An Economic Analysis of Global Trade on Monetary Policies in Emergency Markets and Economies

The SPRING Group

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2. Executive Summary

Over the past decade, emerging markets have demonstrated resilience and adaptability in the face of global inflation challenges. While rising costs and fluctuating interest rates have created economic pressures, many developing economies have taken proactive steps to strengthen their financial systems. By diversifying exports, investing in local industries, and adopting innovative monetary policies, markets have worked to reduce their dependence. As these nations continue to adapt, their ability to navigate inflationary pressures positions them for long-term success in an evolving global economy.

Monetary policy and global trade trends are topics of importance to the SPRING Group. As an organization composed of students who are young adults, we have been exposed to the ever changing policies emerging markets have instituted as they affect our own lives daily. Our concern lies in the current policies that define our current relationship with our world, and how that affects international relationships.

As part of our continued goal to highlight youth viewpoints on issues of concern to them, SPRING seeks to bring the unique perspectives of students into global policies to implement more sources of renewable energy. This paper analyzes how recent inflationary trends affect global trade policies within emerging markets, providing background information on three case studies in India, the Congo, and Mexico. Furthermore, it analyzes their current trends in trade policies and provides policy recommendations for each of the examples provided to offer a comprehensive analysis of global trade policies.

3. Background

3.1 India and Offshoring

Indian trade policy has historically been extremely protectionist. In 1990–1991, for instance, the highest Indian tariff stood at 355 percent, and the weighted average tariff stood at 87 percent[1]. The high tariffs were an attempt to strengthen domestic industries post-colonialism, and succeeded to some degree, but the dangers of isolationism quickly became clear as job growth stagnated; between 1991 and 2013, India's economy produced only 140 million jobs—a fraction of the more than 300 million required[2].

In recent years, India has been attempting to expand trade ties with both regional and international allies. By 1996-1997, the highest tariff and weighted average tariff fell to 52 percent and 22 percent respectively. However, India still faces myriad obstacles: lack of full understanding of trade policy and its potential benefits, a poorly developed manufacturing sector, unsatisfactory results from regional trade agreements, and constrained relationships, including with its main trading partners.

Nevertheless, trade liberalization has yielded material benefits to the Indian economy. As a result of more open trade policy, bilateral trade in goods between India and the United States increased from a modest $5.6 billion in 1990 to $66.9 billion in 2014. Moreover, India has become an attractive destination for American offshoring, with offshoring to India primarily seen in the services sector, particularly white-collar jobs in software and back-office services[3]. In 2006, 800,000 Indian workers were estimated to be employed in all areas of the outsourcing service industries[4]; by 2023, that number had grown to over 1.6 million[5]. Even as layoffs rippled through other areas of the global economy, the Indian service sector – especially in software and banking – remained untouched, with the Indian workforce growing even in companies that had severely cut down on American and European hiring.

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[1] Panagariya, 1999
[2] Mishra, 2016
[3] Kelly, 2024
[4] George and Gaut, 2006
[5] Times of India, 2023

3.2 Congo and the Resources Curse

The Democratic Republic of Congo, though rich in every type of natural resource and blessed with abundant deposits of copper, gold, diamonds, cobalt, uranium, coltan and oil, is consistently rated lowest on the UN Human Development Index[6]. Even the country's most fortunate residents live in grinding poverty; like many emerging economies, the DRC has fallen into the trap of the resources curse.

Both precedent and theory lend reason for the ongoing conflict in the Congo. From the diamond mines of South Africa to the oilfields of Iraq, millions of people in resource-rich countries have seen devastation follow the mishandling of natural resources. In the DRC, political upheaval, violent conflict and authoritarian rule have followed the vast revenues gained through the exploitation of Congolese resources, and have led to persistent inequality and an ongoing humanitarian crisis in the region.

This pattern has reaffirmed the well-established resource curse: resource-rich countries are less wealthy and less competently governed than those lacking in natural resources. The resource curse gives reason for the empirical correlation between resource-rich countries and reduced investment in human capital, increased domestic political corruption, and perilous reductions in economic diversification[7]. The Congolese economy specifically is expected to see decreases in GDP growth as a result of overreliance on the mining sector, which has seen a deceleration in recent years. The ultimate result of these outcomes is the stunted long-term economic growth of an ostensibly fortunate nation.

The DRC is, today, one of the world's five poorest nations. The World Bank estimates that 73.5% of Congolese people lived on less than $2.15 a day in 2024, and one out of six people living in extreme poverty in SSA lives in DRC[8]. In contrast to India's over-protectionism, the Congo offers a warning in the opposite direction, illustrating the dangers of over-reliance on foreign investment and interference.

3.3 Mexico and Economic Dependency

Latin America is unique in that it is the only region of the world where intraregional trade is vastly outstripped by international trade. The Monroe Doctrine of the 1800s, followed by the Roosevelt Corollary, increased U.S. involvement in Latin American political and

[6] BBC, 2013
[7] Lalji, 2007
[8] World Bank, n.d.

economic life, establishing an enduring pattern of unilateral U.S. intervention in Latin America and creating the economic dependency that defines US-Latin America relations to this day[9]. For Mexico, the implementation of the North American Free Trade Agreement (NAFTA) in 1994 was the final nail in the coffin, irrevocably linking the fate of the U.S. and Mexican economies.

In addition to US interference, China's attempts to compete economically with America have led to an increase in Latin American dependency on China, "for all countries and all sectors"[10]. Specifically, many Latin American economies have become suppliers of commodities for China's value-added manufacturing enterprises, falling into a resource-curse like trap of economic dependency[11].

Dependency on foreign, and especially extra-regional, trade is dangerous: it leaves the Mexican economy vulnerable to both domestic and international changes in global demand, supply disruptions, or changes in exchange rates. Empirically, economic dependency has had disastrous impacts on the Mexican economy[12]. High national debt, a U.S. recession, and collapsing oil prices in the 1980s led to the 1982 political and economic crisis in Mexico, which pushed millions into poverty and illustrated the dangers of overreliance on exports[13]. Sensitivity to changes in trade volume leading to global failures within interconnected networks, and the potential of failure propagation across countries has only increased over time.

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[9] Monroe Doctrine, 1823
[10] Casanova et. al, 2015
[11] Skira, 2007
[12] Pyper, 2016
[13] Watkins, n.d.

4. Current trends

4.1 Current Trade Trends

The World Trade Organization recently changed its projection for world merchandise trade growth in 2024 to 2.7% – up slightly from the previous estimate of 2.6% – and to 3.0% in 2025 from 3.3%. Additionally, world GDP growth at market exchange rates will remain steady at 2.7% between 2023 and 2025. The fastest-growing region in 2024 is likely to be Asia, where output is expected to climb to 4.0%, while the slowest-growing region is likely to be Europe at 1.1%.[14] According to a UN report, global trade is expected to hit a record $33 trillion in 2024, showcasing resilience despite persistent economic and geopolitical challenges. On the other hand, concerns increase for 2025, where the risks include escalating trade wars, geopolitical tensions, and shifting policies, covering the outlook.[15] The 2025 trade outlook is also clouded by potential US policy shifts, including broader tariffs that could disrupt global value chains and impact key trading partners.[16]

4.2 Current Tariff Trends/Policies

On September 13th, the Biden administration finalized steep tariff hikes on Chinese imports, including a 100% duty on electric vehicles, to boost industry protections from China's state-driven practices. “The U.S. Trade Representative's office said that many of the tariffs, including a 100% duty on Chinese EVs, 50% on solar cells and 25% on steel, aluminum, EV batteries, and key minerals, would take effect on Sept. 27.”[17] On November 25th the president-elect [Donald Trump] announced on Truth Social… that he would impose a 25% tariff on all products flowing from Mexico and Canada and raise the rate on goods from China by 10%.[18] These pieces of evidence highlight the tangled and interconnected system between trade dynamics and the emerging policies in markets, particularly in the current pressures. As tensions rise and trade and tariff policies change- economies find themselves having to deal with these challenges shows how economic stability is key to maintaining a stable country.

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[14] WTO, 2024
[15] Mishra, 2024
[16] UNCTAD, 2024
[17] Lawder, 2024
[18] Economist, 2024

4.3 Emerging Markets

4.3.1 Trade in Emerging Markets

An emerging market economy is the economy of a developing nation that's becoming more engaged with global markets as it grows. Countries classified as emerging market economies exhibit partial characteristics of a developed market including strong economic growth, high per capita income, liquid equity and debt markets, accessibility by foreign investors, and a dependable regulatory system. Trade in emerging markets is extremely important as it provides new market opportunities for firms, increased productivity, and innovation through competition. Additionally, trade contributes to poverty reduction, stronger wages, and geopolitical benefits. No country has been able to develop in modern times without using “economic openness” or the extent to which a country allows free trade and investment across its borders. This is more relevant for smaller countries and newer emerging markets to build up a solid foundation to come on to the global developed market stage.[19]

4.3.2 Problems in Emerging Markets

Emerging markets face a complex situation where inflationary pressures are high due to various external and internal factors. These markets are navigating the aftermath of the COVID-19 pandemic, geopolitical tensions, and global trade disruptions. The inflationary environment is made worse by:

1. Currency Depreciation
    a. Many emerging market currencies have depreciated recently due to the strength of the United States dollar, which not only raises the costs of imports but also increases inflationary rates. This currency depreciation is primarily seen in countries built around the import of foreign goods such as food, materials, fuel, etc. The increase in inflation leads to higher consumer prices, and lower purchasing power, negatively impacting individuals, businesses, and the economy overall, as they struggle to adapt to rising costs, slowing economic growth. Slow economic growth is a significant problem especially in emerging markets, as they need growth to help them compete with other global countries.[20]
2. Debt

[19] WEF, 2015
[20] Wu and Pan, 2021

a. The current debt levels in emerging markets, particularly in foreign currencies keep reaching higher and higher levels. As inflationary levels rise and currencies weaken, the mounting challenge to keep up with debt increases, making it harder and harder for businesses and the government to climb out of the deep pit that they have dug themselves in, triggering periods of economic instability and growing challenges.[21] Rising costs due to inflation repave governments' strategies away from debt payments to focusing on lowering inflation, taking a bigger toll on overall stability.

4.3.3 India

India is one of the fastest-growing economies[22], but inflation has been increasing, due to rising food and energy prices, particularly after the pandemic. The country's reliance on imports for oil and food commodities puts additional pressure on prices.

India's central bank has raised interest rates to control inflation, but the growth outlook remains uncertain due to both domestic and external factors.[23]

4.3.4 Brazil

Brazil[24] has faced high inflation driven by commodity price fluctuations and domestic fiscal challenges. The country is highly reliant on exports of agricultural products and minerals, and price fluctuations in these markets have a direct impact on its inflation levels.

Political instability and fiscal policy also play a significant role in shaping Brazil's economic landscape, which influences the effectiveness of monetary policy.

4.3.5 Democratic Republic of the Congo (DRC):

The DRC faces inflationary pressures largely due to global commodity price hikes, especially in the mining sector (it's a major exporter of cobalt, copper, etc.). However, internal instability and poor infrastructure complicate the country's ability to leverage these resources effectively.

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[21] IMF, 2023
[22] CNBC, n.d.
[23] Molavi, 2024
[24] Gregg, 2024

The DRC also struggles with weak governance, corruption, and a reliance on foreign aid, which makes monetary policy less effective in controlling inflation.

5. Future Global Trade Trends

5.1 2025 Tariff Policies

Following the 2024 United States presidential election, Donald Trump has been reinstated into office and disrupts the global economy with implementations of protectionist trade policies. On January 20, 2025, the President announced his America First Trade Policy, outlining the various measures to prioritize American interests, protect domestic industries, and address national security concerns.[25] Some of the country's biggest trading partners, Canada and Mexico were imposed with a 25 percent tariff and China was imposed with a 10 percent tariff on imports.[26]

Disregarding the United States' commitment to the World Trade organization, global powers have made retaliatory actions of their own. Canadian Prime Minister Justin Trudeau would respond by implementing a 25 percent tariff against $155 billion in United States goods. Ministers Dominic LeBlanc and Mélanie Joly have also stated that all options remain on the table as additional measures are considered.[27] Mexican President Claudia Sheinbaum has done the same. These countries have indicated goals to protect their industries, from agriculture to clothing to technology, from economic downturns. China is also firmly opposed, sharing focuses on wanting cooperation and respect while responding with countermeasures to "safeguard [their] own rights and interests".[28]

The President's actions have far reaching effects on consumers through global inflation. While he has determined that his actions will inevitably strengthen American growth, economists say otherwise. The fears of a trade war and unpredictability can cause businesses to reduce investments and negatively contribute to unemployment rates. With countries affected by the increased tariffs implementing their own, the cost of products important to the United States will inevitably increase while their quantities will decrease.[29]

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[25] The White House, 2025
[26] TOI, 2025
[27] Murphy et. al., 2025
[28] TOI, 2025
[29] Greenhouse, 2025

5.2 Implications of Inflationary Trade on Emerging Markets

Taking part in the world economy has been essential for countries, especially those of emerging markets, to “promote economic growth, development, and poverty reduction” as “over the past 20 years, the growth of world trade has averaged 6 percent per year, twice as fast as world output.”[30] [6] With an economy open to trade and investment for emerging markets, inflationary trade causes problem for the balance of products. As part of a developing nation without highly developed markets and regulatory institutions, emerging markets experience setbacks that go beyond developed markets like the United States, Europe, and Hong Kong. Inflationary trade leads to significant impacts with currency fluctuations through exchange rates, increasing pressure faced in production and consumption, and enabling growth.

[30] IMF, 2001

6. Policy recommendations

6.1. India

India's plan worked largely because of the corporate effects of repurchase rates. With higher repurchase rates, commercial banks are forced into higher interest rates; they loan out money less, as consumers will be less driven to loans. This leads to lower purchasing as a whole, which improves the inflation situation within the country. The growth in GDP, however, is attributed to the U.S.'s higher foreign direct investment (FDI). With higher FDI comes more capital for production and jobs, which play into GDP growth.[31]

India's monetary policy should revolve largely around higher repurchase rates as a means to keep economic growth but beat inflation. In times of high inflationary effects of trade, India should:

1. Keep trade volume,
2. Increase repurchase rates, and
3. Increase interest rates.

With these changes, India's primary benefit is those seen via trade. By keeping high trade, India gains larger monetary possibilities. More revenue allows for development, a clear reason for higher trade volume. Further, their repurchase and interest rate increases will ensure the constraining of inflation. By keeping down country-wide spending, they can successfully take the benefits of trade while beating the downsides of it.

6.2. Congo

Congo is a clear example of how external pressures on an emerging market hinder monetary decisions. Congo has always had external pressures that conquered, in importance, the inflation they faced. Security issues like those in 2006 trump inflation, and attempts at fixing monetary policy amidst a need for drastic fiscal policy changes will go without impact. In 2015, Congo had significant human rights violations, which likely hindered spending–nullifying their monetary policy decisions.[32] Congo displays a key truth in monetary policy: pressures on a country must be addressed before monetary policies can be enacted.

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[31] Loungani & Razin, 2001
[32] Republic of the Congo, 2015

When facing inflationary impacts, the Republic of the Congo should ignore significant policymaking for said impacts, instead following this plan:

1. Ensure security and domestic issues are sufficiently taken care of through policy changes,
2. Simultaneously increase borrowing rates very slightly and gradually over the course of the trade's inflationary impacts, and
3. If all significant external stresses are taken care of,
    a. Drastically increase interest and repurchase rates,
    b. Sustain trade,
    c. Increase government spending for welfare programs, and
    d. Slightly, gradually raise tax rates for the top brackets.

6.3. Brazil

Brazil also shows a positive framework for monetary policy; they cut down on spending to stop inflation but used FDI to drive their economy in times of high trade, allowing the business cycle to take its course for positive future growth.
In Brazil's case, policy actions are best to be similar to India's:

1. Keep trade volume,
2. Increase repurchase rates,
3. Increase interest rates,
4. Increase tax rates, and
5. Use the extra-governmental revenue to capitalize on the economy's ability to develop housing.

Right now, Remes 19 finds that "Latin America…lacks the backbone of midsize firms that drive innovation… and create productive, well-paying jobs". Like the Congo, Tello 22 reports that right now, Latin American "economies are net exporters of low-value, primary products and importers of manufactured goods at a high price [which] has highly negative consequences for economic development"

6.4. Overall Policy

The results from this analysis show that decisions made by India and Brazil succeeded, while the Republic of Congo didn't. This can be attributed to 2 major reasons: external pressure and consumer spending.

Congo's efforts were wasted because of issues they had that weren't monetary. In times of high FDI and trade, they were fighting internal security and human rights issues. These issues require further treatment before addressing monetary issues, and it makes sense. While actions for both monetary and external issues can be addressed simultaneously, if the external defeats monetary policy shifts, the monetary policies will go to waste. Thus, emerging markets facing issues apart from high inflation and consumer finances during times of trade and FDI should prioritize those external pressures before addressing the monetary policies needed.

Consumer spending shifts are another significant reason for the successful monetary policy. By restricting consumer spending, inflation falls, and despite this, the high FDI and trade keep GDP rates afloat for economic growth. Restricting spending via high interest rates is the common policy change between India and Brazil, and works successfully to beat inflationary impacts of trade–when confronted with similar issues in the future, the same steps should be taken.

7. Conclusion

In summary, we found that in addressing inflationary impacts, directions taken by India and Brazil have worked well. In contrast, the Republic of the Congo has failed to address monetary policy changes.

We found the primary shapers of monetary policy success to be addressing external issues and adjusting consumer spending. India and Brazil did this well; they had no prior policy-dependent issues to address, so their monetary policies worked well. The Congo failed in this regard, not properly addressing their other pressures, leading to the undoing of their monetary policy responses. In emerging markets, domestic issues must be dealt with first and only once solid infrastructure in that area is established can further monetary policy be used. Additionally, sustaining trade and high FDI with such policy change will lead to sustainable economic development.

We found that the United States can draw significant insights from the monetary policies and trade strategies employed by emerging markets like India, Brazil, and Congo. While the U.S. operates within a more robust economic framework, it is not immune to challenges arising from inflationary pressures, global supply chain disruptions, and shifting trade alliances.

Emerging markets such as India and Brazil have shown the importance of rapidly adapting monetary policies to mitigate external shocks. For the U.S., this underscores the need for flexibility in its fiscal and monetary policies, particularly when navigating global crises such as pandemics or geopolitical conflicts that strain trade networks. Adjusting interest rates and fostering liquidity in vital industries can prevent stagnation while ensuring economic growth.

The U.S. must also maintain foreign relations. By upkeeping overseas funding, the U.S. maintains good relations within the global network for long-term gains. This also means adjusting tariff policies. These changes will ensure positive trade dynamics, leading to country-wide prosperity.

In the future, decisions made by countries must shift to understanding their global impact. Cutting trade relations or foreign investment, or an advanced economy changing its own domestic policies can all affect emerging markets, and those effects will be felt widespread amongst populations. The effects of inflationary pressures can also be heavily reevaluated with this new research: countries put into a defensive position now have the information to change their outcomes by choosing the right

choice in monetary policy. Countries must use data-driven approaches like ours here in order to optimize well-being for their future.

In conclusion, we find that the monetary policymaking decisions made by emerging markets when facing the inflationary pressure of trade are vital. Further, each country's independent decisions are actually far from independent—every decision made will impact another country, in drastic ways that must be reacted to with another policy decision. And if those decisions are made incorrectly, further ramifications are inevitable. Thus, the policy recommendations we find here are vital to follow, or at the very least, use as a guideline for future decisions.