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GLOBAL OPPORTUNITY INDEX 2023: Focus on Emerging Middle-Income G20

Claude Lopez, PhD, Joseph Bendix, Maggie Switek, PhD, and Lawson Mansell

About the Milken Institute

The Milken Institute is a nonprofit, nonpartisan think tank focused on accelerating measurable progress on the path to a meaningful life. With a focus on financial, physical, mental, and environmental health, we bring together the best ideas and innovative resourcing to develop blueprints for tackling some of our most critical global issues through the lens of what's pressing now and what's coming next.

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SUMMARY

The 2023 Global Opportunity Index (GOI) report focuses on the Emerging Middle-Income G20 countries. The GOI rankings of the 124 countries considered this year are published on our interactive website.

Five years after the first GOI report focusing on Emerging G20 countries, the 2023 GOI report provides a nuanced assessment of these countries' performance and ability to attract current and future international investment.

Our analysis draws several insights by leveraging the width and depth of the GOI; its five categories and 14 subcategories focus on critical aspects of a country beyond its economy (such as its regulatory framework), the efficiency of its administrative process, labor force's skill level, pollution, digital infrastructure, access to capital, and more.

Two main trends emerge from a look at the entire group of Emerging Middle-Income G20 countries (EMIs G20). For most countries, the two dimensions that perform best are:

- **Financial Services,** which accounts for the depth and breadth of a country's financial system and its accessibility.
- **Economic Fundamentals,** which accounts for the country's macroeconomic outlook, its readiness for future growth, and the quality and diversity of its labor force.

The picture becomes more nuanced when each country's performance is examined relative to its peer income group:

- India, which holds the 2023 G20 presidency, is the sixth-largest economy in the world and belongs to the Low Middle-Income (LMI) classification. It performs noticeably better than the rest of its country-income peers on Financial Services and Institutional Framework. Both categories are essential to international investors as they account for investors' rights, innovation, financial access, and financial size and condition. Compared to its income peers, India's relative readiness is in line with the maturity of its financial system and stock markets: The National Stock Exchange and Bombay Stock Exchange are estimated to be the 10th and 9th largest stock exchanges in the world.
- Indonesia, the 16th largest economy, held the G20 presidency in 2022 and is an LMI country. It performs consistently better than most of the LMI countries on all dimensions of the GOI. It is worth noting that the World Bank reverted Indonesia's classification decision to LMI in 2021, after upgrading it to Upper Middle-Income (UMI) in 2020, due to the strong impact of the pandemic on the country. Indonesia's performance in Workforce Talent, which includes staff training, education expenditure, and the labor force's level of education, remains strong compared to the UMI category. As a result, Indonesia's GOI performance advocates a return to UMI classification.[1]

- Argentina, the 26th largest economy, is classified as UMI. It lags compared to its peers, especially on Business Constraint, which includes enforcing contracts, shareholder protection, administrative burden, and corruption; Financial Access, which includes bank and credit card accounts; Investors' Rights; and Tax and Regulation.[2] The country's interventionist and capital control policies strongly influence several variables under the categories.
- Turkey, the 19th largest economy, is classified as UMI. Its performance is noticeably worse than most UMI countries on Workforce and Talent, Public Governance (such as the burden of government regulation and judicial independence), and Tax and Regulation. Recent policy and reform changes, such as the 7.5 percent tax on digital services and decreasing independence of the judiciary system and central bank, have clearly impacted GOI scores this year.
- China, the world's second-largest economy, is an outlier in this group. The complexity of its economy and financial system is significantly more mature than in other UMI countries. This explains the country's performance at the top of its income group across all five major dimensions, especially Financial Services and Institutional Framework.

The rest of the EMIs G20—Brazil, Mexico, Russia, and South Africa—have mixed results, performing slightly better than the UMI's average for some subcategories and slightly worse in others.

The global capital flows confirm China's outlier status within the EMIs G20. China's mainland attracts 9 percent of global capital inflows, which is 2 percent more than the rest of the EMIs G20 combined. It has more than doubled since the previous GOI report on this country's group. This increase directly results from the government policy facilitating and attracting foreign investments. It is unclear how China's latest five-year plan announced in 2022 will impact this trend. This plan shifts the focus from high-speed to high-quality economic growth. It prioritizes sectors such as advanced manufacturing, higher-quality services, high-tech, energy conservation, and environmental protection for foreign investments.

Investment in the remaining EMIs G20, specifically Mergers and Acquisitions (M&A), is mostly driven by domestic consolidations, with many transactions at relatively low values. While less frequent, International M&A in these countries report greater values per deal. They are driven by Advanced G20 countries, with two out of five transactions originating in the US. They target the software industry, mainly in India, and professional services, spread across the EMIs G20.

The growth of professional services follows a global trend driven by business expansions and talent acquisition, a dimension the GOI captures across two subcategories: Workforce Talent and Future Environment of Growth. Indeed, one of the driving factors in international investment's attraction and retention is the local availability of skilled and diverse labor.

With the increasing political and regulatory focus on sustainable and inclusive growth, investors have enhanced incentives to prioritize a diversified labor force, environmentally conscious business models, and good corporate governance.

First, the pressure will intensify on publicly traded firms with the different pushes for disclosure, especially regarding the impact on climate and the environment. The size of publicly traded companies varies across EMIs G20: 8.5 percent of GDP for Argentina, 52.6 percent for Brazil, 25.3 percent for India, 18.8 percent for Indonesia, 34.3 percent for Mexico, 19 percent for Russia, 88.4 percent for South Africa, and 25 percent for Turkey. Companies need to evolve in an ecosystem where environmental, social, and governance (ESG) issues are priorities to compete effectively at the global level for investment.

The last part of the report focuses on countries' efforts to build a resilient and sustainable economy and society, and develop such an ecosystem.

Argentina's and Indonesia's performances stand out in creating a balanced growth environment, including multidimensional efforts on the ESG front. Narrowing the focus to environment-related initiatives, Mexico, Indonesia, and Brazil are the most advanced in green finance. Finally, Brazil, South Africa, and Mexico are the only three of these systemic EMIs that assess the resilience of their financial system to climate-related shocks.

The current pressure from regulators and the global population toward global policy and regulations around sustainable and ESG investing has already impacted some investors' strategies. Countries eager to attract international investment will have no other choice but to support changes that will lead to an inclusive society that is environmentally conscious. That is, governments need to support the creation of an ecosystem where these issues are part of the core priorities, along with growth, job creation, and improved living standards.

This prioritization is essential for less developed countries, where living conditions and level of development make these trade-offs challenging to overcome without clear guidance and buy-in from the public and private leadership. That is why COP 27 announced the creation of a historic loss and damage fund to help fund such policies. With the G20 presidency resting with Indonesia, India, Brazil, and South Africa in 2022, 2023, 2024, and 2025, respectively, EMIs G20 countries can continue to establish a global policy agenda supportive of less developed economies while converging toward a greener and more inclusive global society.[3]

THE GOI AND THE EMERGING MIDDLE-INCOME G20 ECONOMIES

A Few Words on the GOI

Besides ranking more than 120 countries, the GOI provides insights into their performance in terms of the five categories and 14 subcategories of measures. Furthermore, the online interactive tool describes each country's performance relative to its income group and region.

The GOI considers economic and financial factors that influence foreign investment activities and key business, legal, and regulatory policies used by governments to support and drive investments. The overall GOI rank tracks countries' performance using indicators falling into five categories (see Figure 1):

- **Business Perception** measures the constraints facing businesses and the ease for businesses to resolve disputes.
- **Economic Fundamentals** captures a country's macroeconomic outlook, workforce talent, and potential for future innovation and development.
- **Financial Services** measures the depth and breadth of a country's access to financial services and their accessibility.
- **Institutional Framework** captures the extent to which a country's institutions help or hinder business activity.
- **International Standards and Policy** measures how integrated a country is within the international community and the likelihood it will conform to international standards.

Variables in each of these five categories are further grouped into subcategories that facilitate the interpretation of the index (Figure 1).

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Figure 1. GOI Categories and Subcategories

Source: *Milken Institute (2023)*

Overall Performance of the Emerging Middle-Income G20 Countries

This year's report focuses on the Emerging Middle-Income G20 countries, a diverse group with one common feature: They are all systemically important for the global economy and financial system.

The 2023 GOI report focuses on the Emerging Middle-Income G20 countries (EMIs G20). With an income per capita ranging from $12,556 (China) to $2,277 (India), the EMIs G20 countries are diverse, offering different opportunities, challenges, and risks. Yet they have one common feature: They are all systemically important for the global economy and financial system.

The EMIs G20's performances have improved overall since our last report focusing on them in 2018. However, the gap between them and the Advanced G20 countries (AEs G20) remains clear.

The GOI rankings overall and across the five categories, reported in Table 2, closely follow the countries' income classification in Table 1. The AEs G20 are primarily in the top 30 for all measures, while the EMIs G20 rank mostly between 35 and 99. The EMIs G20's performances are particularly spread out in their rankings for Business Perception (from 31 for China to 108 for Argentina), Economic Fundamentals (from 39 for Indonesia to 101 for India), and International Standards and Policy (from 53 for Mexico to 102 for Argentina).

Table 1. G20 Countries' Income Group, Income per Capita, and Population

Country	Classification	Income Group	GDP Global Ranking	2021 GDP per Capita	2021 GDP Growth (annual %)	2022 Population
Argentina	EMI	UMI	26	$10,729	10.3%	45,510,318
Australia	AE	HI	13	$59,934	1.5%	26,177,413
Brazil	EMI	UMI	12	$7,518	4.6%	215,313,498
Canada	AE	HI	9	$52,051	4.6%	38,454,327
China	EMI	UMI	2	$12,556	8.1%	1,425,887,337
EU	AE	HI	-	$38,234	5.4%	446,946,712
France	AE	HI	7	$43,518	7.0%	64,626,628
Germany	AE	HI	4	$50,801	2.9%	83,369,843
India	EMI	LMI	6	$2,277	8.9%	1,417,173,173
Indonesia	EMI	LMI	16	$4,291	3.7%	275,501,339
Italy	AE	HI	8	$35,551	6.6%	59,037,474
Japan	AE	HI	3	$39,285	1.6%	123,951,692
Mexico	EMI	UMI	15	$9,926	4.8%	144,713,314
Russia	EMI	UMI	11	$12,172	4.8%	36,408,820
Saudi Arabia	AE	HI	18	$23,585	3.2%	59,893,885
South Africa	EMI	UMI	32	$6,994	4.9%	51,815,810
South Korea	AE	HI	10	$34,757	4.0%	127,504,125
Turkey	EMI	UMI	19	$9,586	11.0%	85,341,241
UK	AE	HI	5	$47,334	7.4%	67,508,936
US	AE	HI	1	$69,287	5.7%	338,289,857

Note: *In this report, China stands for Mainland China, AE: Advanced Economies, EMI: Emerging Middle-Income, HI: High-Income, UMI: Upper Middle-Income, LMI: Lower Middle-Income.*

Source: *Milken Institute, using data from World Bank (2023)*

Table 2. GOI Ranking and Its Components for G20 Countries

Country	Business Perception	Economic Fundamentals	Financial Services	Institutional Framework	International Standards and Policy	GOI Rank 2023
Argentina	108	34	73	88	102	85
Australia	7	22	7	13	40	16
Brazil	79	50	39	70	94	65
Canada	15	35	5	1	21	11
China	31	52	28	38	69	40
France	24	18	8	20	7	14
Germany	17	17	9	15	3	6
India	62	101	52	41	88	71
Indonesia	54	39	68	53	59	55
Italy	70	41	23	39	16	32
Japan	10	32	4	6	22	12
Korea, Rep.	21	44	2	21	31	22
Mexico	51	48	69	57	53	56
Russia	34	58	60	64	61	48
Saudi Arabia	65	81	56	36	67	60
South Africa	58	57	43	33	85	51
Turkey	93	83	51	60	64	72
UK	18	12	1	4	11	2
US	4	29	6	3	9	5

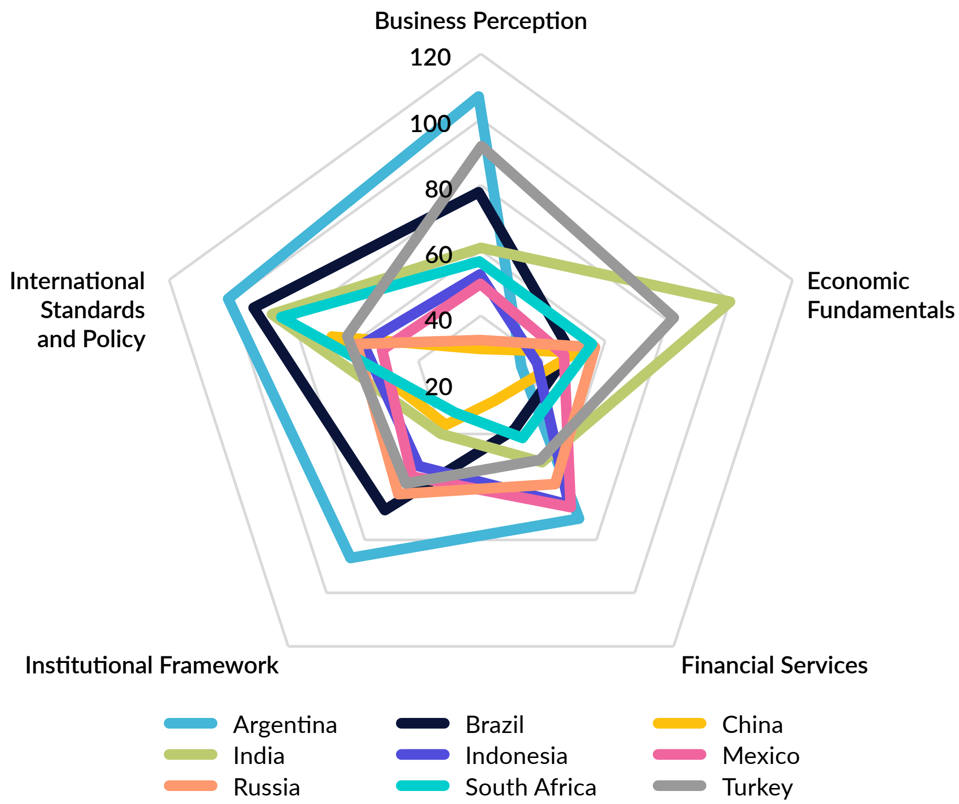
Color Key for Numerical Rankings				
	1-34	35-69	70-99	100+

Note: *G20 is an intergovernmental forum comprising 19 countries and the European Union.*
Source: *Milken Institute (2023)*

A closer look at the categories' performance (Figure 2) highlights that as a group, the EMIs G20 perform best in:

- **Financial Services,** which includes financial access and size and condition of the financial sector; this category remains a strong dimension across the EMIs G20.
- **Economic Fundamentals,** which captures the country's readiness for future growth and its workforce talent. India's and Turkey's high ranks are partly explained by factors included in the Workforce Talent, such as labor participation, in general and when focusing on the participation of females or workers with at least an intermediate education. Furthermore, India performs relatively poorly within the Future Environment of Growth category, especially with factors related to the environment (air pollution, freshwater withdrawals), social (mobile and internet access), or governance (government health expenditure, women in government) (see Box 1).

Figure 2. EMIs G20's Group Trends across GOI Categories



Note: *Higher rank means poorer performance.*

Source: *Milken Institute (2023)*

Performance Relative to Peer-Countries

Relative to their income groups, most EMIs G20 show strong performances in three categories: Financial Services, Institutional Framework, and Economic Fundamentals, especially Future Environment of Growth.

The rankings provide a general assessment of how a country performs when compared to the world, independent of its size and level of development, economic or otherwise.

Comparing a country's performance to its peers within the same income group offers complementary information for assessing its relative attractiveness to foreign investors.

We define peers as countries in the same income groups based on the World Bank definition:[4]

- High income, with a per-capita income of more than $12,695;
- Upper-middle-income, with a per-capita income ranging from $4,096 to $12,695;
- Lower-middle-income, with a per-capita income ranging from $1,046 to $4,095; and
- Low income, with a per-capita income of less than $1,046.

Table 3. EMIs G20 Performance Relative to Their Income Groups

		Argentina	Brazil	China	India	Indonesia	Mexico	Russia	South Africa	Turkey
Business Perception	Business Constraint	<-1 SD	<.00 SD	>1 SD	>.00 SD	>1 SD	>.00 SD	>.00 SD	>.00 SD	<.00 SD
	Recovery and Resolution Process	<.00 SD	<.00 SD	>.00 SD	>.00 SD	>.00 SD	>.00 SD	>1 SD	>.00 SD	<.00 SD
Economic Fundamentals	Economic Performance	>.00 SD	<.00 SD	<.00 SD	>.00 SD	<.00 SD	>1 SD	>.00 SD	<.00 SD	>.00 SD
	Future Environment of Growth	>1 SD	>.00 SD	>.00 SD	>.00 SD	>1 SD	>.00 SD	<.00 SD	>.00 SD	<.00 SD
	Workforce and Talent	>.00 SD	>.00 SD	>.00 SD	<-1 SD	>1 SD	>.00 SD	>.00 SD	>.00 SD	<-1 SD
Financial Services	Financial Access	<-1 SD	>.00 SD	>1 SD *	>1 SD *	>1 SD	<.00 SD	>1 SD	<.00 SD	>.00 SD
	Financial Size and Condition	>.00 SD	>1 SD	>1 SD	>1 SD	>.00 SD	>.00 SD	<.00 SD	>1 SD	>.00 SD
Institutional Framework	Transparency	<.00 SD	<.00 SD	>.00 SD	>1 SD	>1 SD	>.00 SD	<.00 SD	>1 SD	>.00 SD
	Public Governance	<.00 SD	<.00 SD	>.00 SD	>1 SD	>1 SD	<.00 SD	<.00 SD	>1 SD	<-1 SD
	Innovation	>.00 SD	>1 SD	>1 SD *	>1 SD *	>.00 SD	>.00 SD	>1 SD *	>.00 SD	>.00 SD
	Investors' Rights	<-1 SD	<.00 SD	>.00 SD	>1 SD	>1 SD	>.00 SD	<.00 SD	<.00 SD	>.00 SD
International Standards and Policy	Economic Openness	<.00 SD	<.00 SD	>.00 SD	>.00 SD	>1 SD	>.00 SD	>.00 SD	<.00 SD	>.00 SD
	Patent and Trademark	>.00 SD	<.00 SD	>1 SD	>.00 SD	<.00 SD	>.00 SD	<.00 SD	<.00 SD	>1 SD
	Tax and Regulation	<-1 SD *	<.00 SD	<-1 SD	>.00 SD	>1 SD	<.00 SD	<.00 SD	<.00 SD	<-1 SD *

Color Key: >1 SD | >.00 SD | <.00 SD | <-1 SD

**Indicates a difference larger than two standard deviations (SD).*

Source: *Milken Institute (2023)*

Overall, the EMIs G20 show strong performances relative to their income peers in the Financial Services, Institutional Framework, and Economic Fundamentals categories.

More specifically, a few trends stand out from Table 3 (see Box 1 for a list of the variables for each subcategory):

- China is a unique case. It is the world's second-largest economy, and its GDP per capita, $12,556, is at the upper limit of the upper-middle-income group. China's economy and financial system are significantly more complex and mature than usually observed in UMI countries. Consequently, China performs consistently at the top of its income group across all five major dimensions, especially Financial Services and Institutional Framework.
- Indonesia and India are consistently among the best-performing countries in their income group, LMI. They are also the only two EMIs G20 in this income group:
    - India, the world's sixth-largest economy, performs particularly well in Financial Services (especially financial access) and Institutional Framework (especially innovation) while being the G20 country with the lowest GDP per capita at $2,277.
    - Indonesia, the world's 16th largest economy, was strongly impacted by the pandemic, leading the World Bank to revert its classification to LMI in 2021 from its 2020 upgrade to UMI. The country performs better than most of the LMI countries in most subcategories. Its performance in Workforce Talent remains strong compared to the UMI category (see Appendix). Indonesia's overall performance in the various dimensions of GOI supports a UMI classification.
- Overall, Argentina and Turkey noticeably lag when compared to the UMI group, especially on:
    - Business Constraint, Financial Access, Investors' Rights, and Tax and Regulation for Argentina; and
    - Workforce and Talent, Public Governance, and Tax and Regulation for Turkey.
- Brazil, Mexico, Russia, and South Africa have mixed results, performing slightly better than the UMI's average for some subcategories and slightly worse in others.

Box 1. Variables for Global Opportunity Index Subcategories

The GOI 2023 covers 124 countries across seven major geographical regions. Each country evaluation is based on 100 variables organized into five categories and 14 subcategories listed below.

Business Perception

Business Constraint

- Cost of business
- Ease of shareholder suits
- Enforcing contracts
- Percentage of firms identifying corruption as a major constraint
- Percentage of firms identifying labor regulations as a major constraint
- Percentage of firms identifying tax rates as a major constraint
- Time required to start a business (days)
- Willingness to delegate authority

Recovery and Resolution Process

- Enforcing contracts
- Resolving insolvency: cost (percentage of estate)
- Resolving insolvency: recovery rate (cents on the dollar)
- Insolvency regulatory framework
- Time required to enforce a contract (days)
- Time to resolve insolvency (years)

Economic Fundamentals

Economic Performance

- Central government debt
- GDP growth
- GDP per capita
- Inflation, consumer prices (annual percentage)
- Total factor productivity
- Trade (percentage of GDP)
- Unemployment, total (percentage of total labor force)

Future Environment of Growth

- See Box 3

Workforce Talent

- Extent of staff training
- Education expenditure
- Labor force participation rate, ages 15+ (percentage of total)
- Labor force with intermediate education (percentage of total)
- Labor force participation rate, female (percentage of female population ages 15+)
- Mean years of schooling
- School life expectancy
- Self-employed (percentage of total employment)

Financial Services

Financial Access

- ATMs (per 100,000 adults)
- Account ownership at a financial institution or mobile money service provider
- Bank branches (per 100,000 adults)
- Credit card ownership (percentage at age 15+)
- Debit card (percentage of age 15+)
- Domestic credit to private sector (percentage of GDP)
- Financing SMEs
- Venture capital availability

Financial Size and Condition

- Bank concentration
- Non-government securities (percentage of GDP)
- Non-performing loans to total gross loans (by percentage)
- Non-life insurance premium volume (percentage of GDP)
- Life insurance premium volume (percentage of GDP)
- Private credit by banks (percentage of GDP)
- Private credit coverage (percentage of adults)
- Public credit coverage (percentage of adults)
- Total private debt, loans, and debt securities (percentage of GDP)

Institutional Framework

Innovation

- Buyer sophistication
- Quality of research institutions
- Research & development expenditures
- Scientific publications

Investors' Rights

- Protecting minority investors
- Property rights
- Government ensuring policy stability
- Strength of legal rights
- Quality of land administration

Public Governance

- Burden of government regulation
- Efficiency of legal framework in challenging regulations
- Efficiency of legal framework in settling disputes
- Freedom of press
- Judicial independence
- Political stability and absence of violence/ terrorism: estimate
- State of cluster development

Transparency

- Budget transparency
- Conflict of interest regulation
- Credit depth of information
- E-participation index
- Extent of disclosure
- Incidence of corruption
- Start-up procedures to register a business
- Strength of auditing and reporting standards
- Transparency of government policymaking
- Voice and accountability: estimate

International Standards and Policy

Economic Openness

- Bilateral investments treaties (BITs)
- Chinn-Ito index
- Exchange rate regime
- Tariff rate, applied, weighted mean, all products (percent)
- Trading across borders (time & cost)
- Treaties with investment provisions (TIPs)

Tax and Regulation

- Corporate tax rate (percent)
- Income tax rate (percent)
- Labor freedom
- Regulation of securities exchange

Patent and Trademark

- Patent applications
- Trademark applications

Recent Trends in Private Cross-Border Investment

Most of the increase in international capital flows in EMIs G20 is concentrated in China, whose share of global capital flows doubled. The share of global flows to other EMIs G20 remained stable at around 7 percent, with capital flows bouncing back in 2021 after dropping at the onset of the pandemic.

EMIs G20 Attract a Larger Share of Global Capital Flows

Overall, the EMIs G20 represent a larger share of international capital flows, increasing from 11 percent (from 2015 to 2017) to 16 percent (from 2018 to 2021). Similarly, the volume of flows to EMIs G20 has significantly increased from $572 billion (from 2015 to 2017) to $882 billion (from 2018 to 2021).

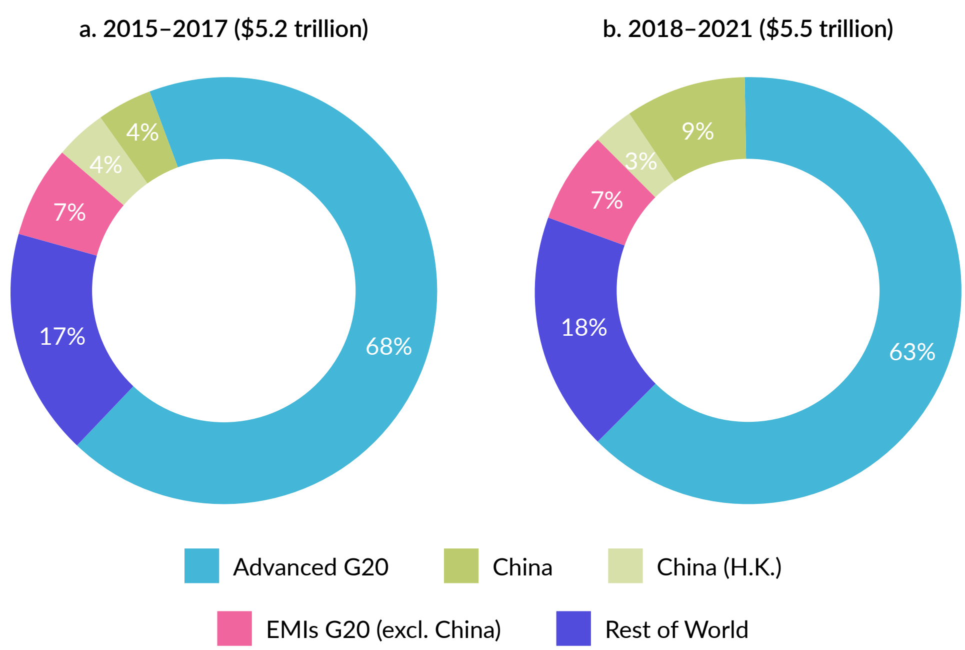
Most of this increase is concentrated in China, whose share of global capital flows for the same period has more than doubled, from 4 percent to 9 percent. This increase is a direct result of China's strengthened efforts to open its economy to foreign investment by reducing the sectors that, since 2018, were off-limits. These efforts culminated, in 2021, with the opening of its financial sector by allowing foreign financial firms to take controlling shares in existing ventures or open solely foreign-owned firms.[5] It is unclear how China's latest five-year plan, announced in 2022, will impact this trend. It shifts the focus from high-speed to high-quality economic growth. It prioritizes sectors such as advanced manufacturing, higher-quality services, high-tech, energy conservation, and environmental protection for foreign investments.

During the same period, 2015–2021, the share of global capital flows to the remaining EMIs G20 was stable at around 7 percent, with capital flows bouncing back in 2021 after dropping at the onset of the pandemic. The sustained interest of international investors in these countries reflects two factors:

- **Common or pull factors,** such as interest rates and growth rates among AEs G20, and global risk factors, such as stock market volatility and the pandemic.
- **Country-specific or pull factors** captured by the different categories of the GOI (see Figure 2 and Table 3). The strong position of these countries, especially in Financial Services, Institutional Framework, and Economic Fundamentals, when compared to their peer income groups, contributed significantly to their resilience to external shocks and to their ability to remain attractive to international investors. In most EMIs G20, capital flows bounced back in 2021 after dropping at the onset of the pandemic. However, as we later discuss, considerable differences exist across countries and types of capital flows.

Since China is an outlier, we will remove it from the remaining analysis and EMIs G20 will refer to the remaining eight countries.

Figure 3. Global Capital Inflows by Destination Country/Region (Percentage of Total)



Source: *Authors' calculations based on IMF International Financial Statistics (2023)*

Box 2. Clarifications on Capital Flows

We are interested in foreign investors' attitudes. Hence, in assessing capital flowing into countries, we focus on their "capital inflows," that is, changes in nonresidents' claims on residents' domestic financial instruments.

Our measure of capital flows is often referred to as "gross" capital inflows, the "net" sale of domestic assets to foreign investors. For example, if foreign investors buy $5 million of a country's local assets and during the same period sell $3 million, we report this as capital flows of $2 million. Note that these capital flows can be either positive or negative, depending on whether investors buy or sell more of a country's assets during a given period.

Capital flows, or cross-border financial investments in countries by foreigners, include foreign direct investment (FDI, mostly direct equity in local firms), portfolio investment (equity and debt securities), and other instruments or "bank-related" flows (currency and deposits, loans, trade credit, and other accounts payable).

Finally, "bank-related" flows capture transactions that are not exclusively carried out by banks since classification is based on instrument class instead of investor type. At the same time, some transactions carried out by banks may fall into one of the other capital flow categories. For example, if a foreign bank purchased a bond issued by a resident, this would be classified as a portfolio debt flow, not a bank-related flow.

It Has Been a Selective Recovery

EMIs G20's post-pandemic recovery has varied across the type of instruments and recipient countries. Bank-related flows mostly drive the 2021 recovery.

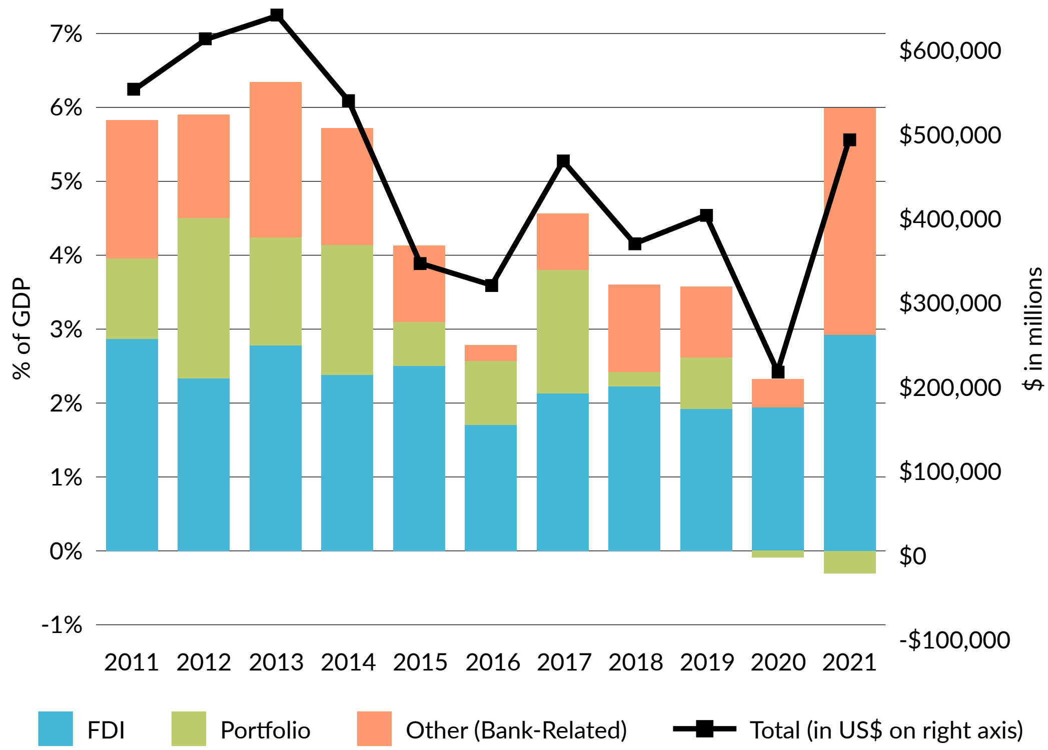
Type of Instruments

Capital flows to EMIs G20 have fluctuated in recent years, experiencing a few episodes of turmoil, the most recent being the COVID-19 pandemic and its global spillovers to economies and industries. In 2020, flows to EMIs G20 dropped, as investors faced with high global uncertainty turned to advanced economies in search of safer investment options. Figure 4 confirms that investment in portfolio and bank-related flows, historically more sensitive to external shocks, dropped markedly in 2020, while FDIs remained relatively stable.

The return of capital flows observed in 2021 was driven mainly by bank-related flows, including currency and deposits, loans, trade credit, and other accounts payable. In addition, the share of FDI flowing to EMIs G20 increased by close to one percentage point, reaching a level close to $250 billion. This is the first time since 2013 that FDI has reached such a threshold in these countries.

The movements in capital have caused the overall composition of EMIs G20 capital flows to change, as bank-related flows increased markedly from 2019 to 2021.

Figure 4. Capital Inflows to EMIs G20



Source: *Authors' calculations based on IMF International Financial Statistics and Balance of Payments (2023)*

Recipient Country

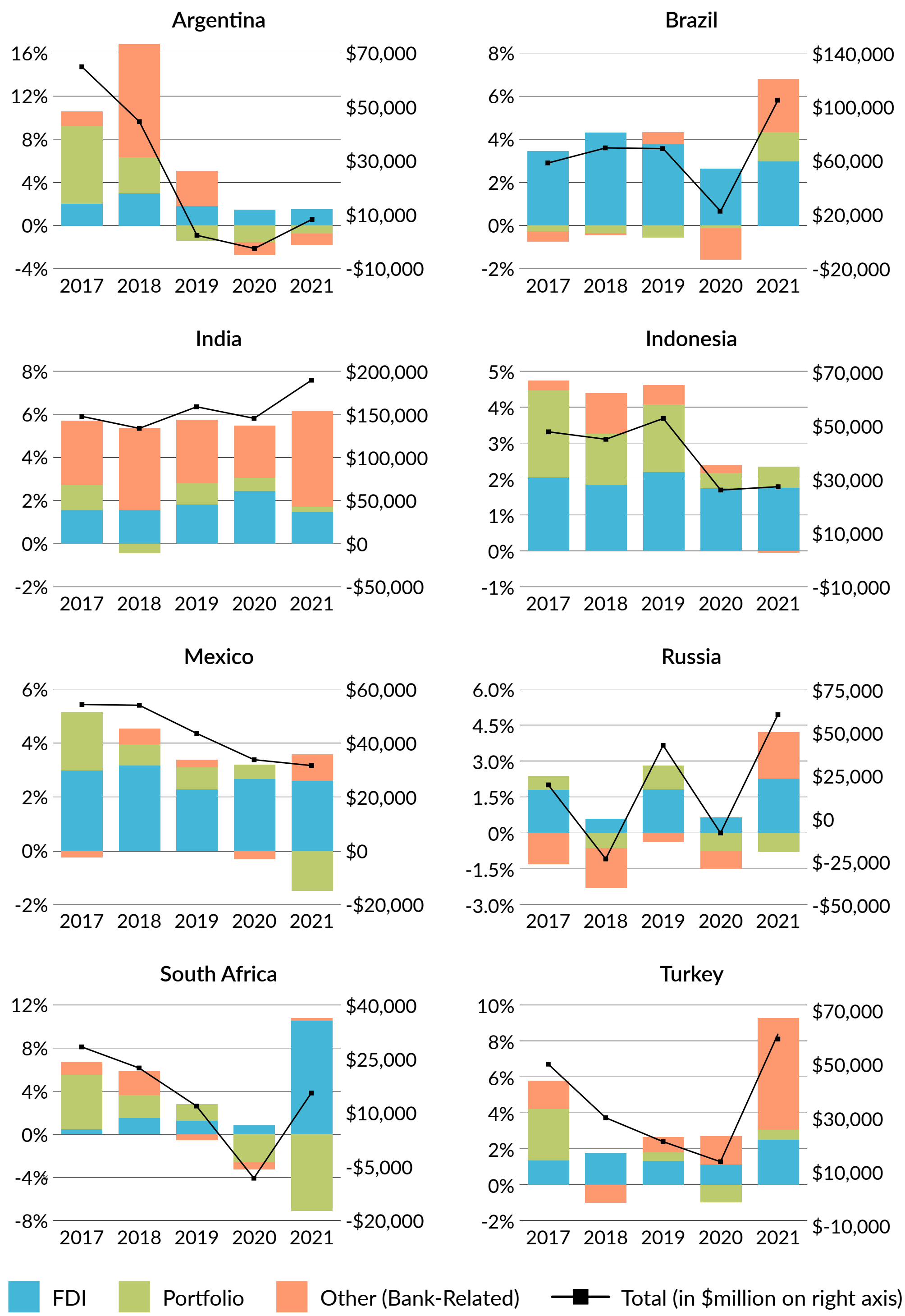
The volume, composition, and changes of capital inflows differ across EMIs G20. While in some countries, such as Brazil and Mexico, FDI is a major component of capital inflows, in others, such as Turkey and Indonesia, portfolio and bank-related investments have historically driven a large share of capital flows.

A few countries stand out from Figure 5:

- South Africa has experienced a significant transformation in the composition of its capital flows, as the country shifted from a heavy reliance on portfolio flows to a capital structure now driven by FDI. South Africa's FDI capital flows increased sharply in 2021, driven largely by a Dutch technology investor's acquisition of about 45 percent of South Africa's largest publicly traded company (Nasper, with a market capitalization of $61.6 billion).[6]
- Argentina's drop in international capital inflows is the direct result of the different capital control measures in place since 2019. Argentina continues to face economic difficulties resulting from its high debt and the pandemic, leading to a lack of financial stability.[7]
- Mexico has experienced a slow but steady decrease in capital flows driven largely by a pronounced decrease in portfolio investment from above 2 percent

of the country's GDP in 2017 to a negative 1.5 percent by 2021. The political and macroeconomic risks remain the biggest challenges for international investors.[8]

Figure 5. Capital Inflows to EMIs G20 by Component (Percentage of GDP)



Source: *Authors' calculations based on IMF International Financial Statistics and Balance of Payments (2023)*

Composition of International Investment Positions of EMIs G20

Overall, EMIs G20's composition of international investment positions (IIPs) did not experience significant changes between 2018 and 2021, with a modest increase in FDI and a decrease in portfolio investments.

Argentina and Turkey are the EMIs G20 that rely the most on external debt (comprising loans and portfolio debt instruments). It represents over half of their IIP liabilities. Among the other EMIs G20, Indonesia is inching close to holding half its foreign liabilities in loans and portfolio debt. Meanwhile, Mexico continues to decrease the weight of external debt in its financial liability instruments.

Figure 6. International Investment Position of EMIs G20, Component's Share of Total (Percentage)

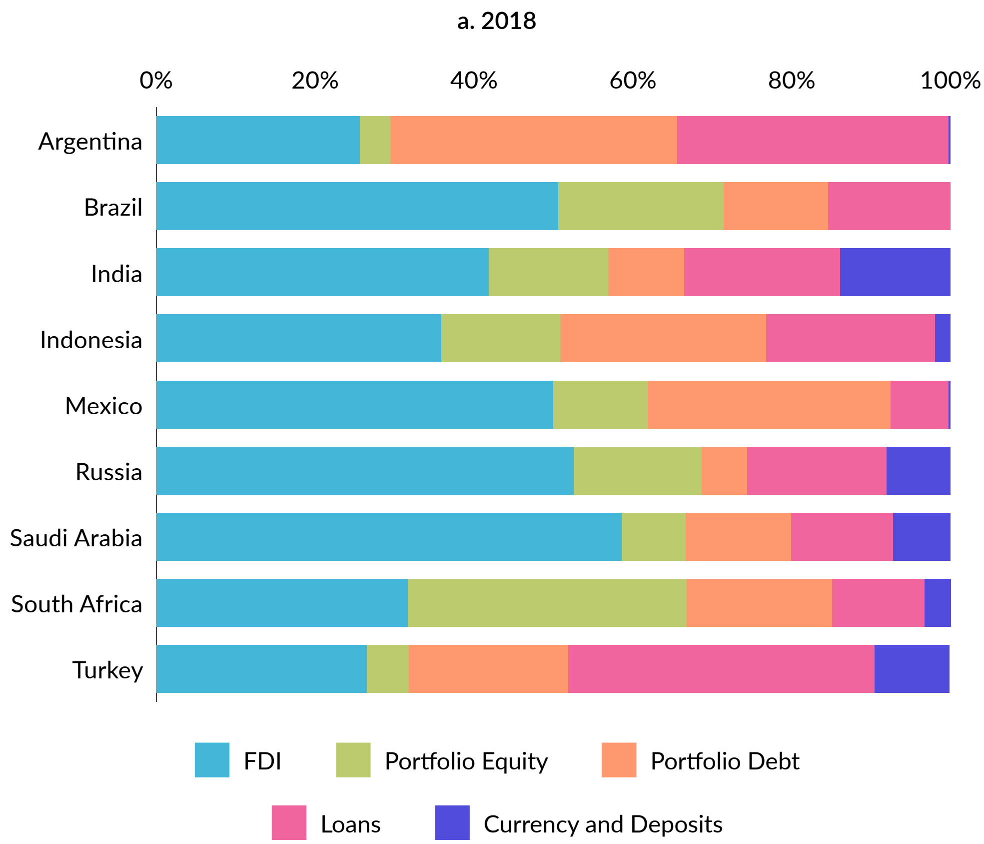
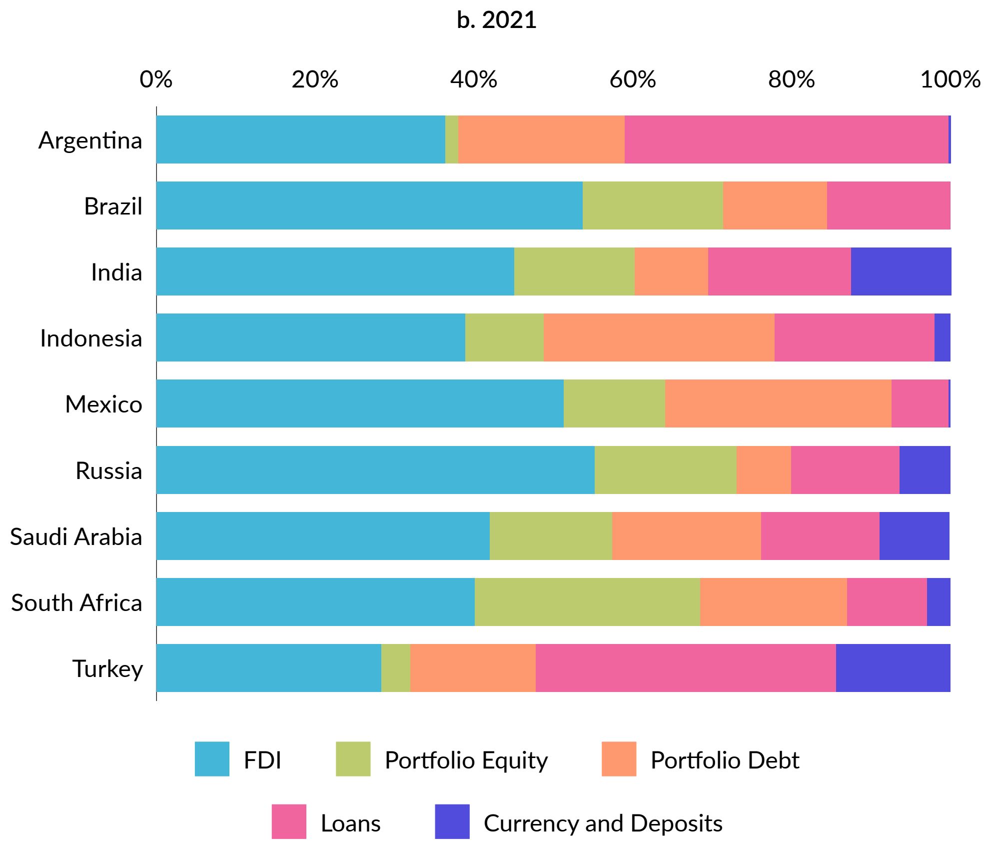


Figure 6. *continued*



Source: *Authors' calculations based on IMF International Financial Statistics (2023)*

RECENT CROSS-BORDER MERGERS AND ACQUISITIONS IN EMIs G20

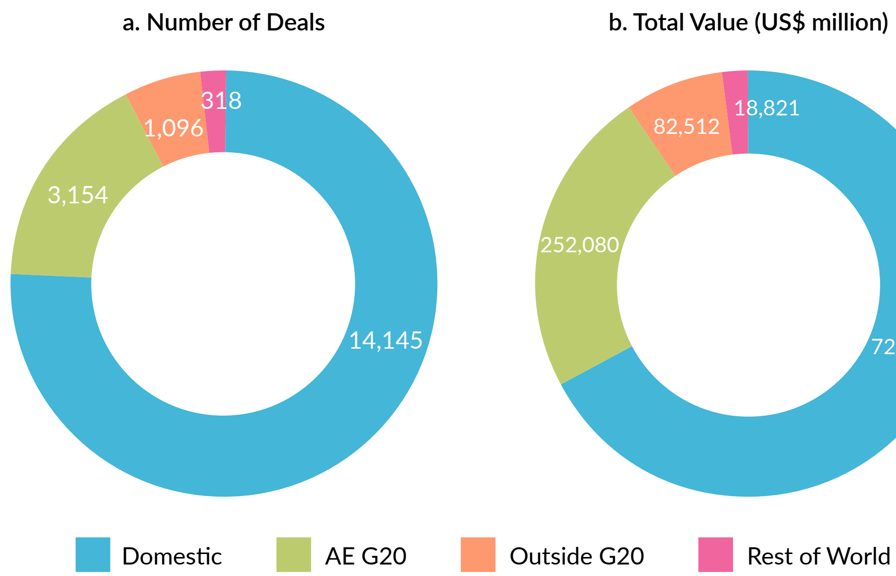
Domestic contracts largely drive M&A activity in EMIs G20. Among cross-border transactions, AEs G20 are the largest source, with two of every five M&As originating in the US. India's market is the most active, while Brazil is second in cross-border transactions. Software and Professional Services are heavily targeted, and private equity capital is a common source of financing.

Mergers and acquisitions are an essential component of foreign direct investment. Figure 7 illustrates that M&A activities in the EMIs G20 are primarily driven by domestic contracts, which accounted for 76 percent of transactions and 67 percent of total value between 2018 and the first half of 2022. Domestic consolidations and limited foreign access to some economic sectors are partly responsible for this domestic bias.

AEs G20 are the second-largest source of origin of M&As in EMIs G20, capturing 17 percent of all transactions (23 percent of value) during the 2018 to 2022 period. These transactions represent about 70 percent of the cross-border transactions and value.

Transactions among EMIs G20 represent 3 percent of cross-border transactions and 1.4 percent of value, while transactions with non-G20 account for around 23 percent of cross-border transactions and value. China (mainland and Hong Kong SAR combined) account for about 4 percent of cross-border M&A transactions and value.

Figure 7. M&A Activity in Emerging G20, by Country Origin



Notes: *Values are an aggregation of all available data between 1/1/2018 and 6/30/2022. Countries highlighted: Argentina, Brazil, India, Indonesia, Mexico, Russia, South Africa, and Turkey.*

Source: *Milken Institute, using data from Refinitiv EIKON (2023)*

Figure 8. M&A Activity by Target Country

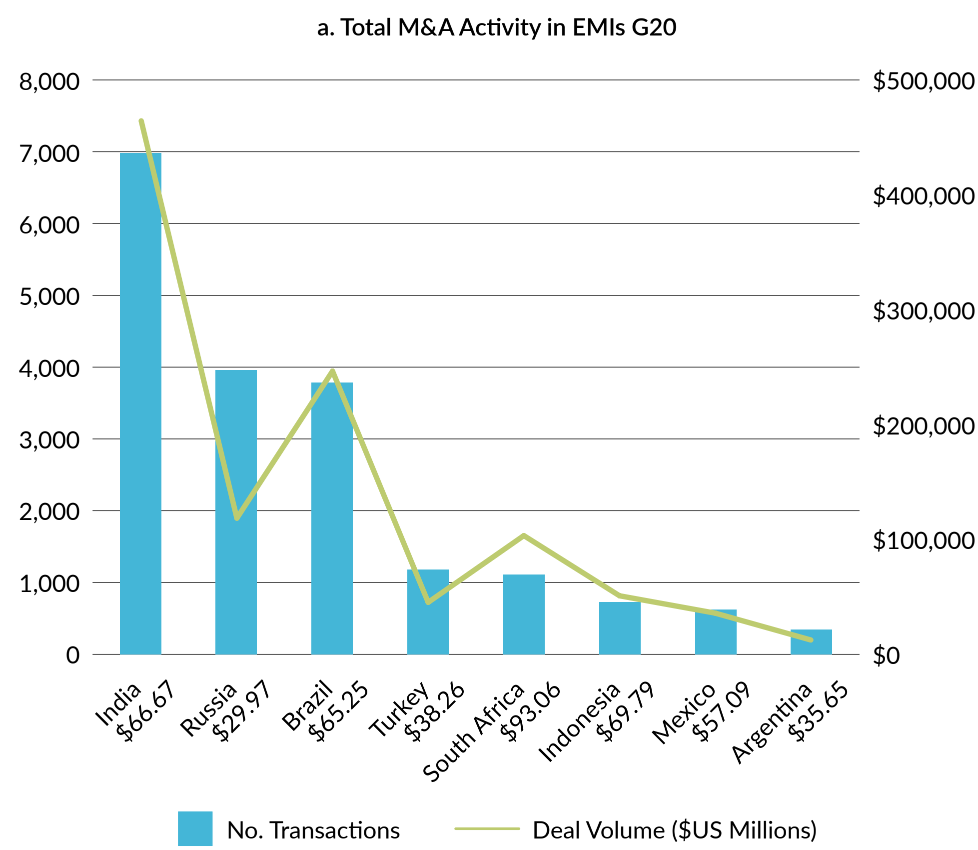
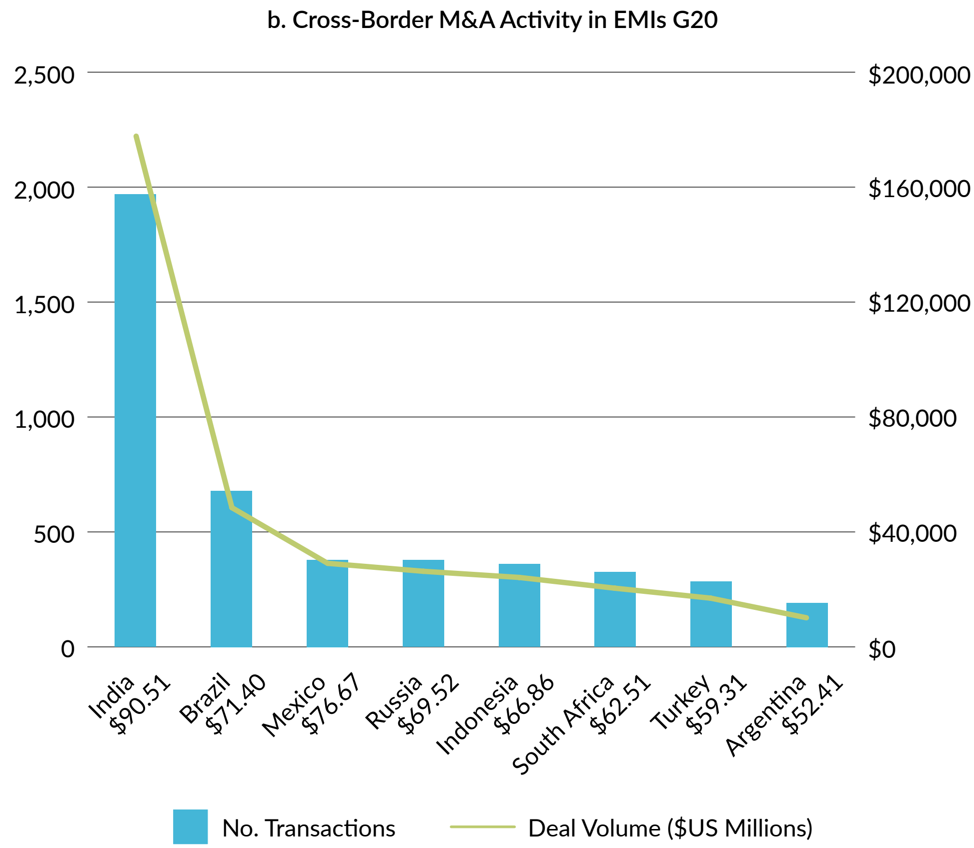


Figure 8. *continued*



Notes: *Values are an aggregation of all available data between 1/1/2018 and 6/30/2022. Values in the x-axis reflect the average transaction value in $US millions.*

Source: *Milken Institute, using data from Refinitiv EIKON (2023)*

Figures 8a and 8b contrast EMIs G20's total M&A activities with cross-border activities. A few insights stand out for the 2018 to 2022 period:

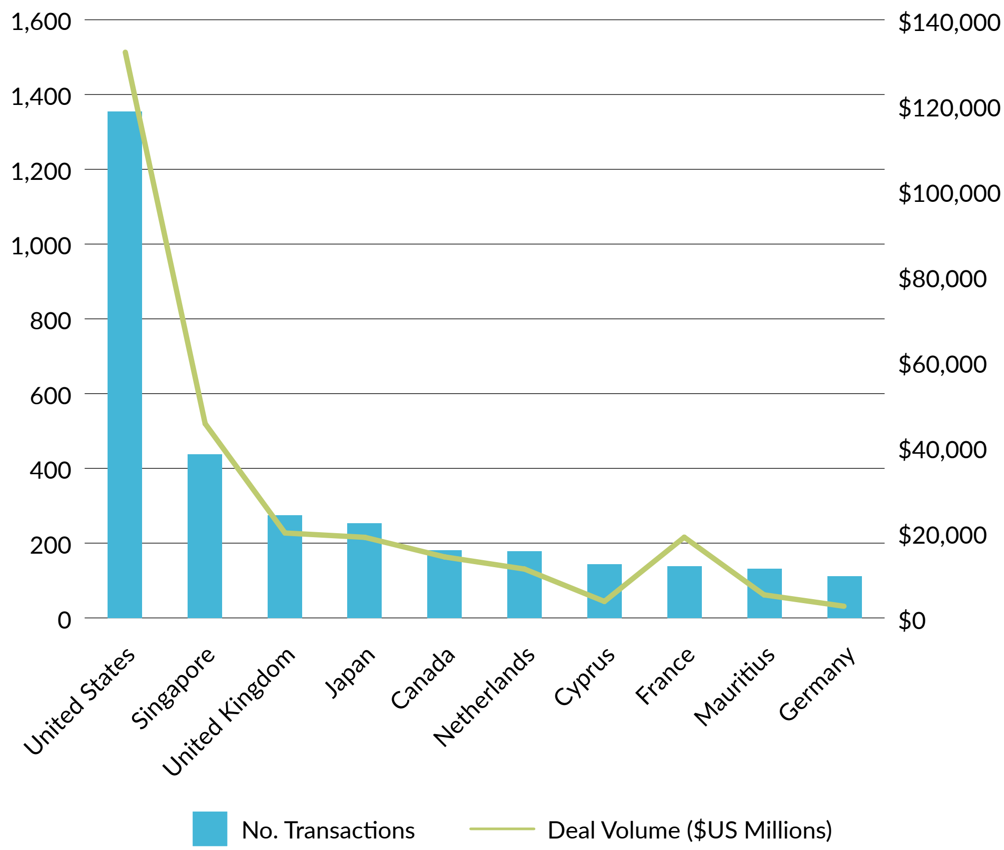
- India's M&A market is the most active in terms of both total M&As and focusing on cross-border activity: India's M&As represent 37 percent of all EMIs G20 transactions (43 percent of value) and 43 percent of cross-border transactions (50 percent of value).
- While Russia and Brazil are comparable in total transactions, Brazil has secured almost $130 billion more in the four-and-a-half years studied, having a more than double price per transaction compared to Russia ($65.25 million vs. $29.97 million).
- Russia's cross-border M&As only capture 10 percent of its total transactions (compared to 24 percent for EMIs G20), but this number may be artificially inflated; 35 percent of these transactions originated in Cyprus. Russia and Cyprus entered a double-taxation treaty in 1998 that was renewed in 2020. This obscures whether investment from Cyprus to Russia represents foreign investment or repatriated domestic revenues, often defined as "round-tripping."

- The average value of cross-border deals is higher (compared to all M&As) in EMIs G20 except for South Africa and Indonesia. Buoyed by a few outsized transactions, South Africa has the highest per-transaction value among the EMIs G20 during the period considered.
- More than 60 percent of Mexico's transactions since 2018 have been international, with acquirers from Spain, Italy, Canada, France, and the United States. About 30 percent of the deal value of Mexico's cross-border transactions comes from M&As targeting the Transportation and Infrastructure industry, which captures $8.5 billion during the period considered. This high deal value is propped by two large acquisitions that represented Mexico's second and third largest M&As in this period, with a joint deal value of $7.38 billion:
    - Red de Carreteras de Occidente (Mexican Toll Road Operator) was acquired for $4.8 billion by Abertis (Spanish subsidiary of Italian Infrastructure Investor Group Atlantia) and Singapore GIC (Sovereign Wealth Fund). The deal closed in 2020. Overall, Abertis and GIC acquired 72.3 percent.
    - Canada Pension Plan Investment Board (CPPIB) and Ontario Teachers' Pension Plan (OTPP) acquired a stake in Impulsora del Desarrollo y el Empleo en America Latina (IDEAL) for $2.6 billion in 2019. IDEAL is an infrastructure company that encompasses 13 toll roads, three logistics terminals, and two wastewater treatment plants. CPPIB now owns 23.7 percent and OTPP 16.3 percent.

Two of Every Five Cross-Border M&A Transactions Originated in the US

Figure 9 shows that the US accounts for 42 percent of cross-border M&A transactions in EMIs G20 and 38 percent of the transactions' value ($133 billion out of a total of $353 billion). Most US M&As have targeted companies in India, accounting for $87 billion across 754 transactions, followed by transactions targeting companies in Brazil ($16.5 billion across 257 transactions) and Mexico ($12 billion across 156 transactions).

Figure 9. Cross-Border M&A Activity in EMIs G20, by Acquirer Origins (Top 10)



Notes: *Values are aggregating all available data between 1/1/2018 and 6/30/2022. Countries highlighted: Argentina, Brazil, India, Indonesia, Mexico, Russia, South Africa, and Turkey.*

Source: *Milken Institute, using data from Refinitiv EIKON (2023)*

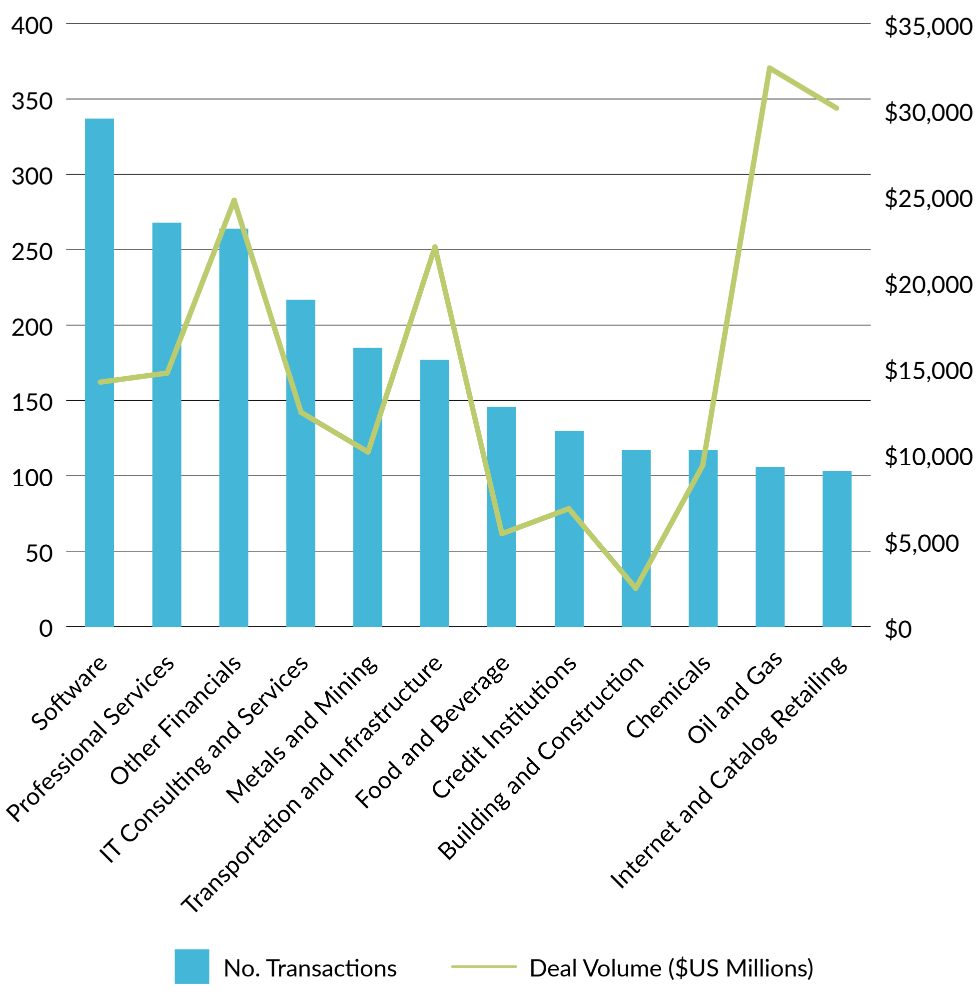
The high level of M&A activity originating in some countries in Figure 9 is potentially misleading because:

- Singapore, which is the second-biggest source of origin of M&A activity in EMIs G20, is a financial hub. These M&A activities, which originated in Singapore in 2018, target mostly companies in India (60 percent of transactions) and Indonesia (21 percent of transactions). Half of the transactions targeting Indonesia involve acquiring companies in the financial sector.
- FDI round-tripping is a well-documented phenomenon between Cyprus and Russia, India and Mauritius (the ninth largest country of origin of EMI G20 M&As), and the Netherlands and Brazil.[9]

Software and Professional Services Are the Most Common Target Industries

Figure 10 illustrates the recent growth in technology and service economy cross-border M&A transactions in EMIs G20. Transactions in the software industry are geographically concentrated: India's Software M&As account for more than 50 percent of cross-border transactions and 45 percent ($6.5 billion) of deal volume. In contrast, Professional Services transactions are spread across the EMIs G20 (on a per capita basis).

Figure 10. Cross-Border M&A Activity in EMIs G20, by Target Industry



Notes: *Values aggregate all available data between 1/1/2018 and 6/30/2022. Countries highlighted: Argentina, Brazil, India, Indonesia, Mexico, Russia, South Africa, and Turkey.*

Source: *Milken Institute, using data from Refinitiv EIKON (2022)*

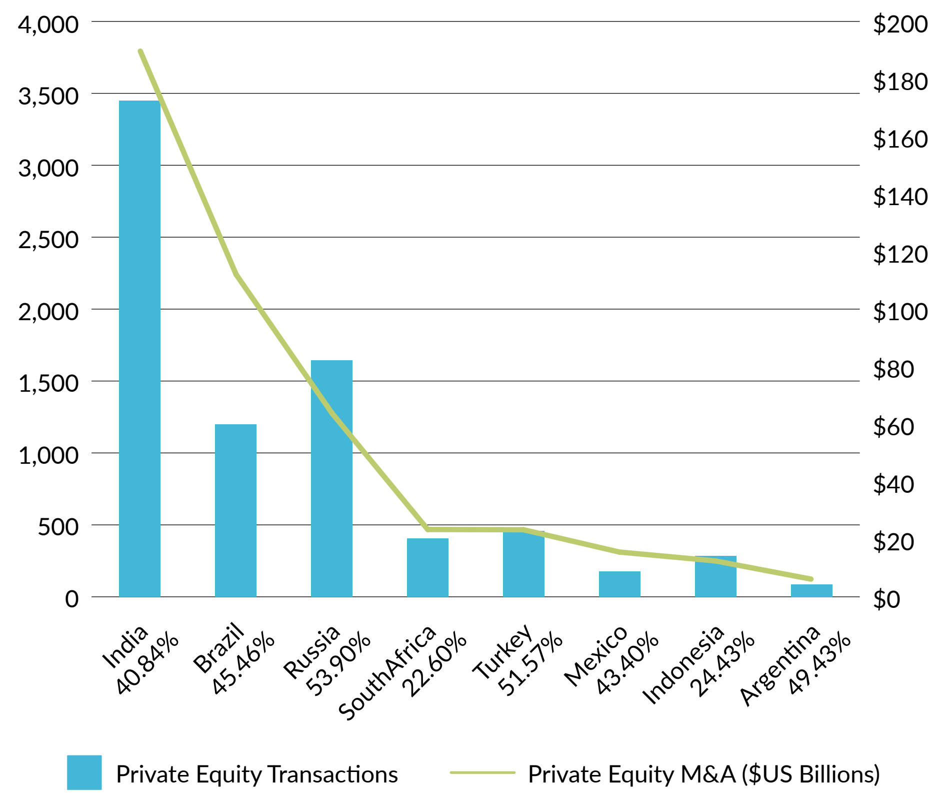
The growth of professional services follows a global trend driven by several factors, including talent acquisition (see Workforce Talent in Table 3) and top-line growth through market, service area, geographic, and client complementarity.

Within EMIs G20, the Oil and Gas industry captures by far the highest-valued cross-border transactions, with an average transaction value of $306 million (compared to an average of $77 million for all other industries) and a total value of $32.5 billion. Most of the value is split between Brazil ($13.11 billion) and Russia ($13.52 billion). The Internet Catalog and Retailing category captures the second-highest cross-border deal value ($30.2 billion). This total figure is propped up by Walmart's 2018 acquisition of the India-based e-commerce Flipkart Group, which resulted in an acquisition of 77 percent of the company for $16 billion.[10]

Private Equity Capital Represented Over a Third of M&A Deal Value

Figure 11 illustrates the number and value of M&A transactions (foreign and domestic) financed through private equity capital in EMIs G20 between 2018 and the first half of 2022.[11] Interest rates remained low for the predominant portion of this period, offering investors a low cost of capital. Increased competition among lenders also saw the development toward covenant-free debt, adding to investor groups' financing options and return potential. Among these favorable investing conditions, EMIs G20 attracted almost half a trillion ($446.9 billion) in private equity deal value since 2018.

Figure 11. Private Equity Transactions in EMIs G20



Notes: *Values aggregate all available data between 1/1/2018 and 6/30/2022. Percentages in the x-axis titles indicate the share of financial sponsor capital as a portion of the total M&A deal volume.*

Source: *Milken Institute, using data from Refinitiv EIKON and PitchBook (2023)*

Globally, 36 percent of all announced M&A deal value came from private equity groups in 2021, up from 31 percent in 2020 and 26 percent in 2019. Of the eight EMIs G20 studied, only Indonesia and South Africa report a percentage below the global average (24 percent and 23 percent, respectively) for the four-and-a-half years studied. Private equity acquirers drive over half of all Russian and Turkish M&As' value.

India is the largest recipient of private equity capital ($190.1 billion), mirroring the pattern observed for all M&A transactions. Brazil is the second-largest recipient of deal value, with 46 percent ($112.24 billion) of the value of its M&As flowing from private equity investors.

Private equity also drives a large share of M&A activity in Mexico, representing $15.5 billion (or 43 percent) of the total $35.7 billion of the country's M&A deal value. Almost 64 percent ($9.86 billion) goes toward the Mexican Transportation and Infrastructure sector. Both previously mentioned large transactions in this sector were financed through private equity capital.

PUBLICLY TRADED COMPANIES

The size of publicly traded companies varies across EMIs G20, mirroring their different economic and financial development levels. Each country has one dominant publicly traded sector: Financial Services for Brazil, India, Indonesia, Turkey, and South Africa; Energy for Russia; Basic Materials for Argentina; and Consumer Products for Mexico.

The radar graphs in Figure 12 portray the market capitalization of all publicly traded companies by economic sector as a percentage of each country's annual GDP. In these graphs, the company's headquarters location defines its country of residence, while the company can be listed on any public equity stock market. The graphs show that some countries demonstrate a greater percentage of value in public equities relative to other countries. For example, publicly traded Brazilian financial companies are worth 15 percent of the country's GDP alone. In comparison, the aggregate of all publicly traded companies in Argentina only amounts to 8.5 percent of Argentina's annual GDP.

Figure 12. Latin American EMIs G20, Public Market Value per Sector, Percentage of GDP

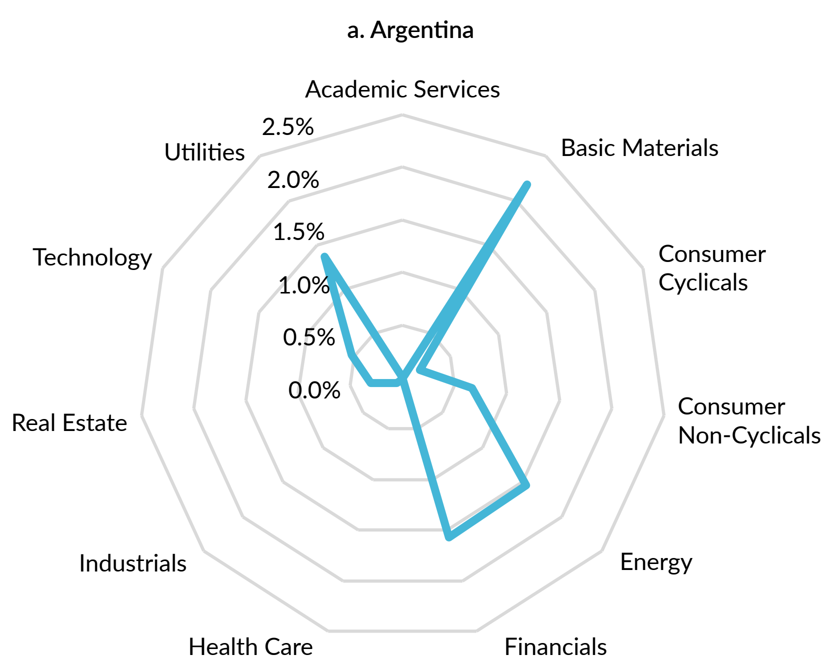
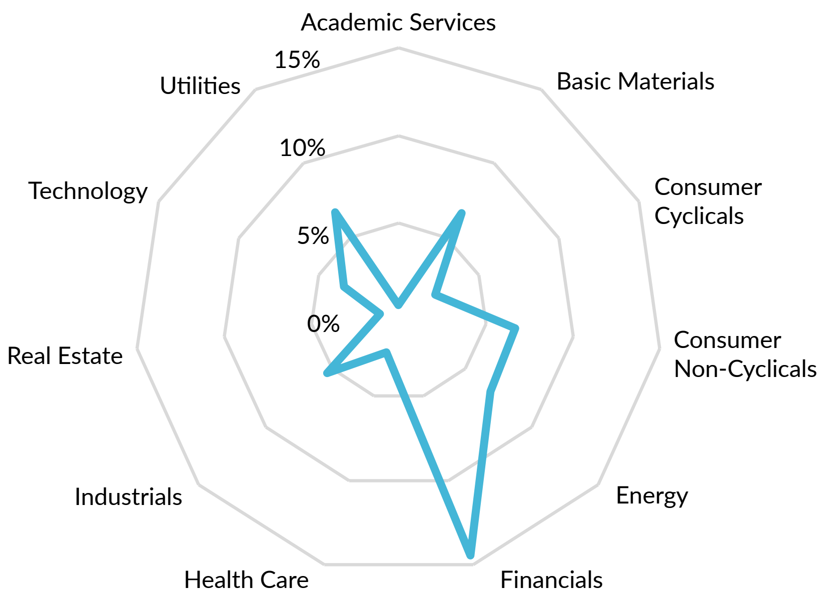
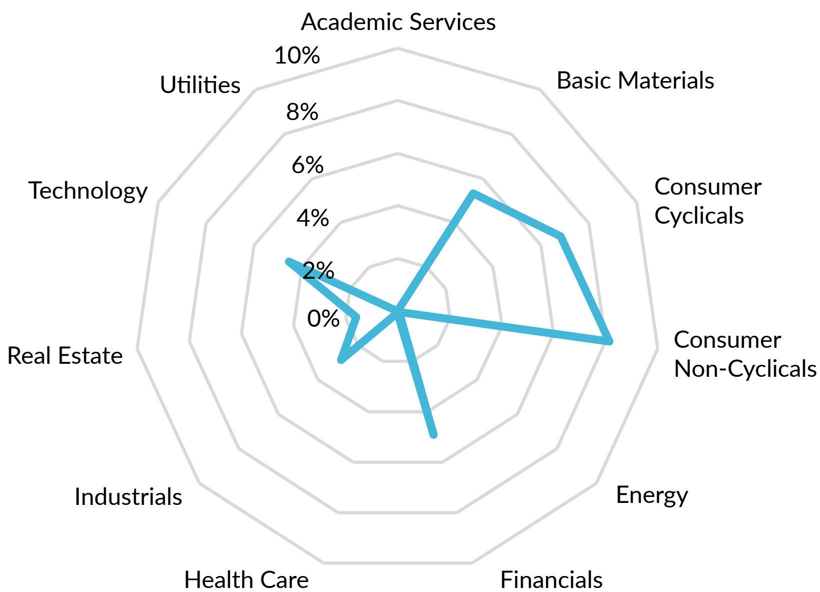


Figure 12. *continued*

b. Brazil



c. Mexico



Notes: *Values represent the public market capitalization value of economic sectors as a percentage of GDP. Values are a snapshot taken on September 1, 2022. Countries highlighted: Argentina, Brazil, and Mexico.*

Source: *Milken Institute, using data from Refinitiv EIKON (2023)*

Publicly traded securities of Argentina-headquartered companies are equivalent to 8.5 percent of the country's GDP, compared with 34.3 percent for Mexican companies and 56.2 percent for Brazilian public companies. The difference in the share of the economy represented by publicly traded companies in these countries is associated with their different levels of economic development. Brazil and Mexico are the world's 12th and 15th largest economies, with GDPs of $1.61 trillion and $1.29 trillion, respectively. In comparison, Argentina is a relatively smaller economy (number 26 in the world) with a GDP of $491.49 billion (see Table 1).

The three Latin American EMIs G20 also vary in terms of the sectors represented by their major public companies. As Figure 12 shows, Brazilian publicly traded companies are more concentrated in the Financial Sector (almost 15 percent), while Mexico's are centralized around Consumer Products (Cyclical and Non-Cyclical) at a combined 14.96 percent of 2021 GDP. As of September 1, 2022, Argentina had 80 publicly traded companies listed on financial markets worldwide, with Basic Materials the most highly valued sector.

Figure 13. Asian EMIs G20, Public Market Value per Sector, Percentage of GDP

a. India

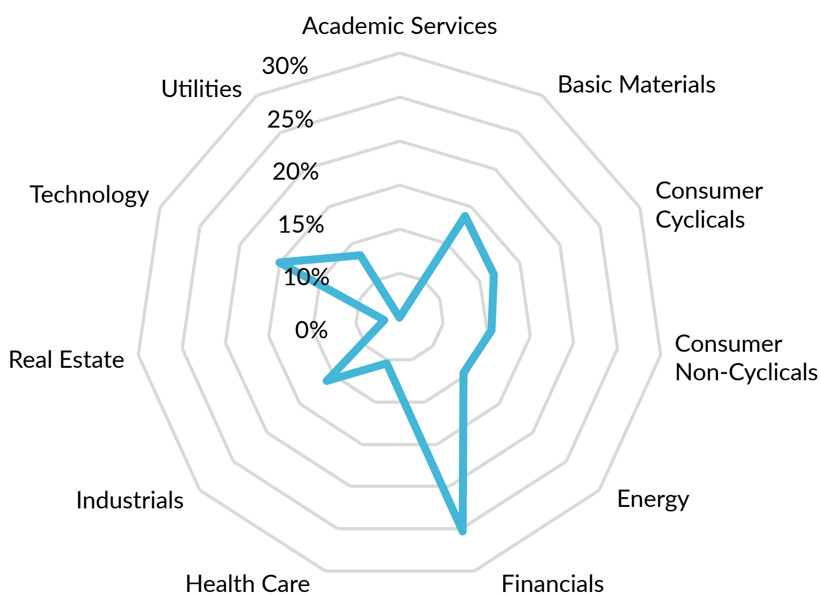
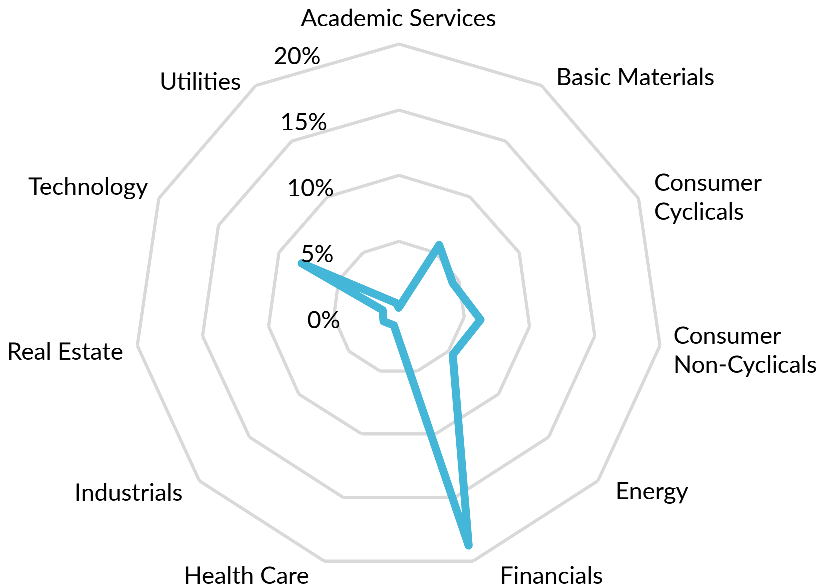
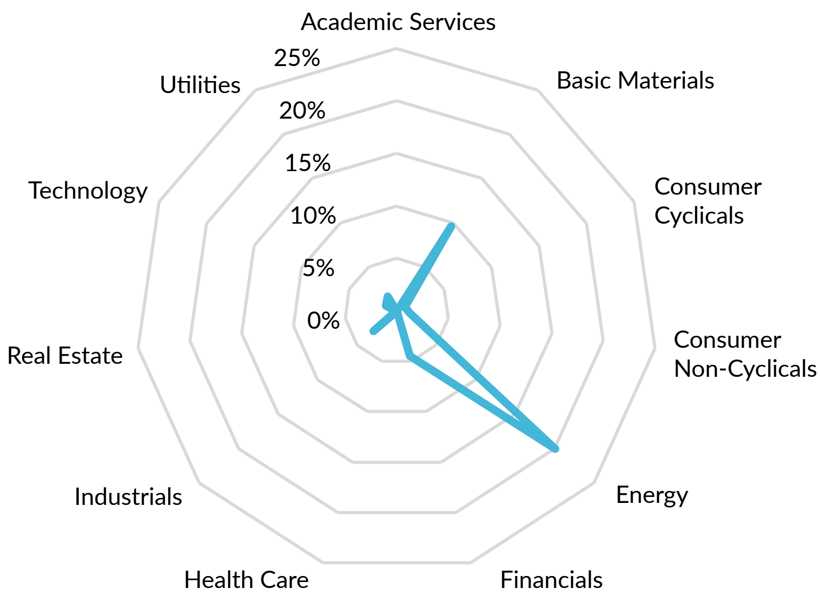


Figure 13. *continued*

b. Indonesia



c. Russia



Notes: *Values represent the public market capitalization value of economic sectors as a percentage of GDP. Values are a snapshot taken on September 1, 2022. Countries highlighted: India, Indonesia, and Russia.*

Source: *Milken Institute, using data from Refinitiv EIKON (2023)*

Similar to their Latin American counterparts, the Asian EMIs G20 each has one sector that captures a large portion of the value of its publicly traded companies. As expected, in Russia, the Energy sector captures more than 20 percent of the country's annual GDP and almost half (47.6 percent) of the entire value of Russian publicly traded companies. Indian and Indonesian publicly traded economic sectors are heavily weighted toward Financial Services, representing 25.3 percent and 18.8 percent of these countries' GDPs, respectively.

Of all EMIs G20, India is home to the companies with the highest market capitalization. Its most significant sector (Financial Services) is worth $803 billion, though its largest publicly traded company is Reliance Industries Ltd, a $220 billion energy, petrochemical, and telecom conglomerate. India's second-largest (and fastest growing) publicly traded sector by market capitalization is Technology. In 2021, the market value of India's publicly traded Technology sector was 15 percent of its GDP ($478 billion) spread across 374 publicly traded companies. The resurgence of India's Technology sector is due, in part, to the growth of India's Software as a Service (SaaS) industry.[12]

Figure 14. South Africa and Turkey, Public Market Value per Sector, Percentage of GDP

a. South Africa

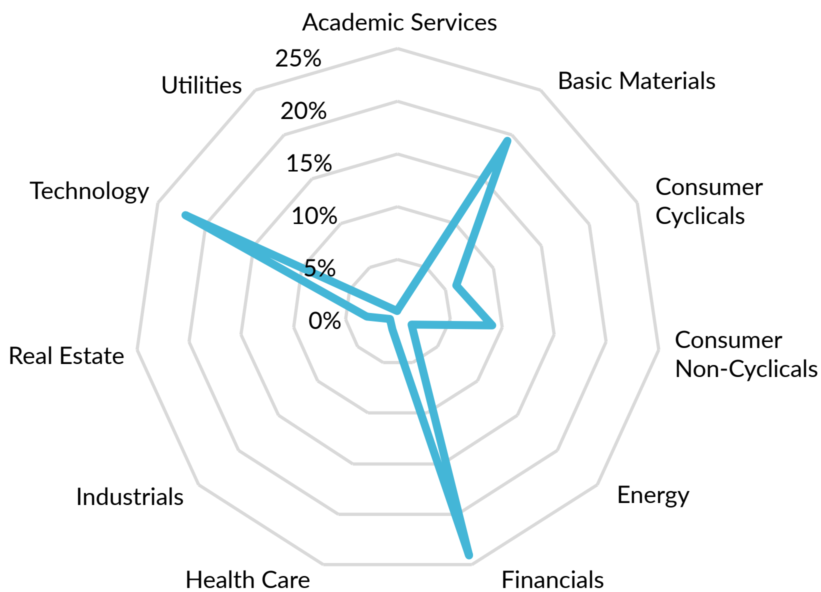
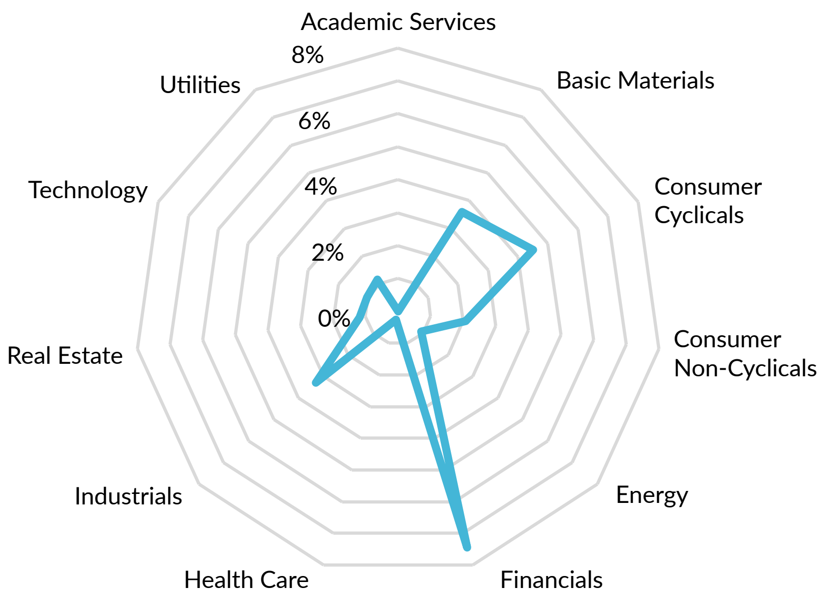


Figure 14. *continued*

b. Turkey



Notes: *Values represent the public market capitalization value of economic sectors as a percentage of GDP. Values are a snapshot taken on September 1, 2022. Countries highlighted: South Africa and Turkey.*

Source: *Milken Institute, using data from Refinitiv EIKON (2023)*

Like India and Indonesia, South Africa and Turkey have well-developed Financial sectors, measured by public market value. Close behind South Africa's Financial sector are its Technology and Basic Materials sectors, worth 22 percent and 19 percent of its 2021 GDP, respectively. South African publicly traded companies are worth 88.41 percent of the country's $420 billion 2021 GDP. In contrast, Turkey's publicly traded companies are worth 25 percent of the country's $815 billion GDP.

MOVING FORWARD: BUILDING A RESILIENT AND SUSTAINABLE ECONOMY AND SOCIETY

Argentina's and Indonesia's performances stand out in creating a balanced growth environment, including multidimensional ESG efforts. Narrowing the focus to environment-related initiatives, Mexico, Indonesia, and Brazil are the most advanced in green finance, while Brazil, South Africa, and Mexico include climate-related shocks when testing the resilience of their financial systems. Finally, Argentina, Brazil, and South Africa have set their net-zero targets to 2050.

This section focuses on the country's efforts toward a resilient and sustainable economy and society. Such a focus is gaining importance among international investors whose actions are increasingly scrutinized by their clients, politicians, and regulators. This is especially true regarding climate, goal 13 of the UN Sustainable Development Goals, which led to the Paris Agreement (COP 21).

This section provides an overview of the EMIs G20's progress using the GOI's Future Environment of Growth category and the countries' regulatory and policy trends on sustainable finance and climate.

Future Environment of Growth: Argentina and Indonesia Stand Out

The Future Environment of Growth, a subcategory of the Economic Fundamentals described in Figure 1, focuses on the country's efforts to create a resilient and sustainable economy and society. The variables capture the ESG dimensions covered in Box 3.

Box 3. List of the Variables Included in the GOI's Future Environment of Growth Category

Environment

- Agricultural land (percentage of land area)
- Air pollution (PM2.5, mean annual exposure)
- CO_2 emissions (average per capita, tons per year)
- Fertility rate (births per woman)
- Forest area (percentage of land area)
- Freshwater withdrawals (annual, percentage of internal resources)

Social

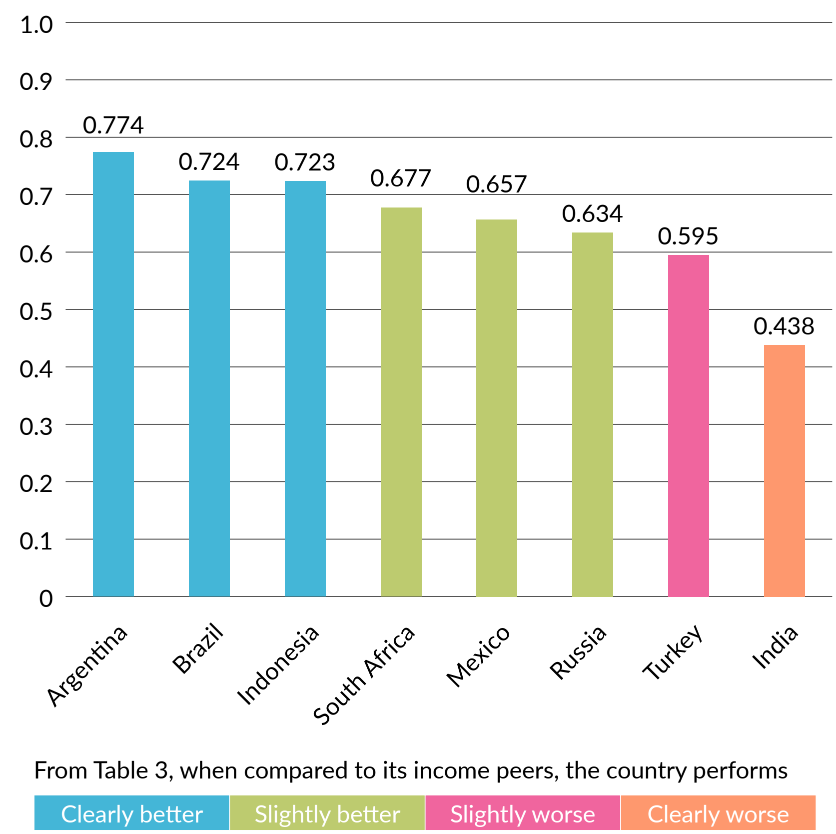
- Age dependency ratio (percentage of working-age population)
- Fertility rate (births per woman)
- Fixed-broadband internet subscriptions
- Forest area (percentage of land area)
- Healthy life expectancy
- MSME density (micro, small, and medium-sized enterprises)

Governance

- Government health expenditure (percentage of GDP)
- International trade in digitally deliverable services
- Internet access (percentage of households)
- Mobile-broadband subscriptions
- Mobile phone subscribers (per 100 people)
- Percentage of the population covered by at least a 3G mobile network
- Proportion of women in government (seats held in national parliament)

The scores reported in Figure 15 range between 0 and 1, with 1 being the best performance. The colors correspond to the country's performance relative to its peer income group. While Argentina, Brazil, and Indonesia are the three top performers among the EMIs G20, Argentina and Indonesia stand out, compared to UMI and LMI.

Figure 15. EMIs G20 Future Environment of Growth



Source: *Milken Institute (2023)*

Green Finance: Mexico, Indonesia, and Brazil Make Strides

Table 4 shows if a country has market-based initiatives such as green bond frameworks and the issuing of sovereign sustainable bonds. Such initiatives indicate a country's engagement toward meeting its green objectives and prioritizing the funding of environmental and socially conscious projects.

Except for Russia, all EMIs G20 have published green bond frameworks. Regarding the issuance of sustainable bonds, the central banks of Indonesia and Mexico have made the most progress in enticing international investment in green initiatives. Brazilian corporations are active in sustainability-linked securities, although the country has not issued sovereign sustainable bonds. India is also seeking to use bonds in building its green finance portfolio, with plans to establish sovereign sustainable bonds in the next couple of years.

Table 4. EMIs G20's Bond Issuances and Frameworks

Countries	Green Bond Framework, Date of Publication	Sovereign Sustainable Bonds
Argentina	2019	None issued
Brazil	2017	None issued; however, Brazilian corporations are active in sustainability-linked securities
India	2017	$3.3 billion in bonds planned for 2023
Indonesia	2018	Yes, $1.25 billion in bonds were issued in 2018
Mexico	2018	Yes, over $3 billion in USD and Euro bonds have been issued since September 2020
Russia	None	Yes, issued in May 2021
South Africa	2021	None issued
Turkey	2022	None issued

Source: *Official Monetary and Financial Institutions Forum Sustainable Finance Policy Tracker (https://www.omfif.org/sfptracker/), Green Bond Framework information sourced from Argentina Comisión Nacional de Valores (2019), Brazilian Development Bank (2017), Securities and Exchange Board of India (2017), Indonesia Directorate General of Financing and Risk Management (2018), Banco de México (2018), Development Finance Institution of Saudi Arabia (2021), and Capital Markets Board of Turkey (2022). Sovereign Sustainable Bonds information sourced from Maplecroft (2021), Bloomberg (2022), Mexico Ministry of Finance and Public Credit (2020), and WWF Russia (2021)*

Climate Partnerships and Testing: Brazil, South Africa, and Mexico

In recent years, financial regulators and international organizations' interest in the links between financial stability and climate change has strengthened, highlighting the necessity to understand better how climate-related risks could destabilize the financial system at the country level and globally.

In support of this effort, one primary initiative stands out. At the country level, some central banks include climate-scenario analysis when stress testing the resilience of their countries' financial systems. Table 5 provides an update for the EMIs G20 on the stress testing.[13]

Brazil required all banks to conduct climate stress testing starting in July 2022. South Africa is the only EMIs G20 to complete climate stress, whereas climate stress testing is ongoing for Mexico.[14]

Table 5. EMIs G20's Climate Stress Testing Status

Country	Climate Stress Testing
Argentina	None
Brazil	Ongoing; Banco Central do Brasil required all banks to conduct climate stress testing starting July 2022
India	None
Indonesia	None
Mexico	Ongoing; June 2022 Banco de México financial report focused on physical risk scenarios
Russia	None
South Africa	Completed; South African Reserve Bank produced a stress testing report in November 2020
Turkey	None

***Source:** Official Monetary and Financial Institutions Forum Sustainable Finance Policy Tracker (https://www.omfif.org/sfptracker/), Climate Stress Testing info sourced from Banco Central do Brasil (2022), Banco de México (2022), and South African Reserve Bank (2020)*

Climate Targets: Argentina, Brazil, and South Africa Target 2050

Finally, Table 6 reports the engagement of the EMIs G20, following the Paris Agreement's climate targets. Specifically, it outlines the EMIs G20's net-zero targets and their most recent Nationally Determined Contribution (NDC).

Three of the nine EMIs G20 have set their net-zero targets to 2050: Argentina, Brazil, and South Africa.

Table 6. EMIs G20's Climate Targets

Countries	Net-Zero Target	Most Recent Nationally Determined Contribution
Argentina	2050	19% emissions reduction target by 2030 (October 2021 NDC)
Brazil	2050	37%/43% emissions reduction targets by 2025/2030 (March 2022 NDC)
India	2070	30% emissions reduction pledge by 2030 (October 2021 NDC)
Indonesia	2060	25% unconditional emissions reduction target by 2030 (December 2020 NDC)
Mexico	No commitment	45% emissions reduction target by 2030 (August 2022 NDC)
Russia	2060	30% emission reduction target by 2030 (November 2020 NDC)
South Africa	2050	41% conditional (29% unconditional) emissions reduction target by 2030 (July 2021 NDC)
Turkey	2053	32% emissions reduction target by 2030 (September 2021 NDC)

Source: *Climate Tracker (last updated 2022) and the United Nations NDC Registry (last updated 2022)*

CONCLUSION

The countries' GOI assessment compares their positioning relative to their income peers and informs investors of the relative country risk. Similarly, it helps identify gaps where policy effort would effectively rebalance that perceived risk and strengthen international investors' interest.

In light of the current regulatory and societal push around sustainable and ESG investing and its impact on investors' behavior, we highlight several variables within the GOI that show countries' efforts and performance on ESG-related dimensions. Governments need to support the creation of an ecosystem where these issues are part of the core priorities, with growth, job creation, and improved living standards. This prioritization is essential for less developed countries where living conditions and level of development make these trade-offs challenging to overcome without clear guidance and buy-in from the public and private leadership. Several AE G20 already have policies to support a transition toward a greener economy. The Climate Change Conference 2022 (COP 27) worked on finding funding for such support to less developed countries with the announcement of a historic loss and damage fund.

Finally, with the G20 presidency assigned to Indonesia, India, and Brazil, in 2022, 2023, and 2024, respectively, EMIs G20 countries have the opportunity to lead and shape the global policy agenda on these issues, making these findings relevant and timely to the less developed economies.

APPENDIX

Table A. EMIs G20 Performance Relative to Their Income Groups, Indonesia as UMI[15]

		Argentina	Brazil	China	India	Indonesia	Mexico	Russia	South Africa	Turkey
Business Perception	Business Constraint	<-1 SD	<.00 SD	>1 SD	>.00 SD	>.00 SD	>.00 SD	>.00 SD	>.00 SD	<.00 SD
	Recovery and Resolution Process	<.00 SD	<.00 SD	>.00 SD	>.00 SD	<.00 SD	>.00 SD	>1 SD	>.00 SD	<.00 SD
Economic Fundamentals	Economic Performance	>.00 SD	<.00 SD	<.00 SD	>.00 SD	<.00 SD	>1 SD	>.00 SD	<.00 SD	>.00 SD
	Future Environment of Growth	>1 SD	>.00 SD	>.00 SD	>.00 SD	>.00 SD	>.00 SD	<.00 SD	>.00 SD	<.00 SD
	Workforce and Talent	>.00 SD	>.00 SD	>.00 SD	<-1 SD	>1 SD	>.00 SD	>.00 SD	>.00 SD	<-1 SD
Financial Services	Financial Access	<-1 SD	>.00 SD	>1 SD *	>1 SD *	<.00 SD	<.00 SD	>1 SD	<.00 SD	>.00 SD
	Financial Size and Condition	>.00 SD	>1 SD	>1 SD	>1 SD	<.00 SD	>.00 SD	<.00 SD	>1 SD	>.00 SD
Institutional Framework	Transparency	<.00 SD	<.00 SD	>.00 SD	>1 SD	>.00 SD	>.00 SD	<.00 SD	>1 SD	>.00 SD
	Public Governance	<.00 SD	<.00 SD	>.00 SD	>1 SD	>.00 SD	<.00 SD	<.00 SD	>1 SD	<-1 SD
	Innovation	>.00 SD	>1 SD	>1 SD *	>1 SD *	<.00 SD	>.00 SD	>1 SD *	>.00 SD	>.00 SD
	Investors' Rights	<-1 SD	<.00 SD	>.00 SD	>1 SD	>.00 SD	>.00 SD	<.00 SD	<.00 SD	>.00 SD
International Standards and Policy	Economic Openness	<.00 SD	<.00 SD	>.00 SD	>.00 SD	>.00 SD	>.00 SD	>.00 SD	<.00 SD	>.00 SD
	Patent and Trademark	>.00 SD	<.00 SD	>1 SD	>.00 SD	<.00 SD	>.00 SD	<.00 SD	<.00 SD	>1 SD
	Tax and Regulation	<-1 SD *	<.00 SD	<-1 SD	>.00 SD	>.00 SD	<.00 SD	<.00 SD	<.00 SD	<-1 SD *

Color Key: >1 SD | >.00 SD | <.00 SD | <-1 SD

**Indicates a difference larger than two standard deviations (SD).*

Source: *Milken Institute (2023)*

ENDNOTES

1. For more about Indonesia, see Milken Institute Global Opportunity Index (2022).
2. For more about Argentina and Brazil, see Milken Institute Global Opportunity Index (2021).
3. See Lopez, Claude (2022a) and (2022b).
4. See Hamadeh, Nada, Catherine Van Rompaey, and Eric Metreau (2021).
5. See Nguyen, Lananh (2021).
6. See Bianchi, Walter (2022) and authors' analysis of data from Refinitiv EIKON (2022).
7. See Bronstein, Hugh, Walter Bianchi, and Adam Jourdan (2020); Elliott, Lucinda and Michael Stott (2019); Bianchi, Walter (2022), US Department of State (2020).
8. See Merriam, Jason (2021).
9. See Aykut, Dilek, Apurva Sanghi, and Gina Kosmidou (2017).
10. See Reuters, "South Africa FDI Inflows Jump in 2021, Securities Outflows Soar."
11. We do not distinguish between cross-border and domestic transactions in our analysis of private equity capital flowing into EMIs G20 because of the difficulty in discerning which private equity transactions are truly foreign, since many of the larger private equity investors have international funds that can be used to finance domestic transactions.
12. See Garg, Manav (2021).
13. See Brunetti, Celso, Benjamin Dennis, Dylan Gates, et al. (2021).
14. See Mandl, Carolina (2021).
15. Indonesia was categorized as an Upper Middle-Income country in 2021 by the World Bank based on its GNI per capita being above $4,255 but was re-categorized as Lower Middle-Income in 2022 with a GNI per capita of $3,900.

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ABOUT THE AUTHORS

Claude Lopez, PhD, is the chief research officer at the Milken Institute. She leads the Institute's data-driven efforts aimed at influencing policy issues in international finance (systemic risk, financial stability, ESG investing, technology, capital flows), health economics (public health risks, health disparities), and regional economics (regional competitiveness, innovation, disparities). She is a co-chair of the T20 task force on international financial architecture for stability and development, an advisory committee to the G20 on these issues. Lopez has over 20 years of international experience in academic and policy research. Before joining the Institute, Lopez held management roles at the Banque de France, the nation's central bank, and was a professor of economics at the University of Cincinnati. She has an MS in econometrics from Toulouse School of Economics and a PhD in economics from the University of Houston.

Joseph Bendix is an associate director in international finance within the Research Department at the Milken Institute. His work focuses on topics related to systemic risk, capital flows, and investment. More specifically, he is in charge of identifying and analyzing the market-level data sets in many of the research reports produced by the Institute. Bendix lends his experience to developing presentations for the Institute conferences held throughout the year. He holds a bachelor's degree in economics and a Master of Science in Finance from the University of San Diego.

Maggie Switek, PhD, is the director of regional economics in the Research Department at the Milken Institute. Before joining the Milken Institute, Switek worked in academia and consulting, developing a broad range of expertise in antitrust, intellectual property, labor, public policy, and well-being. Her experience in antitrust includes working with counsel and enforcement agencies to evaluate the impacts of mergers, acquisitions, price-fixing, and other competition matters. In research, her interests include well-being, migration, and regional economics. She has published studies related to the effects of public social spending on the quality of life in Latin America, the impact of rapid economic growth (and accompanying economic changes) on well-being in China, and migration patterns among young adults in Sweden.

Lawson Mansell is an analyst in the Research Department at the Milken Institute. He supports the department's research portfolio in health economics, regional economics, and international finance. Mansell is earning his Master of Public Policy at Pepperdine University School of Public Policy and he holds a Bachelor of Arts in political science from Thomas Edison State University.

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