with China. The reality is that Latin America is woefully unprepared for reality.

The institutional capacity deficit is made worse by the tendency of Latin Americans to polarise ideologically between the Right and the Left. Policies that all sides could agree on are trampled underfoot in the rush to quarrel over differences that might or might not be important on some level, but are surely irrelevant in the context of a perilous external relationship with a rising superpower before whom all biases in the region are similarly situated. Both schools of ready-made political thought should be marked “expired” for the duration, until Latin America faces up to a hegemon posing potentially existential challenges to its being and identity. East Asian countries other than China (China, too, in practice) are better able to finesse Western ideological deadlocks when setting their courses of development. Latin Americans should assiduously study the pragmatism of countries like Taiwan, Hong Kong, Singapore, and South Korea for clues to their own survival as a region in the new age.

**Summary.**

After a period of relatively rapid economic growth, emerging markets are facing a much more difficult global economic landscape over the medium term, particularly for the many
developing nations that are still heavily dependent on resources exports. The slowdown in demand and the consequently falling global commodity prices have created significant headwinds for commodity exporters, generating terms-of-trade shocks and resulting in weaker export values as well as declining new foreign direct investment inflows into their commodities sectors. Decisive changes in long-term economic development policies are needed by many resource-exporters in Africa and Latin America in order to diversify their production structures and exports compositions.

Among the key strategies we recommend for emerging-market, commodity-exporting nations and for the Latin American and Sub-Saharan regions as wholes are to:

1. Incentivise and reinforce further the creation of internal regional markets.
2. Formulate regional development plans for the long term and stick to them.
3. Refocus economic policy on industrial development and the promotion of manufacturing.
4. Form human capital at a higher rate via vocational and tertiary educational strategies.
5. Invest in innovation and R&D, and reduce the legal and administrative costs of starting up and doing business, in the interests of becoming globally more competitive.
6. Improve the international competitiveness of the business environment by lowering the costs of employment and the regulatory burdens on business.
7. Reform antiquated and inefficient taxation schemes above all.
8. Adopt a more forward-looking geostrategic foreign policy for at least sub-regions of Latin America.

Whilst these strategies are all long-term in nature, and cannot be expected to deliver rapid short-term solutions to the economic challenges that many resource exporting countries currently face, they are essential to delivering economic growth in the long term and achieving not only the sustainable development targets of the UN, but also the human dignity and the political self-determination of the ordinary citizens of developing nations.
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ABOUT THE AUTHORS.

Rajiv Biswas.
Asia Pacific Chief Economist, IHS.
Rajiv.Biswas@ihs.com

Álvaro Méndez.
Senior Research Fellow, London School of Economics.
Senior Lecturer in International Relations, Regent’s University London.
a.mendez@lse.ac.uk
mendeza@regents.ac.uk