Dynamic Markets:
Advancing the notion of emerging markets through an empirical measure of institutions

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Abstract

First coined by Antoine van Agtmael in the 1970s, emerging markets was used to distinguish those rapidly growing Asian tigers from the rest of the so-called third-world and developing economies. Things have changed and the lack of analytical rigor and differentiation behind the notion of 'emerging markets' provides little insight into how these markets work, which ones are improving and how they might improve their competitive performance. Today, instead of simply categorizing countries there is a need for a more descriptive basis of understanding these markets – one that delves into their inner workings, the political economy and the institutional composition that drives their growth, development and potential prosperity. This is particularly true in Africa, now the fastest growing region in the world but also the most underdeveloped and least known – with an absence of real data and information.

With this in mind, Dynamic Markets encompasses a broad range of countries that exhibit exciting economic growth prospects, have undergone significant political, social and cultural change and show encouraging signs of innovation along with policy and institutional developments to address the voids and complexities prevalent in these markets. If strong, functional institutions are a required prerequisite for growth and development - as well as political progress - it is important to observe and measure these countries through an institutional prism or measurement.

This paper delves into the literature that has informed the development of emerging markets along with an in-depth study of institutions and the role of institutions in shaping the structure and performance of nations.

The paper then assesses and compares dynamic markets according to a recently developed index called the Dynamic Market Index (DMI). Results are empirical measures based on real data results - as opposed to surveys and opinions - and lean heavily on the theories of institutions, institutional voids and institutional economics.

In essence, the paper seeks to develop a better understanding and comparative measure of markets rather than develop another generic category of countries.

1. Introduction

What is an "emerging market"? What are its conceptual origins and technical attributes? How have these changed to inform our understanding of markets and shape the decisions of policy makers, investors and practitioners operating in such markets? Has the term 'emerging markets' evolved to account for changes over time and differentiating features between the diverse set of countries it has come to represent?

Analysts and academics have, in recent years, begun to question the relevance and staying power of the term 'emerging markets' as a means of classifying and comparing countries. The term 'emerging markets', at best, has tended to rely on single factor theories of explanation, predominantly size and growth in the area of economics and demographics (Sharma, 2014).

But increasingly other factors are driving performance, shaping development and distinguishing one market from the next. The role of economic, political and social institutions is key to improving competitive performance and overall progress. Importantly, this configuration of institutions provides a relevant classification of markets together with a useful comparative measure of countries at varying stages of development.

There is a need to measure and understand the inner workings of the countries and their political economies regardless of the category or acronym in which they fall – emerging or mature, developed or developing. Lumping fast-growing, less-developed and demographically favourable markets into an amorphous grouping of 'emerging markets' has proven to be narrow, and is increasingly less helpful in the comparative study of countries and their progress. More specifically, the term is devoid of technical relevance especially with regard to role of institutions and their influence on economic progress.

This is why the notion of "dynamic markets" differs from mainstream country-market paradigms and categories. It encompasses a broad range of countries that exhibit exciting economic growth prospects, have undergone significant political, social and cultural change, and shows encouraging signs of innovation. Steering away from generic categories and generalised acronyms toward a more descriptive term, dynamic markets helps to differentiate markets by analysing and identifying the factors and actors that define and drive these economies. Empirical measures of competitive performance through institutional progress provides a useful tool to assess advances and differences in markets.

Dynamic markets tend to be countries undergoing or striving for policy and institutional change to address the general ambiguity and complexities often prevalent in less developed markets. Most importantly, dynamic markets constantly seek improvement in their competitive performance, especially when compared with their global peers, who are competing for the same limited pool of capital, interest and support, regardless of their level of development.

The GIBS Dynamic Markets Index (DMI) is a descriptive measure and a point of reference to afford a fresh perspective on institutional development and economic performance – identifying prospective changes - rather than an effort to create a new categorisation of countries. It aims to complement existing knowledge, insights and analysis of these markets and their changing dynamics to develop a deeper and richer understanding for planners and practitioners, while providing analysts and academics with a more contextually relevant concept of various markets.

2. Time to Advance Beyond Emerging Markets?

The growing scrutiny around the notion of 'emerging markets' has entered the mainstream. While scholars from the fields of economics to international relations and management have debated the efficacy and application of emerging markets for some time (Sharma, 2012; Khanna & Palepu, 2010; Guillen, 2008; Serban, Borisov & Dobrea, 2012; Sunje, 2000; Ghosh, 2010), investment banks, transaction advisory firms and some of their leading thinkers have insisted on alternative measures and categories of markets in an attempt to better describe and understand the rich tapestry of markets they are advising on or investing in.

Standard Chartered, for example, has focused on trends like the 'super cycle' in an effort to analyse what these markets are or will be doing, and their contribution to the global economy going forward.[2] Such an approach thus looks at a long-term shift in global growth and production along with the current and foreseeable challenges, instead of focusing on a loose definition of emerging markets.

Goldman Sachs, meanwhile, has long avoided the concept of emerging markets through the coining of BRIC (Brazil, Russia, India and China) and later the Next-11.[3] Jim O'Neill, the economist who dreamed up the acronym, BRIC, and who is now the chairperson of Goldman Sachs Asset Management, based much of his analysis and selection of countries on economic size, growth trajectories and demographics.[4]

[2] See: Standard Chartered Global Research. 2010. The Super Cycle.
[3] Goldman Sachs Global Investment Research. October 2003. Dreaming with BRICS: the Path to 2050.
[4] For more in-depth insights into Jim O'Neil's take on emerging markets and the development of the BRIC collective, see: O'Neil, J. 2012. *The Growth Map: Economic Opportunity in the BRICS and beyond.* London, England: Portfolio Penguin.

They have taken this one step further by insisting that "it is time to re-define emerging markets" and have adopted the term 'growth markets' to describe, in their words, "some of the world's most dynamic economies".[5]

Morgan Stanley's head of emerging markets and one of the leading thinkers behind new perspectives, measures and concepts related to emerging markets is Rashir Sharma. He has dedicated much of his research toward finding alternative measures beyond single factor theories, dictated by China's dominance as a result of high growth and large population and less focus on competitive performance and productivity. Sharma's concept of 'Breakout Nations' provides a nuanced view and granular understanding of drivers of growth and development in new markets, which has proven useful for those following growth trends and operating in these markets across the globe. (Sharma, 2012)

Citigroup has also come up with arguably one of the more comprehensive reassessments of emerging markets and new drivers of global economic growth. Its analysis of Global Growth Generators – or 3G – encompasses regions, cities, asset classes, activities and products, but does place a particular emphasis on countries themselves.[6] The rationale is based on the need for a different approach to thinking about growth and new markets, and is a conscious and decisive departure from the notion of emerging markets. While Citi claims that "the term 'emerging markets' is used abundantly", it states that "definitions are few and far between". In short, "The expression of 'Emerging Markets' is clearly past its sell-by date." It goes on to say, "Catchy acronyms and labels have spawned unhelpful taxonomies of countries that have become obstacles to clear thinking about future growth and profit opportunities. Developing/Emerging vs developed/advanced/mature, BRIC, the Next-11, the 7% Club…"[7]

An array of transaction advisory firms has joined groundswell departure from the emerging market terminology: From EY, which releases its annual Attractiveness Survey[8] to the Boston Consulting Group's Globalisation Readiness Index for Emerging Markets[9] and KPMG's High Growth Markets publication[10].

[5] It Is Time to Re-define Emerging Markets. Goldman Sachs Strategy Series, 31 January 2011.
[6] See: Global Growth Generators: Moving beyond 'Emerging Markets' and BRIC. *Citi Global Economics View*, 21 February, 2011.
[7] *Ibid.*
[8] EY. 2014. Attractiveness Survey. http://www.ey.com/ZA/en/Issues/Business-environment/EY-africa-attractiveness-survey-2014
[9] Boston Consulting Group. 2014. http://www.bcg.com/expertise_impact/capabilities/globalization/globalization_readiness_index.aspx
[10] KPMG. 2014. High Growth Markets Magazine http://www.kpmg.com/global/en/issuesandinsights/articlespublications/high-growth-markets/pages/default.aspx

There is a growing consensus that the concept 'emerging markets' is dated and somewhat limited in its technical categorisation of countries. It does little to describe and explain the essence of fast-growing, rapidly changing and increasingly influential markets that are giving rise to new players and actors that are shaping the global economy. The term fails to describe the key attributes and drivers behind growth and development, due to the lumping together of everything and anything with a positive growth trajectory or interesting investment prospects. It also lacks the technical attributes and analytical depth needed to understand how these economies work internally and what they need to do to advance.

In short, while little empirical analysis exists around the concept of emerging markets or the redefining of this amorphous category of countries, those thinkers who scrutinise the popular notion of emerging markets all seem to agree that it is increasingly nondescript and even exclusionary by definition, comprising both established and developing economies while neglecting key characteristics of productivity, competitiveness and innovation in the process.[11]

The Origins and Evolving Term, Emerging Markets

The concept of "emerging markets" originally came about in 1981 when World Bank International Financial Corporation (IFC) economist Antoine van Agtmael first coined the term at a conference in Thailand to refer to countries that could not be fully described using existing orthodox terminologies. Following economic reforms and remarkable developments in Thailand during the late 1970s, van Agtmael felt that Thailand should be distinguished from other less-developed economies and the so-called "Third World" since this association was deterring investors and undermining the development potential of Thailand and other South-East Asia economies that were beginning to emerge.

With time and alongside changes in the global political economy, the term evolved to encompass countries that were considered to be in transition from developing to developed economies (Serban, Borisov and Dobrea: 2012). Examples broadened to include countries from Asia, Latin America, Eastern Europe and the former Soviet Republics – notably Russia. As more countries become more market-driven, countries in the Middle East, additional Latin American countries and one or two countries in Africa were included. This transition was often thought to be characterized by the growth of new industries, the rise of new consumer groups, technological innovation, increased information connectedness and accelerated industrialization and trade liberalization. However, the term was still

[11] Even Africa was initially excluded, with regular reference to 'emerging and developing economies' in an effort to include some of the better-performing African economies in the fold of future prospects.

devoid of technical rigor for comparative purposes or examining their potential economic trajectory beyond growth rates.

With hindsight, it is clear that the origin and nature of the term 'emerging markets' is politically defined and with a strong ideological orientation, which has impacted on the evolution of the term and associated empirical measurement required over time. Khanna and Palepu (2010:3) aptly describe the unhelpfulness of the term by describing markets that have not yet "emerged" as "emerging markets".

According to Mauro Gillen (2008), the grouping of countries in this manner has led to the term "emerging markets" having lost its meaning, with it having become "a victim of its own success." Countries are grouped in the "emerging markets" bucket nowadays if they are not yet developed, but have progressed or are progressing faster than other developing countries. Sharma (2014) also highlighted the weakness in the term. He suggests that broad analyses of 'emerging markets' are eroding individual stories and country diagnoses, criticizing the "mindless, catchy acronyms…due to the influence of political leaders and under the influence of financial markets" (Sharma, 2014). Sharma goes on to say that forecasting global economic developments has become an exercise based on single factor theories, whether this be strong demographics, globalization or gross domestic product (GDP) growth rates, rather than the complex mix of internal and external forces that drive growth and development in a country (Sharma, 2014:2). This complex mix could be a combination of political, socioeconomic and cultural factors or, in more simple empirical measures encompassing these, such as institutions.

Advancing the notion of emerging markets also has a strong orientation toward the field of institutional economics, which Harvard Business School's Tarun Khanna recently expanded into the study of Institutional Voids and strategic thinking around this core characteristic of economies in Africa, Asia, Latin America and the Middle East.[12] According to Khanna and Palepu (2010), emerging markets used to be defined by fast growth and are not distinctly different from other markets besides the fact that they start from a lower base and are rapidly catching up to developed markets in all aspects of development. These authors define emerging markets as those markets where specialized intermediaries are absent or poorly functioning (2010:24). Markets could also be defined by their different business environments when compared to developed economies (Khanna & Palepu, 2010). The institutions that distinguish conducive business environments: property rights protection; stable financial systems; low levels of government bureaucracy and corruption, and a skilled, flexible labour force, are just a few worth

[12] Khana, T & Palepu, K. 2010. *Winning in Emerging Markets: a Road Map for Strategy and Execution.* Boston, Massachusetts: Harvard Business Press.

mentioning. These are often absent or very weak in countries classified as emerging markets, and these voids persist over the short and medium term. What is important to note is that, by this definition, every market, developed or developing, has a degree of "emergingness" built into their progress (2010:24). But Khanna and Palepu (2010:6) do insist that the study of emerging markets is, in fact, the study of institutions and the institutional voids that exist in these economies, and not merely single factor studies of growth potential and size.

Advancing Emerging Markets: Introducing Dynamic Markets

An important feature in the debate on what defines an emerging market is the shift that these changing economies have had on the distribution of global power, both as country players and the companies from these countries in the global market place. Multinationals from emerging markets have been increasingly expanding their operations in new markets and have been seen as competition and market disruptors to the big multinationals from the United States, European Union and Japan.

Khanna and Palepu (2010) have focused a significant amount of work on the premise that emerging markets can be fundamentally characterized by the lack of ease and efficiency with which buyers and sellers can come together. In other words, there are varying degrees of institutional voids that make doing business easier in these markets.

Compared with other similar terms to describe such categories of countries, the most obvious distinction of the 'dynamic markets' has to offer is that it is broader than merely grouping countries based on comparative size, demographics and growth trajectories. These are important, but fall short of explaining the full story behind such markets. Dynamic markets include measures of governance, leadership and democracy, public policy, human development and institutions, as well as progressive enablers like innovation, cultural diversity and integration in the global economy. The notion of 'dynamic markets' is therefore grounded on the principles of general management or those factors that make up and influence the general management business environment, viewed through a political economy lens.

This does cover a broad range of markets, from emerging powers like China and India to second-tier players like Indonesia, Nigeria, Chile, and Turkey, and, finally, 'lesser-knowns' like Ghana, Rwanda, the United Arab Emirates (UAE) and Vietnam.

Another important distinguishing feature behind the understanding of dynamic markets is that it goes beyond evaluating and analysing markets and market criteria, to include companies, entities and leaders emerging from these dynamic markets which exhibit new and innovative business practices and models in their home markets and beyond.

In short, while other terms or acronyms tend to merely categorise these countries, 'dynamic markets' strives to describe them more comprehensively according to a range of economic, political, institutional and business criteria. These are measured in a comparative analysis, which – as discussed above – goes beyond economic growth and size and demographics to include key environmental attributes like political stability, governance and innovation along with the type of actors or firms emerging from these markets, taking with them the inherent attributes of their home dynamic market.

3. Institutions and the Study of Dynamic Markets

Institutions and their functional effectiveness is a critical feature in understanding and comparing countries. The role of institutions has been researched extensively in the fields of economics, political science and international relations. As a critique of neoclassical economic theory, institutional theory investigated the inner workings of market efficiency, introducing the influence of non-market related features such as political actors and decisions, human behavior and institutions which impacted on the so-called 'frictionless' nature of economic markets (North, 1993).

The study of institutions arose partly as a response to the need to understand the organization and functioning of actors and activities in the economy, within and outside firms (Mernard & Shirley, 2011:4). In addition, the introduction of institutions sought to address ongoing disparities in economic performance. This is particularly relevant in less developed economies where institutions are either largely absent or function poorly.

The work of Douglas North (1981, 1990, and 2005), widely regarded as the father of institutional economics, contributed substantially to the literature linking institutions to economic growth, development and sustainable performance. According to North, "Institutions are the rules of the game." They determine the costs and benefits that affect economic decisions in individuals, thus shaping economic behavior and day-to-day transactions or the basic practice of economic exchanges (1990:3).

North pioneered the influence of political actors and behavior on economic markets. Alongside other institutionalists like Ronald Coase and Oliver Williamson, North challenged the assumptions that economic development could be explained by resource and human capital endowments along with technology adoption alone. In his 1990 work on institutional change, North made the conclusion that, "Third World countries are poor because the institutional constraints define a set of payoffs to political/economic activity that do not encourage productive activity" (1990:110), implying that the onus rests on institutions to create a conducive environment for productive activity, whether these are political or economic.

North's study of institutions has contributed substantially to the study of international economic development primarily through the introduction of transaction costs and the role of institutions in determining the conditions of transactions. The absence of institutions or the lack of their functional effectiveness has a direct impact on development constraints.

Acemoglu, Johnson and Robinson (2001, 2002 and 2005) and their critical junctures approach emphasized the role of historical shocks, alongside demography, geography and the relationships between the economic and political elites, and the rest of the population. This view sees development as a result of the exogenous selection of institutions. Daron Acemoglu and James Robinson (2012) describe the role of institutions and, in particular, the importance of political institutions in economic development through a simple – but most useful - distinction between inclusive and extractive institutions. Inclusive institutions include property rights protection, rule of law, public services and regulation for markets, minimal barriers to entry, access to education and opportunity for the public, and participation in political institutions. Extractive institutions include lack of law and order, barriers to entry, lack of competition, over-regulation and absolutism (2012: 88). In their examination of institutions as the fundamental cause of long run economic growth (Acemoglu, Johnson and Robinson, 2002), these authors identified the influence of strong or weak institutions in the economy and the manner in which institutions are under the influence of political power. Acemoglu and Robinson (2012) theorized the influence of political institutions and their shaping of economic institutions through two themes: Political institutions can ensure economic success provided they are sufficiently centralized; and secondly, poor institutions can hinder socio-economic innovation. These authors suggest growth and economic success emanate from political institutions that enable competition or creative destruction to thrive.

Fukuyama (2010) advanced the central role of institutions in the broader political economy. He defines three categories of institutions, also emphasizing the central role of political institutions: Firstly, the state as the force that defines a territory, concentrating power for rules and order. Secondly, rule of law, and finally, accountability of government. These three categories must coexist in a stable balance in order to best serve the economy.

Similarly, others such as Rodrik, Subramanian and Trebbi (2004: 134) highlight the importance of institutions toward economic progress. They emphasise that institutions are essentially the rules of the game, managing exchanges and creating a conducive environment for "desirable economic behavior".

5. The GIBS Dynamic Markets Index as a Measure of Competitive Performance

Given the relevance of institutions in the political economies of countries around the world and their fundamental role in building sustainable competitive performance, a comprehensive measure of these market-related institutions along with the rate and nature of improvement builds on the literature developed by North, Fukuyama, Acemoglu, Robinson, Rodrik and others. It also provides an empirical foundation or point of reference to measure and compare markets, for a deeper understanding of their inner-workings and overall country performance.

The GIBS Dynamic Markets Index (DMI) is an example of a tool to measure the performance and progressive change of the institutional structure and economic capabilities of countries, as a means of contributing to an all-inclusive categorisation of country progress (White, Saville & Brown, 2014). The index can be seen as a response to the shortcomings of the "emerging markets" term used to describe countries, going beyond a simple categorisation by using a more analytical and technical description.

The GIBS DMI identifies those countries that improved their institutional pillars of dynamism, some 'catching up' to the others off a low base, others maintaining and improving their institutional environment off progressive reforms implemented in earlier years. It also identifies those countries which have regressed or made few improvements over the period of analysis and, as such, are relatively stagnant, or even in decline, as a result.

It is a global study using six enabling 'pillars' of market dynamism across 133 countries between 2006 and 2012. The end result is an assessment of institutional evolution that measures and compares country performance through their development of a comprehensively competitive business and living environment across political, social and economic spheres (White, Saville & Brown, 2014).

The index is a toolkit that measured which countries have undergone change and improvement (or deterioration) in six enabling pillars (comprising institutions and society measures in Appendix 1). Each of the six enabling pillars is made up of sub-components weighted on the basis of their assessed contribution to a country's institutional fabric and economic dynamism. These sub-components comprise a mix of political, economic and society measures, illustrated in Appendix 1.

The six pillars of the GIBS DMI include:

1. Open and Connected;
2. Red Tape;
3. Socio-Political Stability;
4. Justice System;
5. Macroeconomic Management; and
6. Human Capital.

According to White, Saville & Brown (2014), it should be emphasised that countries may not necessarily have achieved improvement in all pillars at the same time. Progress in one pillar may also depend on earlier reforms or advances or an indirect result from progress in other areas. The GIBS DMI therefore emphasises and illustrates the interconnectedness of these pillars in their influence on institutional and, ultimately, economic development.

Methodology

The GIBS DMI maps 133 countries and scores them along two dimensions.

1. The first dimension scores countries on a scale from zero to 200, where 100 is the 'breakeven' level between improvement and deterioration in the enabling environment, over a seven-year period from 2006 to 2012.
2. The second dimension scores countries from zero to 200 as an indicator of the degree of dynamism measured by way of the institutional foundation of that base year, namely 2006. This serves as a base from which to evaluate whether a country has become more or less dynamic over that period.

Each pillar's score is the result of equally-weighted sub-components. The sub-component scores are drawn from a range of authoritative sources, which are set out in the data sources table in Appendix 1. The six pillars are weighted according to their assessed contribution toward the institutional environment and overall dynamism. The weighting, however, is not heavily biased – or dominated – by any single pillar. The result is a relatively balanced spread of measures across all six areas. Where they are not already reported as such, original data and indices are converted by a process of economic analysis into a consistent and objective score ranging from a minimum of zero to a maximum of 10. Each data score between zero and 10 is retrospectively measured and applied to calculate the annual change. This is replicated for all indicators, and averaged to obtain a score for every pillar (White, Saville & Brown, 2014).

The base year or the level of institutional development of each country at the start of the measure is taken into account for a better measure or understanding of its evolution from its individual point of departure and among peers at similar levels of development over the seven year period of assessment. Given the base level of institutions and the rate of institutional development, countries are grouped into four batches:

1. Adynamic Markets: Countries with a low base score and a low GIBS DMI score;
2. Static Markets: Countries with a high base score and a low GIBS DMI score;
3. Catch-up Markets: Countries with a low base score and a high GIBS DMI score; and
4. Dynamic Markets: Countries with a high base score and a high GIBS DMI score.

The results of the index compilation and the binning process are illustrated in Appendix 2.

Interpretation

The GIBS DMI serves as an empirical reference for the conditions and institutions that enable economic growth, wealth creation, innovation and overall socio-economic development. To account for the level of institutional development together with the enabling environment in the base year for every country, and in an effort to provide a more realistic and applicable measure of a country's evolution over the seven-year period, relative to others for comparative purposes and practical analysis of the existing environment and competitive performance, countries have been charted in Appendix 3.

It is important to note that 'Dynamic Markets' are not a fixed category of countries. Rather, the countries that represent 'Dynamic Markets' comprise large and small as well as rich and poor economies from around the globe. Some may have high levels of human development, others low levels. Some may be more sophisticated in their political or financial systems, while others might be considered less globally competitive. Levels of development and sophistication vary among Dynamic Markets and those 'catch-up' nations striving for greater dynamism on the global stage, but most importantly, they are all demonstrating advances in their institutional configurations toward a more competitive and progressive political economy.

As way of explanation, countries in quadrant 1 are Dynamic Markets, characterised by a relatively high base of sophisticated institutions in 2006. These continue to improve through to 2012, demonstrating real advances and relentless improvements in competitiveness vis-à-vis others around the world. Qatar, Panama and China are examples of Dynamic Markets.

The base level off of which these countries evolve is a pertinent part of the analysis and understanding of overall dynamism. Some of the best performing countries over the DMI period measured (or those that scored a relatively high rate of change from 2006 to 2012) may have done so off a relatively low base of development and institutional effectiveness (White, Saville & Brown, 2014). These countries are therefore in a process of rapid catch-up with more advanced economies, which already have higher levels of development and existing enabling structures toward market efficiencies and good governance.

Hence, countries are categorised according to first, their base score in 2006, and second, their rate of change over the period up to 2012. This provides a clearer idea of the level of development, rate of change and comparative competitiveness of each country in the global context.

Findings

According to White, Saville & Brown (2014), Dynamic Markets, by virtue of a reasonably solid foundation of institutions and policies along with notable improvements between 2006 and 2012, comprised just 18 out of the 133 countries measured. Meanwhile, Static and Adynamic Markets accounted for 66 countries of the total. This means that 49.6% of the countries measured globally either made lackluster improvements to the dynamism of their institutions and policy environment or actually eroded their dynamism and regressed during 2006 to 2012. This is a direct reflection of the state of the global political economy over that period of time and the real impact of the events that took place, especially during the global financial crisis in 2008/9.

Apart from the relatively small group of 'Dynamic Markets', which improved their enabling environment from a relatively solid base in 2006, Catch-up Markets provided the most exciting story of dynamism and economic potential of all. Despite the global environment, Catch-up markets made up the largest single grouping, accounting for 49 out of the 133 countries measured or 36.8% of the countries on the DMI. These markets are some of the most economically underdeveloped and traditionally complex - operationally and politically - in the world. In general, they have enjoyed high levels of economic growth. Previous growth spurts among these economies were externally driven, characterised by uncertainty or global demand for their resources, with comparatively low levels of capital flowing in to sustain levels of economic growth and development of their industries.

According to White, Saville & Brown (2014), the GIBS DMI suggested that while the commodity boom has played a significant role in the growth of Catch-up Markets, many of these markets have addressed core structural areas of their political economies through stronger institutions, effective policies and greater stability. They have made a conscious effort to improve their competitive performance and attract foreign capital for sustainable growth and development. Most importantly, if the reforms and advances in these countries are maintained and advanced, they will soon enter into the Dynamic Markets fold, reflecting real progress and sustainable competitive performance off a solid base of functioning institutions.

6. Conclusion

While emerging markets may have been a useful term to help categorise countries and loosely distinguish fast-growing and more-advanced markets from underdeveloped or so-called 'third world' nations, its non-descript orientation raises a number of concerns and is now widely criticised by scholars and practitioners alike. Emerging markets fails to provide a clear description or detailed explanation of the markets it claims to represent. Rather, it comprises a broad category of counties with little or no analytical or technical foundation. This poses a problem for those striving to grasp a better understanding of markets and those seeking a way and means to thrive or those working to find solutions to improve the performance of these markets. After all, given their rich cultural mix, varying degrees of development and institutional inconsistencies, this is by far the most diverse grouping of countries in the world.

Attempts at redefining this dated concept of 'emerging markets' have neglected certain key distinguishing attributes of these new drivers and shapers of the global political economy. The notion of 'dynamic markets' considers a broad array of criteria – beyond linear economic measures – that have come to define or are at least characterising these economies. Political, social and cultural factors are not only relevant, but are also key to the operating environment. This includes important enablers like innovation, institutions and governance, which most practitioners would agree form the true essence of dynamic markets and determine the 'terms of business' in those countries.

The term 'Dynamic Markets' tends to exhibit exciting economic growth prospects with positive demographics that bode well for sustained productivity and consumption. But more importantly, these markets – and many of those in the 'catch-up' phase of their evolution – have undergone or are undertaking significant political, social and cultural change. They show encouraging signs of innovation alongside policy and institutional developments to address the complexities often prevalent in energetic markets of this nature.

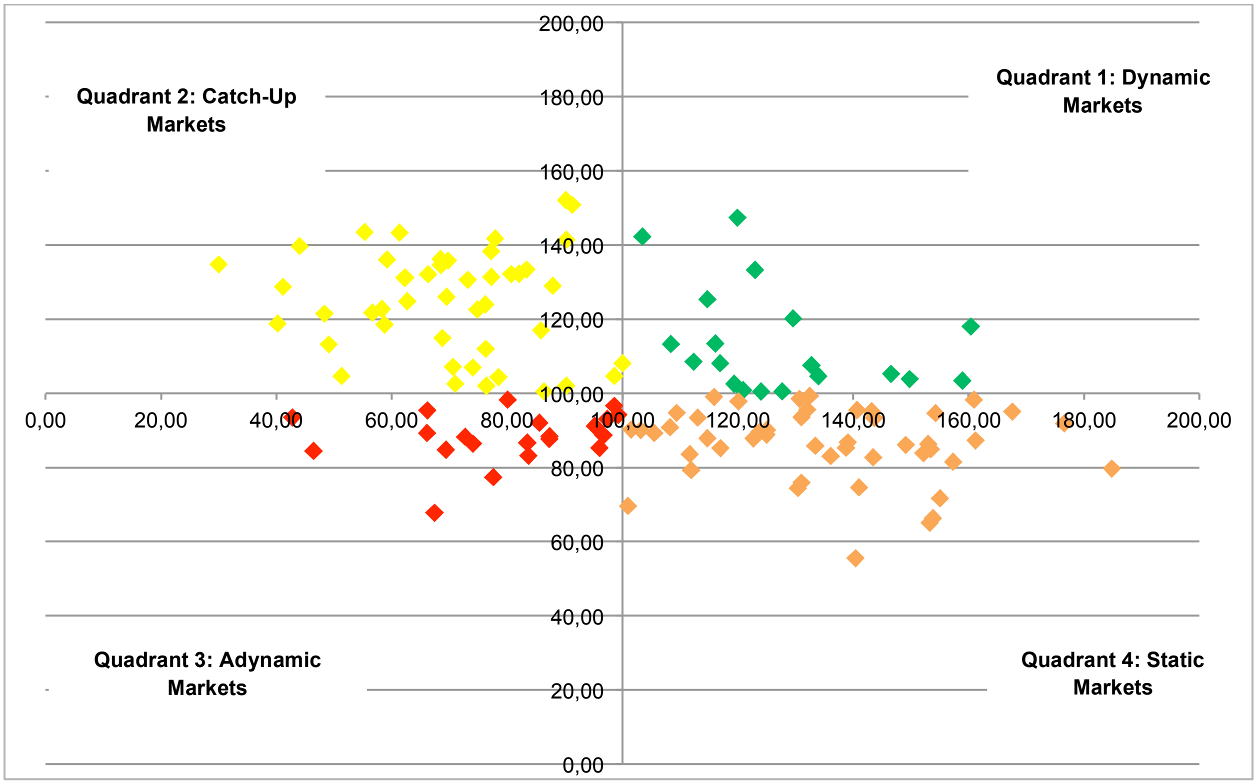
The GIBS DMI is a therefore an example of a comparative global measure of institutional evolution and progressive structural change over a particular period of time that reflects and informs the competitive performance of nations. It provides an insight into the key attributes of an evolving political economy and true economic potential. Most importantly, it provides an empirical measure to compare and understand – more deeply – the inner workings of markets that are emerging or have emerged, emphasizing institutional progress toward improved competitive performance that will ultimately lead to economic development and real progress.

Appendix 1: Indicators and Sources

Pillar	DMI-Weight	Sub-Component	Pillar Weight	Data/Indicator	Source
Open & Connected	20%	External Openness	33%	Trade Policies Ownership Restrictions Capital Controls	Fraser Institute
				Trade Logistics	World Bank Doing Business
				Movement of People	Henley and Partners
		Internal Openness	33%	Financial Sophistication Internal Logistics	WEF Global Competitiveness
		Information Openness	33%	Mobile Penetration Internet Penetration	ITU
Justice System	15%	Enforcing Contracts	33%	Enforcing Contracts: Time and Cost	World Bank Doing Business
		Property Rights	33%	Property Rights Index	Heritage Foundation
		Protecting Investors	33%	Director Liability Company Disclosure Shareholder Suits	World Bank Doing Business
Red Tape	20%	Administrative Burden	25%	Administrative Burden Licensing Requirements	Fraser Institute
		Corruption	25%	Corruption Perceptions	Transparency International
		Labour Regulations	25%	Wage Restrictions Labour Regulations	WEF Global Competitiveness
		Taxation	25%	Tax Burden	
Human Capital	10%	Demographic Energy	50%	Population Age Cohorts Life Expectancy	US Census Bureau/World Bank
		Skills	50%	Maths and Science Education	WEF Global Competitiveness
Macroeconomic Management	15%	Aid Dependency	25%	Aid Flows/GDP	OECD/World Bank
		State Debt Burden	25%	Government Debt	IMF/Data Stream
		Monetary Stability	25%	Currency Gold Price	Bloomberg
		State Dependency	25%	Government Spending	IMF/Data Stream
Socio-political Stability	20%	Political Expression	25%	Civil Liberties Political Rights	Freedom House
		Crime	25%	Crime and Violence Organised Crime	WEF Global Competitiveness
		Socio-economic Threats	25%	Human Development Commodity Prices	Bloomberg
		War and Conflict	25%	War and Conflict	Uppsala University

Source: White, Saville & Brown, 2014

Appendix 2: GIBS DMI Plot Chart



Source: White, Saville & Brown, 2014

Appendix 3: Final Categorisation of Countries by DMI and Base Score (2006)

CATEGORIES											
High base, high dynamism			Low base, high dynamism			High base, low dynamism			Low base, low dynamism		
Dynamic Markets			Catch-up Markets			Static Markets			Adynamic Markets		
COUNTRY	2006 Score	FINAL DMI SCORE	COUNTRY	2006 Score	FINAL DMI SCORE	COUNTRY	2006 Score	FINAL DMI SCORE	COUNTRY	2006 Score	FINAL DMI SCORE
Qatar	118.03	160.40	Rwanda	79.67	184.83	Mexico	104.62	98.60	Ecuador	94.17	99.27
Georgia	103.38	158.94	Albania	91.91	176.54	Singapore	150.82	91.30	Brazil	96.63	98.57
Panama	103.83	149.80	Kazakhstan	95.06	167.59	Canada	141.41	90.28	Zambia	93.02	97.33
Botswana	105.21	146.56	Oman	87.26	161.21	Croatia	102.09	90.27	Nigeria	88.70	96.72
Peru	104.60	133.97	Macedonia	98.25	160.91	Hong Kong	152.08	90.19	Moldova	85.26	96.04
Mauritius	107.54	132.77	Ivory Coast (Cote D'Ivoire)	81.55	157.33	Cyprus	128.98	87.91	Bangladesh	91.18	95.18
Bahrain	120.18	129.58	Tajikistan	71.67	155.03	Russia	100.49	86.43	Ukraine	88.40	87.37
Armenia	100.48	127.70	Saudi Arabia	94.60	154.28						
Costa Rica	100.46	124.02	Timor-Leste	66.33	153.80						
Sweden	133.26	122.99	Cameroon	84.93	153.46	Slovenia	116.95	85.88	Mali	87.69	87.31
China	100.79	120.91	Burundi	65.08	153.27	Taiwan	133.41	83.36	Egypt	92.06	85.57
New Zealand	147.37	119.93	Uganda	86.33	153.01	Belgium	132.21	82.11	Lesotho	83.14	83.70
Uruguay	102.54	119.40	Bosnia-Herzegovina	83.87	152.19	Chile	132.14	80.73	Tanzania	86.64	83.51
Tunisia	108.08	116.92	Kyrgyzstan	86.11	149.12	Turkey	104.35	78.52	Kenya	98.25	80.09
Kuwait	113.41	116.12	Colombia	93.36	143.63	Finland	141.73	77.92	Syria	77.38	77.58
United Arab Emirates	125.38	114.73	Cambodia	82.73	143.47	Netherlands	131.35	77.24	Serbia	86.41	74.08
Jordan	108.54	112.31	Azerbaijan	95.17	143.19	Australia	138.35	77.23	Argentina	88.27	72.70
Poland	113.26	108.41	Gambia	74.59	141.00	India	102.02	76.40	Mauritania	84.75	69.38
Switzerland	142.25	103.47	Guyana	95.45	140.69	Thailand	112.01	76.31	Iran	67.75	67.43
Bulgaria	108.11	100.00	Angola	55.50	140.37	Malaysia	123.94	76.22	Jamaica	95.37	66.16
			Paraguay	86.79	139.08	Lithuania	122.57	74.81	Algeria	89.27	66.12
			Nepal	85.30	138.76	Italy	106.98	74.03	Venezuela	84.42	46.46
			Mozambique	83.05	136.11	France	130.58	73.18	Pakistan	93.47	42.78
			Vietnam	85.86	133.43	Trinidad and Tobago	102.61	71.00			
			Morocco	99.27	132.48	Romania	107.13	70.63			
			Sri Lanka	95.58	132.01	Luxembourg	135.80	69.74			
			Philippines	93.57	131.04	Czech Republic	126.01	69.49			
			Zimbabwe	75.92	131.02	South Africa	114.89	68.81			
			Mongolia	98.53	130.71	Germany	134.58	68.49			
			Malawi	74.43	130.41	Norway	136.23	68.44			
			Armenia	100.48	127.70	Japan	132.11	66.31			
			Benin	90.19	125.02	Portugal	124.79	62.71			
			Honduras	88.82	124.99	Korea (South)	131.20	62.35			
			Costa Rica	100.46	124.02	Estonia	131.15	62.18			
			Burkina Faso	89.51	123.70	Denmark	143.30	61.36			
			Lebanon	87.81	122.73	Austria	136.07	59.17			
			Indonesia	97.85	120.12	Latvia	118.52	58.77			
			Ethiopia	85.19	116.99	Hungary	122.71	58.27			
			Namibia	99.01	115.87	Spain	121.76	56.66			
			Senegal	87.86	114.70	United	143.49	55.29			

			Kingdom		
Ghana	93.44	113.04	El Salvador	104.65	51.29
Swaziland	79.24	111.91	Greece	110.80	49.07
Madagascar	83.59	111.68	Israel	118.96	48.34
Guatemala	94.75	109.40	United States	139.71	44.04
Montenegro	90.83	108.25	Ireland	128.75	41.14
Bolivia	89.27	105.53	Slovak Republic	118.78	40.21
Dominican Republic	90.08	103.20	Iceland	134.77	30.02
Nicaragua	90.21	101.53			

Source: White, Saville & Brown, 2014

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