

Week 1 – Introduction to EMs

Important trends in global economy

- Growth of consumers in EMs
- Development of new technologies
- Increase in labour productivity in developed markets
- Shift of economic activity between and within regions
- Increasing global market for labour and talent

How firms are responding to growth in EMs

- Building local presence (54%)
- Developing partnerships/JVs with local firms (53%)
- Recruiting talent from EMs (47%)
- Developing new business models (45%)
- Deploying talent to EMs (42%)

What is an emerging economy?

- Hoskisson, Eden, Lau and Wright (2000)
 - “Emerging Economies refers to a few low-income, rapid growth countries that are using economic liberalisation as their primary engine of growth”
- Arnold and Quelch (1998)
 - Economies are defined by 3 things
 - Absolute level of economic development (avg GDP per cap)
 - Relative pace of economic development (GDP growth)
 - System of market governance, stability of free market system

Future growth potential of EMs

- N-11
- BRICS
 - China and India most important
 - World’s largest and fastest growing economies despite being very poor (in terms of per cap income)
 - Account for 40% of world’s population, 10% of world GDP, 20% of world GDP growth
- New typology of emerging economies – shows that large differences exist in EMs
 - Institutional development
 - Accounting practices
 - Taxation systems
 - IP protection
 - Capital markets
 - How good are their banking systems?
 - Is VC available?
 - Is there good financial security?
 - Q1

- E.g. Bangladesh
- Q2
 - Have not made much progress to free market
 - Often have communist past
 - E.g. China
- Q3
 - E.g. Poland, South Africa
- Q4
 - Have experienced a lot of change
 - E.g. South Korea
- Mid-Range
 - E.g. Brazil, Mexico

