

BROOKINGS

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**EMERGING MARKETS AND INTERNATIONAL INVESTMENT**

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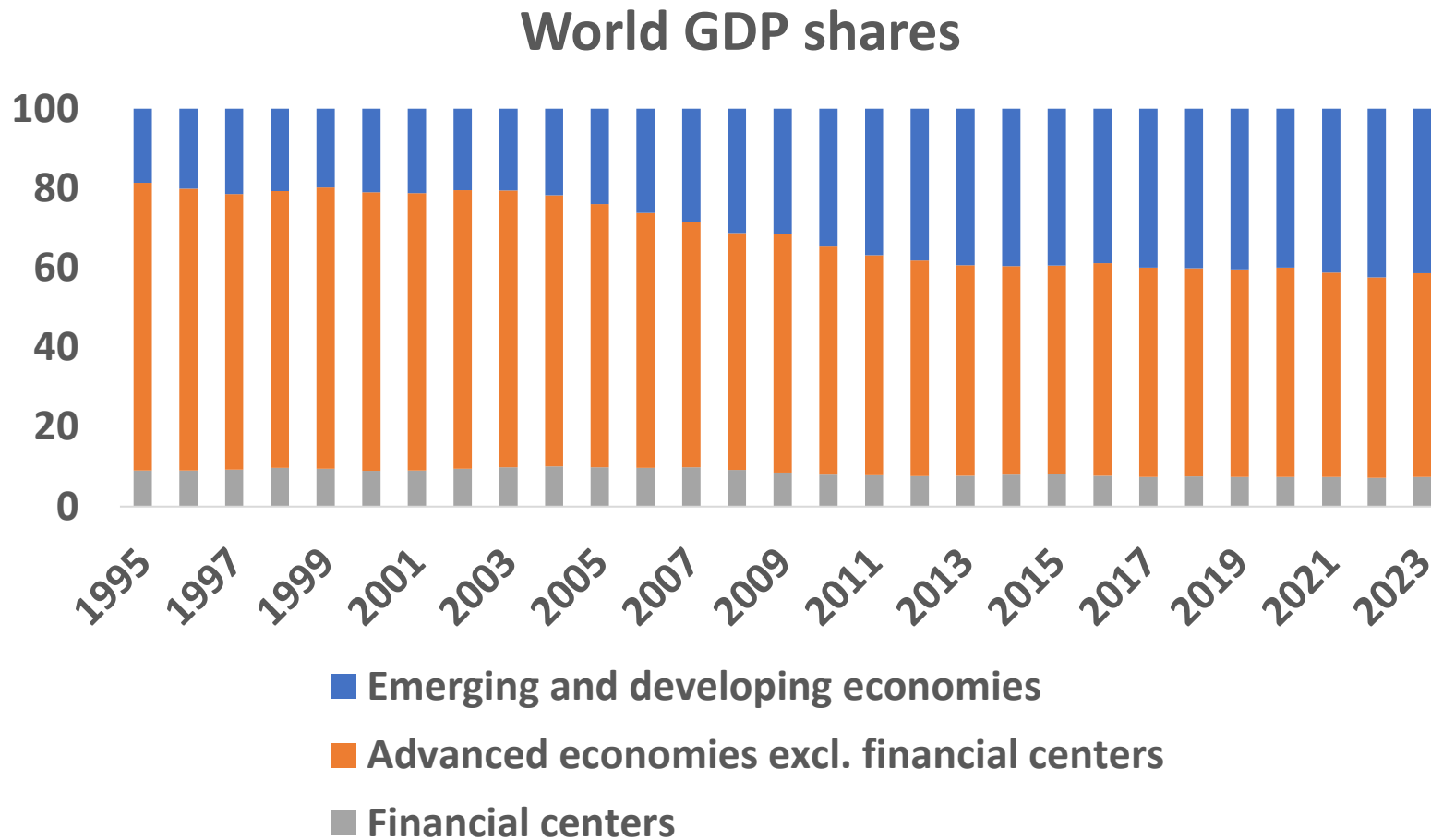
*To read annotations, hover cursor over comment bubbles at top left of slide.*

# The big questions

- Have emerging economies become more central to international finance?
  - Role as investors
  - Role as destination
- What are the differences vis-à-vis advanced economies?
- What has been the impact of trade barriers and geopolitical tensions?
- Has there been a shift away from China and towards other EMEs or to advanced economies by international investors, eg in response to trade barriers or geopolitical tensions?
- This presentation provides evidence to answer the first two questions



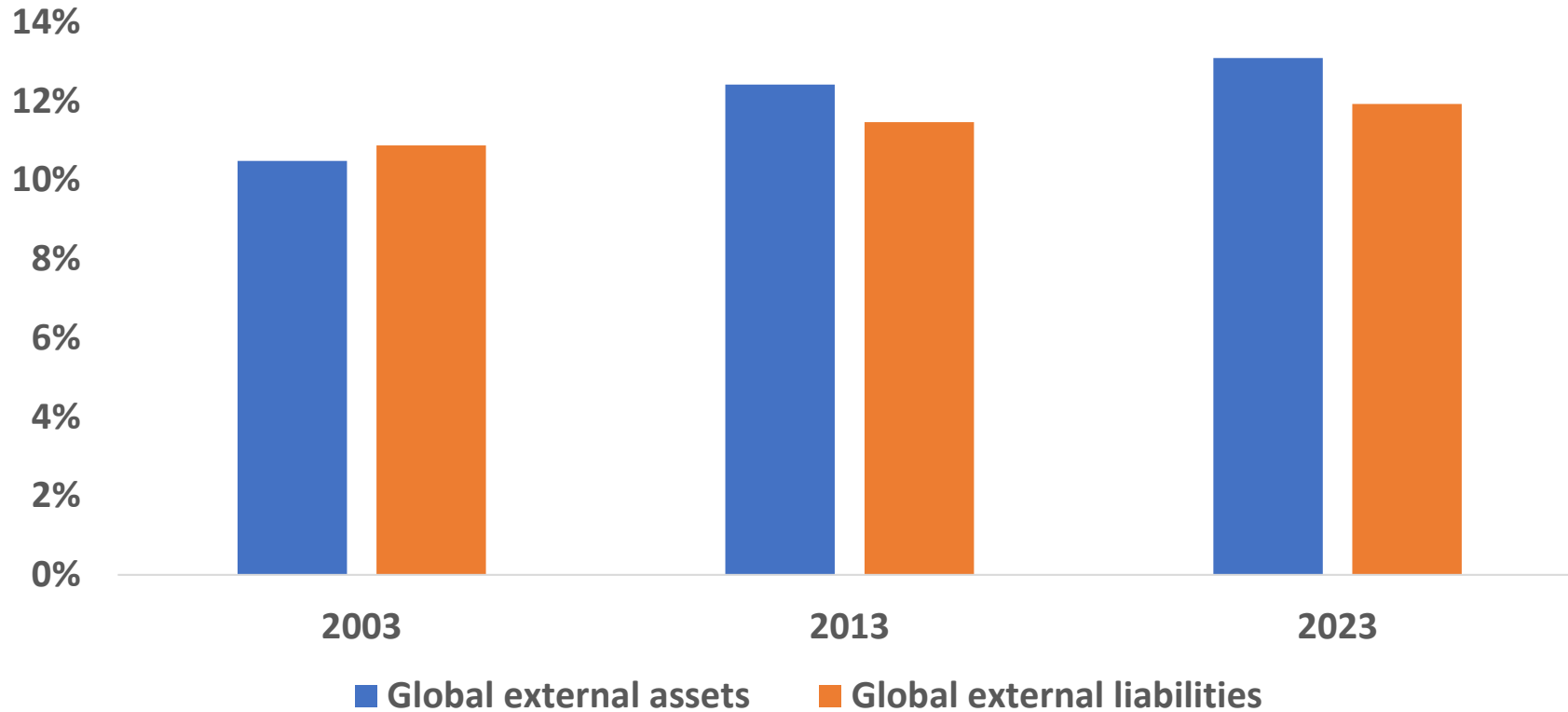
# EMDEs growing in importance as a share of global GDP (market prices)



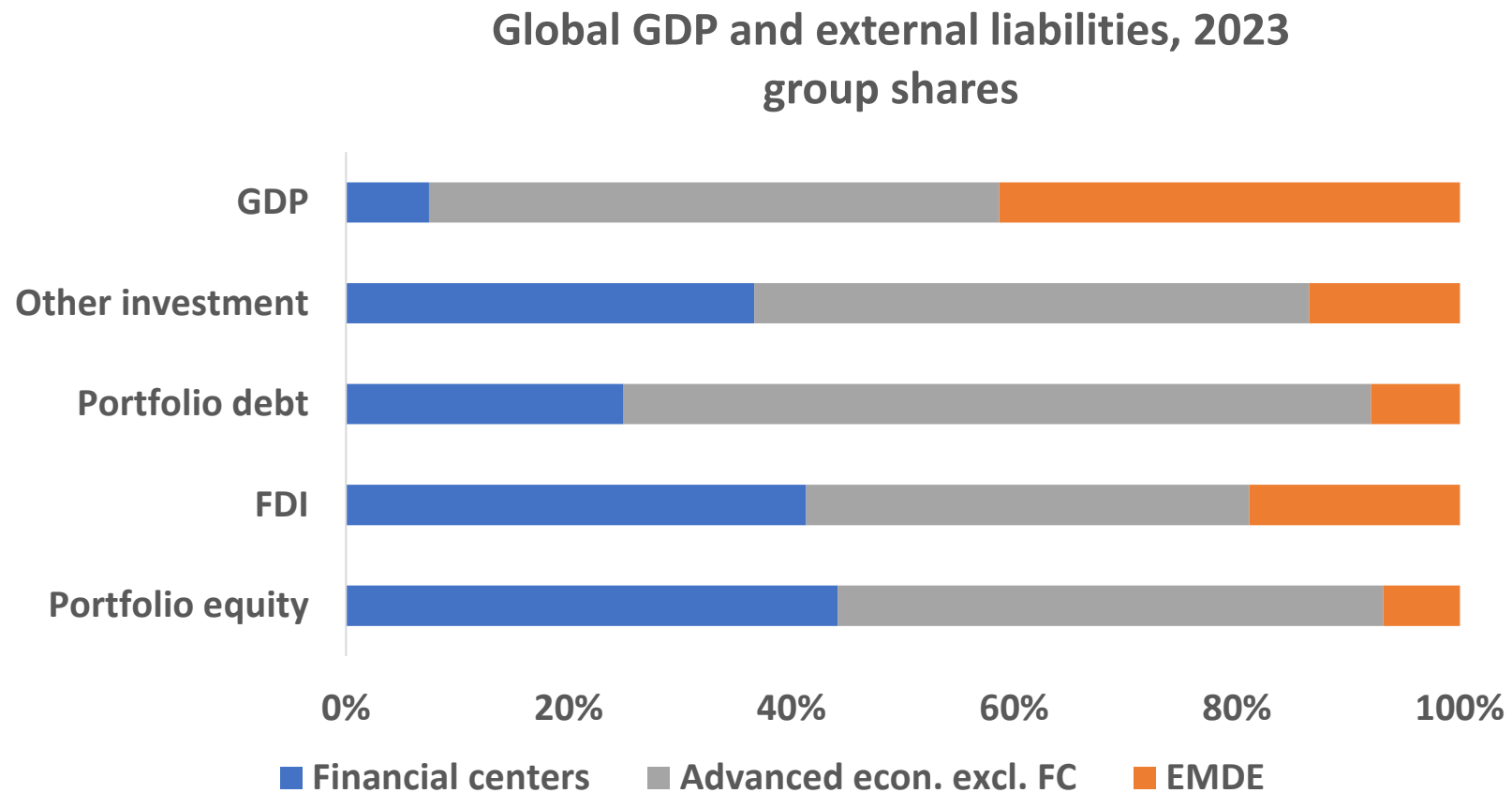


# Their share of global external assets and liabilities has increased over the past two decades...

Emerging markets and developing economies:  
share of global external assets and liabilities

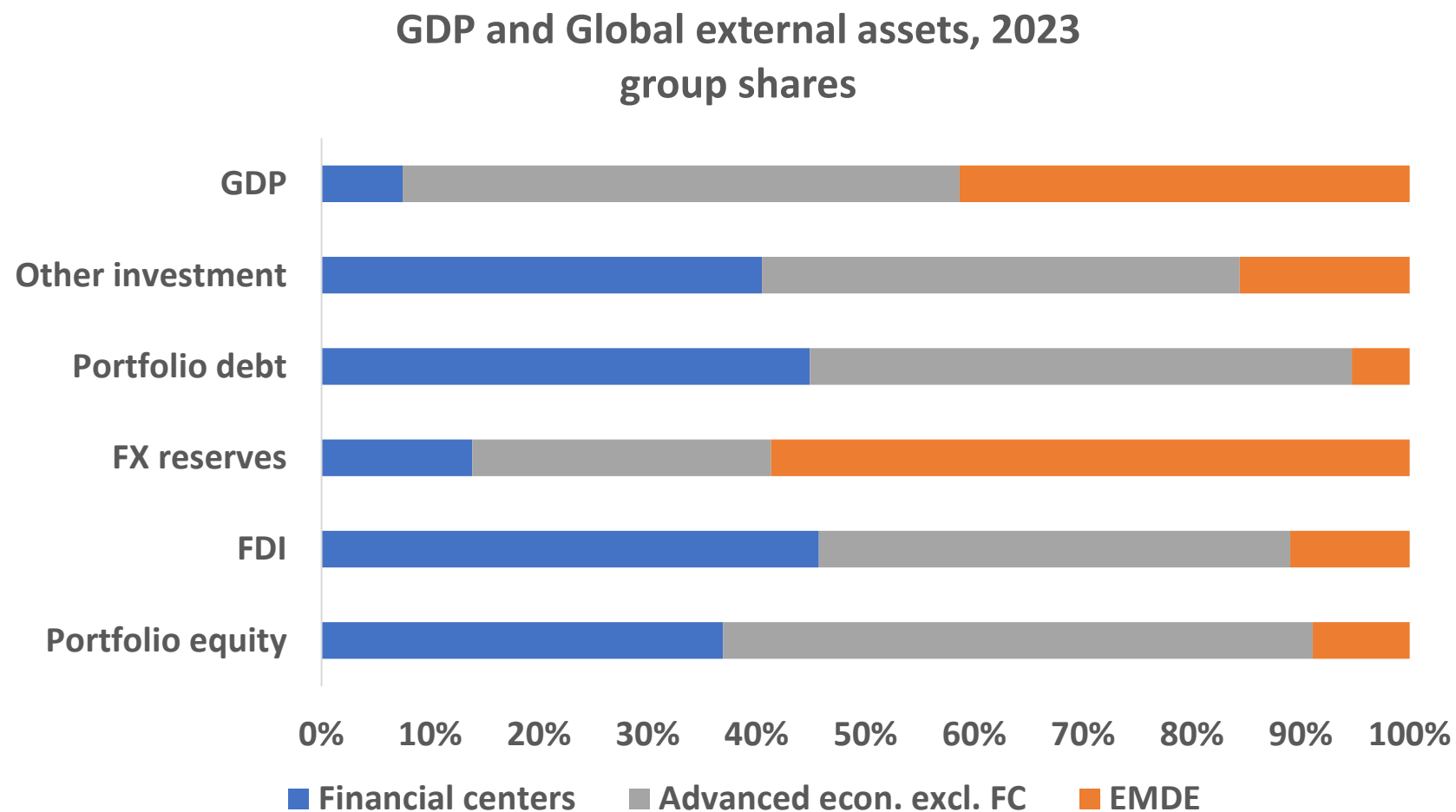


# As investment destination EMs still punch well below their GDP weight

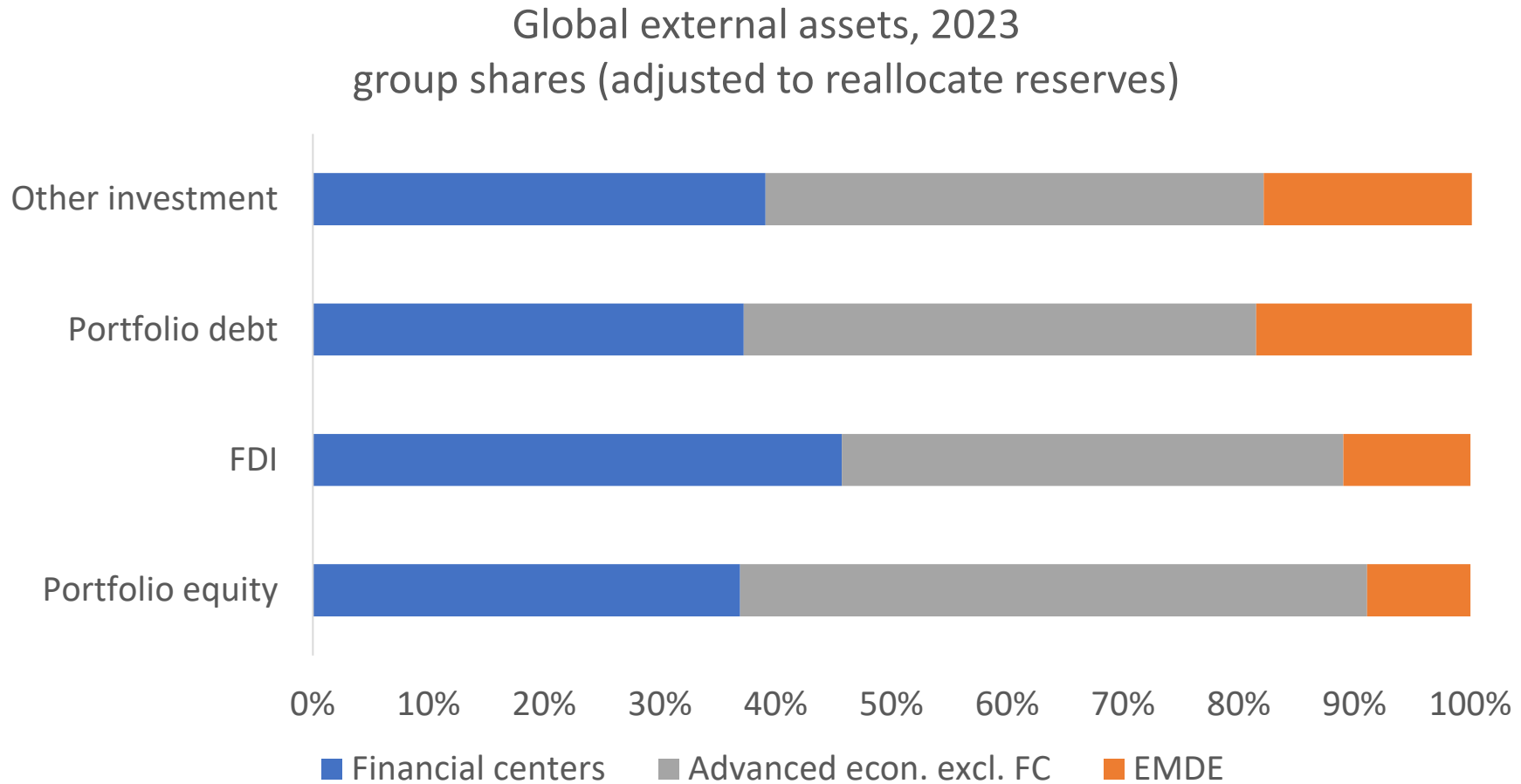




# As source of cross-border investment they also punch below their GDP weight (except for FX reserves)



# Recognizing that most reserves are held in debt securities leads to a restatement of the EM role as bond investors





# Differences vis-à-vis advanced economies

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- Much smaller share of external assets and liabilities in GDP
  - Less financial depth
  - Less intermediation of international claims
- Much larger role for official investors
  - Central banks for investment in debt securities
  - Sovereign wealth funds for portfolio investment and increasingly FDI

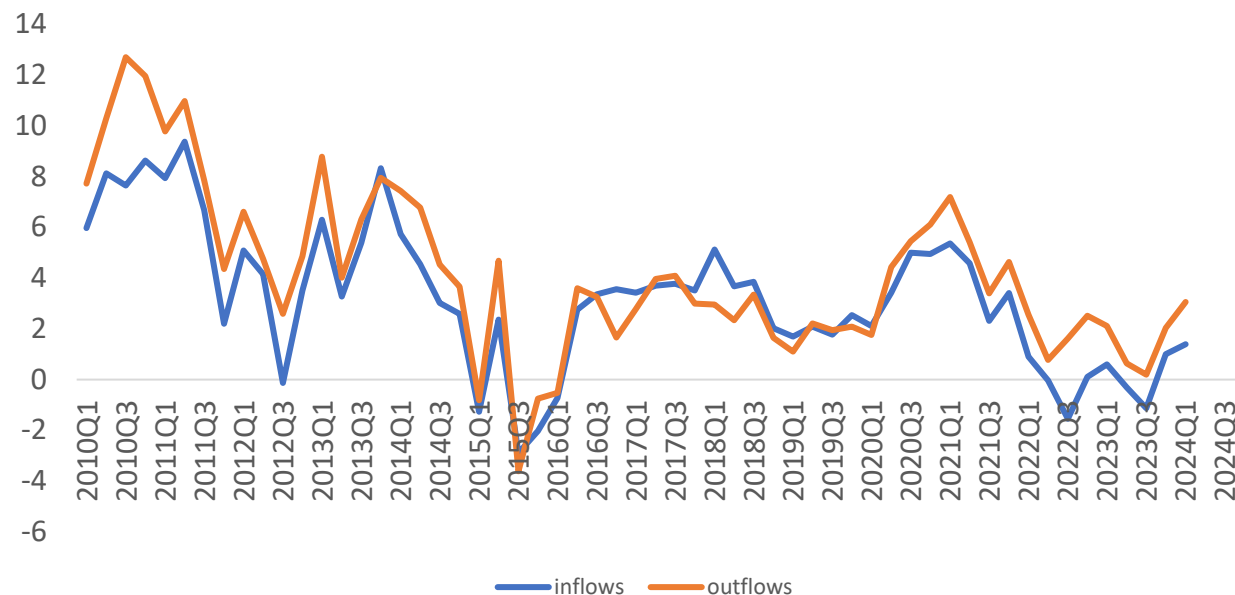




# The role of China

- Sharp decline in flows, especially in 2022-23

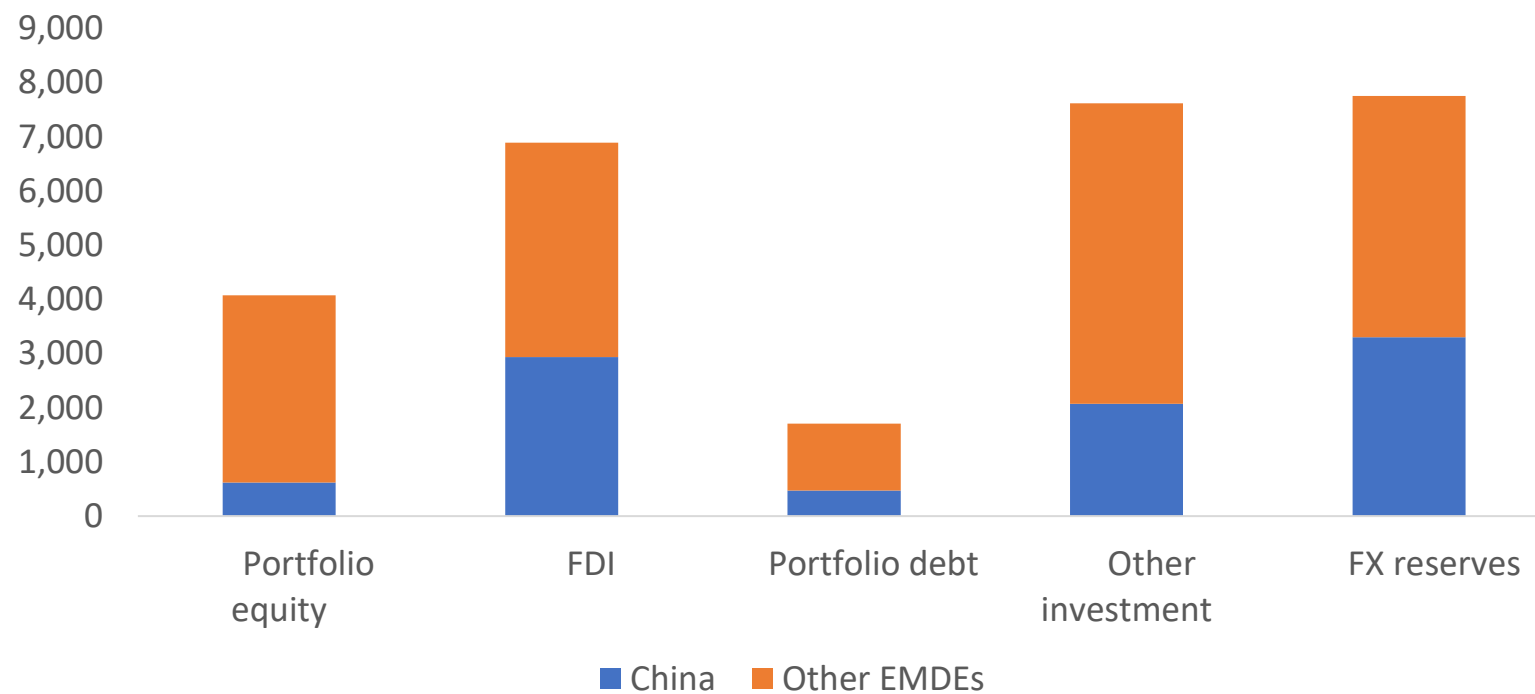
China: financial inflows and outflows  
(pct of GDP)



- Hard to distinguish between macro and geopolitical pressures

# Emerging markets: the weight of China (external assets)

Emerging markets: external assets  
(billions US\$, 2023)



# Emerging markets: the weight of China (external liabilities)

