Introduction

Thierry Warin

Department of Mathematics and Industrial Engineering,
Ecole Polytechnique of Montreal,
C.P. 6079, succ. Centre-ville Montréal,
Québec, H3C 3A7, Canada
E-mail: thierry.warin@polymtl.ca

The trade liberalisation wave has started in the 1950s. At that time, trade integration was organised by and within countries sharing the same economic structure. Countries in the Northern hemisphere would regroup among themselves, and countries from the Southern hemisphere would do the same (Martinez-Zarzoso, 2003).

On March 25, 1957, one of the two treaties of Rome was dealing exclusively with trade integration among the founding members of the current European Union (Belgium, Luxembourg, The Netherlands, Germany, Italy and France). This example of trade integration is the first one of a long list: the West Indies Federation, which became later the Caribbean Free Trade Association (CARIFTA), then the Caribbean Community (CARICOM), created in 1958. The year 1960 saw the signing of the trade agreement in Central America between Guatemala, El Salvador, Honduras and Nicaragua. In 1977, a new trade agreement between the European Economic Community and Syria was signed. Those are only a few examples. Currently, there are up to 208 free trade agreements around the world. The 1990s saw the biggest trend in trade integration: for instance, the creation of NAFTA in 1993 between the USA, Canada and Mexico, and in 2000 the signing of the trade agreement between the European Union and Mexico, etc. Nowadays, more than half of world trade occurs within a trade zone.

Asia is also an interesting and complex case study, inspiring optimism, myths and sometimes fears. Truly, the rise of emerging countries in Asia poses interesting questions in light of their trade integration. In 1967 in Bangkok, five countries (Indonesia, Malaysia, The Philippines, Singapore and Thailand) signed a Trade Association Agreement to improve economic growth and social and cultural development (ASEAN). Brunei joined ASEAN on January 8, 1984, Vietnam on July 28, 1995, Laos and Burma on July 23, 1997 and Cambodia on April 30, 1999. On January 28, 1992, ASEAN moves forward by creating a free trade area called common effective preferential tariff (CEPT). In 1997, for its 30th anniversary member countries of ASEAN decided to integrate economically and politically by 2020 aiming at creating a new zone of prosperity and peace. Lately in 2008, new steps have been taken to move forward this integration within the framework of the 2020 agenda. The Association of Southeast Asian Nations (ASEAN) is thus a group of ten countries representing roughly one eleventh of the world population in 2011.

Although it has become an integral part of our language, the notion of 'emerging countries' is particularly difficult to grasp. It is essentially a question of growth, in other words a notion capturing the change of an economy more than the absolute level of development.

Copyright © 2012 Inderscience Enterprises Ltd.

There is no question about the fact that all countries in the world were, are or will emerge at some point. The humanity has already seen industrial revolutions, technological changes, and migration flows. Doctrines and economic theories were invented: from Mercantilism to the New Trade Theory, through the Physiocrats, David Ricardo's comparative advantage theory, and Rybczynski's theorem.

However, what is impressive with the new wave of emerging countries is the magnitude. Out of the 7 billion people living on Earth, 1.4 billion are Chinese, 1.3 billion are Indians, and 600 million people are among the ASEAN countries. Overall, Asia accounts for roughly 50% of the world population. Compared with the 1 billion people living in developed countries, it is easy to realise the 'magnitude' effect. When 50% of the humanity is emerging, one has reasons to be extremely satisfied and optimistic, but it is obviously accompanied with several questions: the new geopolitical order, the issues about overheating and out-of-control economies that can ripple to the developed world, the questions about demographic issues (the one child policy, OCP, in China, for instance) and migration flows.

This is why we decided to assemble a collection of papers on the myths and realities of the emerging countries. Being interdisciplinary by nature, the challenge of this collection was to gather articles from different fields without losing the issues at stake. Another challenge was to propose a broader overview with some papers and then find articles highlighting the specific issues of some emerging countries. The articles presented here do not address all the questions. Since comprehensiveness was by definition not an option, we had to make a choice. We decided to highlight some of the most relevant progresses and challenges that some emerging countries are facing, based on an interdisciplinary perspective.

The reader will find three big parts in this issue: First of all, the question of globalisation of the emerging countries. Second of all, some relevant challenges in specific countries are presented (Brazil, Russia and Argentina). Eventually, we will focus on a specific case due to its relevance in the aforementioned 'magnitude effect': China.

The first two papers will provide the reader with a broader overview. They tackle the issues of the integration of the big emerging countries into world trade and world finance. The first paper is entitled 'The role of international trade and financial integration in the development model of the BRIC economies'. The research presented here aims at examining the role of international trade and financial integration behind the impressive economic growth rates of the BRIC economies. The author, A. Stojkov, uses a Barro-type growth model. The results highlight a more prominent role of trade over financial integration. The second paper is entitled 'Financial market integration and financial crises: the case of big emerging market (BEM) economies'. The question raised here by the authors, P. Negi, S. Sankpal and G. Mathur, is to know how connected or integrated are the new emerging countries to the developed world and how the aftermath of the 2008 financial crisis could affect the pace of development of these emerging economies.

The next three articles will cover country specific issues apart from China, which is addressed in the last part of this issue. The three countries are Brazil, Russia and Argentina. These papers cover a variety of issues that are prominent in emerging countries but even more relevant in the context of these countries. For instance, the first article in this part is entitled 'Direct and indirect impacts of governance on the value of Brazilian corporations'. The authors, V. de Jesus Lameira, W. Lee Ness Jr., J.E. Harris, O.L. Gonçalves Quelhas and R.G. Pereira, highlight the relationship between governance and firms' value. Quality of governance is related to risk, performance and value. It stresses the importance of high quality corporate governance to tackle the next development phase of the Brazilian economy. The second article, entitled 'The challenges of fostering innovation: Russia's unstable progress', stresses the challenges ahead of Russia in particular through the innovation perspective. The author, E. Klochikhin, emphasises the urgency of a new industrial policy-oriented towards innovation to foster a sustainable growth. The third article is entitled 'Active cost management in Argentinean banks: an empirical test of sticky costs'. It addresses the overall question of competitiveness. If an emerging country wants to remain on a high growth path, it must remain competitive. Applied to Argentina and specifically to the banking sector, the article stresses the difficulties to develop a flexible and adaptive economy.

The last three articles are focused on China. Among the 1.4 billion people living in China, already 700 million people live in cities. China has already accomplished a lot, but it must also face some challenges: one of them is that it must accompany the sustainable development of its current cities while facing a potential migration of the remaining 700 million people from rural areas to the Southern and Eastern provinces. The first article is entitled 'Steeling the 'developmental state'? The comparative political economy of industrial policy and state-business relations in the Chinese and Japanese steel industries'. The author, R. Foster, provides insightful comments on the policy challenges that China and other late industrialising countries face as they proceed with modernising their overall industrial policies. The second paper in this part is entitled 'The contribution of financial liberalisation to rapid economic growth in China (1995–2005)'. The authors, R.K. McCleery and F. De Paolis, calculate the contribution of financial market development to be around 20% of the annual GDP growth rate in China. This contribution will obviously rise and moreover China will have to adjust its policies to the financial growth of its economy, including the exchange rate policy. The third article is entitled 'Chinese interethnic marriage: passion or rational choice?' The authors, R. Butera and T. Warin, highlight the challenges of understanding the consequences of China's complex policies. On top of the Hukou system, one finds the OCP. This study finds interesting effects of the OCP on internal migrations as well as on the mixing of the different ethnicities across the provinces.

In retrospect, although not comprehensive, we hope this issue may help clarify some of the more relevant challenges emerging countries are facing, while recognising the successes and the changes of the world economy.

References

Martinez-Zarzoso, I. (2003) 'Gravity model: an application to trade between regional blocs', *Atlantic Economic Journal*, Vol. 31, No. 2, pp.174–187.