**BA3560: EMERGING MARKETS**

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# **INTRODUCTION**

Growing emerging industries, combined with rapid technological advancement and the rapid growth of emerging industries throughout the world, have made developing emerging industries an effective strategy for a region or a country seeking to increase competitiveness, upgrade, and transform its existing industrial structure. In order to complete this homework, I have picked China as the rising market to examine. The economics of China, the worldwide status of China, and analyses of the economy before to and during the epidemic are all covered in this assignment. Specifically, the goal of this assignment is to evaluate the benefits and drawbacks of government involvement in the growth of developing markets. To complete this project, you will need to understand how markets arise and how they emerge from the outbreak. What it has been impacted by the Outbreak and what actions it has done to get out of the circle of loss are both covered in this article. The analysis of data from numerous websites, as well as research papers and projections for the future, has been carried out in order to better understand the Chinese marketplace. By analyzing the circumstances, it has been discovered that China, in comparison to other nations, has effectively regulated the situation (Aikins, 2009). This organization has taken the problem seriously from its inception and has ceased all operations since that time. The fundamental relevance of the analysis was the impact of the pandemic on trade flows and the balance of payments (BOP). What it does to handle the situation in order to recover from the condition of the unprecedented circumstances. There is a constraint to this task in that there is still no economy that is free of the Pandemic; nonetheless, there is some degree of assumption in this assignment. Economies will gradually rise from the ashes of this epidemic (Ajwani-Ramchandani et al., 2020).

# **ANALYSIS**

## **EMERGING MARKETS**

Markets on the edge of becoming developed markets are referred to as "emerging markets." This does not mean that they are fully developed at this time, but rather that they exhibit characteristics that will propel them into the developed market in the near future. Electronic equipment, clothing, machinery, and textiles are just a few of the many things that China exports to other countries. A significant transformation occurs in the case of developing markets when the social standards rise, disposable income increases, and the process of integration with the marketplace is completed without restriction. Such marketplaces are attracting the attention of foreign investors. Such Markets are beneficial to the Industrialization process (Chen, 2015). There are a number of nations that fall within the purview of this market, with China being one of them. For the last two decades, China has been the most powerful nation in the developing markets. China has met the requirements of an emerging market for the previous two decades, and this continues today. Being a producer of goods and services, as well as a consumer of goods and services, China is the Economic Powerhouse, which is one of the reasons for why it has acquired supremacy in the rising market. It initially appeared in South Africa in 2020, and it was the first main cause of the pandemic.

## **GOVERNMENT INTERVENTION**

The involvement of the government is divided into two components, which are political and economic, respectively. Political arguments for government involvement are concerned with safeguarding the interests of a certain group, frequently at the cost of other groups, or with supporting specific objectives in the areas of foreign policy, human rights, consumer protection, and other similar areas of concern.... Newly emerging sectors and strategic trade strategy are two economic justifications for involvement. Innovating industries are defined by the introduction of current technology, goods, and services into new application domains, where they provide novel solutions. However, emerging industries may also be characterized by new business models and supply networks. New emergent industries are created as a result of the advancement of science and technology in response to the demands of the period. Eight hot rising sectors have emerged in recent decades, including energy conversation, environmental protection, new energy resources, electric vehicle, smart power grids, new medical, new materials, and the information business. When compared to older businesses, the growing industries have a greater number of difficulties to overcome. Emerging industries will face a variety of risks, ranging from conception to research and development to commercialization and marketization (Borja, 2014). These risks include technical risk, market risk, financial risk, management risk, and other electronic devices, but they also have the potential to yield significant rewards. As a result, the government should provide significant assistance to the burgeoning sector and use this opportunity to propel the growth of the whole economy (Chen, 2015).

## **INNOVATION**

Innovation is the most important factor in the development of developing industries. It is possible that there will be several chances for collaboration between small startups and big established enterprises in order to harness technical spillovers and transfer resources for product commercialization, particularly in the growing industry sector. While the process of technological innovation is difficult and expensive, the government should adopt policies to encourage investors to come to the country and invest in the sector. It is also necessary to have enough human resources. In any other case, the advancement of technology will result in a revolution that will affect a whole sector. Such as ecommerce, which makes life more convenient since individuals can purchase anything from the comfort of their own homes, and fuel-efficient cars, which help people save money while simultaneously reducing pollution from emissions. All of them are excellent demonstrations of industry innovation. As a result, the government implements a variety of programs to assist its domestically developing sectors.

## **TALENT RESERVE FOR THE DEVELOPMENT OF EMERGING INDUSTRY**

The government created a talent reserve to support developing industries. Professionals are essential for the growth of a new sector (Chen, 2015). A fresh cycle of talent contest began in the globe as the world coped with the global financial crisis and developed the growing sector. America, France, and Australia have all announced new immigration policies, aiming to attract the skills required for the growth of new industries. Meanwhile, they aggressively push universities to add majors in internet, green economy, low carbon economy, environmental protection technology, and biological medicine. They worked hard to promote collaboration and introduce new skills and teams in the burgeoning sector. In addition, the government may employ capital investment and environmental construction methods to gather resources for big special projects. Overall, the government's human resource policies set the groundwork for technological advancement. For example, America consistently stresses fundamental research, values cutting-edge technology, supports cutting-edge industries in many ways, values talent education, and heavily invests in R&D (Du and Kim, 2021). Finally, institutions' resources attract businesses, and a scientific park is built with the colleges' Center. That implies that knowledge and skill may be quickly applied to real productivity. Silicon Valley is a prominent computer industrial area built around Stanford University. Basically, the government developed various policies in different countries for fostering emergent industries.

## **EFFECT OF GOVERNMENT INTERVENTIONS ON DIFFERENT EMERGING ECONOMIES**

Consider Japan's biomedical industry. In such cases, government assistance is crucial. The biomedical sector developed behind the western courtiers in the twentieth century. However, in the 21st century, the Japanese government has established key measures to employ biotechnology for revolution. This field is becoming increasingly competitive and active. One key factor is that national policy and management system change support new company formation, mergers and acquisitions, and worldwide collaboration (Du and Kim, 2021). Japan published a national policy in 2012 to make biological industry a core sector. The policy aims to promote biotechnology development and investment. In 2012, the Japanese government allocated a large portion of its budget to biotechnology research and development, as well as staff training. Moreover, the government created suitable policies to encourage the establishment of innovative firms. The government has undertaken a major overhaul of the university system, enhancing their autonomy and economic viability. The goal is to promote university technology transfer. Because Japan had been in a condition of stagnation for a long time, the government amended the business legislation to encourage mergers and acquisitions. Due to the significant costs and risks associated with mergers and acquisitions, Japan started revising its business laws, which accelerated the merger and acquisition activity in the biotechnology sector. Japan's pharmaceutical market is currently ranked second globally, thanks to government participation and assistance (Figeys and Pinto, 2000). Although Japan began developing biotechnology later than Europe and America, the government's strategy and the efforts of the business community have caused the Japanese technology market to rise year after year.

While government participation in nascent businesses has significant drawbacks. Government has limited resources. If the government overspends in one area, it will surely affect other parts of management. For example, supporting new sectors requires substantial sums of money, reducing tax revenue. However, a nation's yearly spending is restricted. Supporting new sectors implies cutting down on other things. Taking new energy resources as an example, since 2021, China's solar sector has been hit by the global financial crisis and anti-dumping and anti-subsidy surveys. Overstocking goods choked export, manufacturing capacity was not used, and company operations suffered (Kneller, 2003). The photovoltaic industry is a capital-intensive one. Some cash comes from long-term loans, bonds, and other sources. Financial risk arises from contract violation or insolvency. Industry and local government credit environments will be affected. In the absence of European subsidies, the price of PV panels fell dramatically, leaving China's solar sector in the red for a long time. China has identified seven important emerging sectors. In China, the central government formulates policy and the local governments execute it, with the latter having considerable discretion.

Heavily supported fields such as these are crucial in accordance with the industrial strategy of economic structure adjustment and upgrading. The photovoltaic sector has always had the backing of the federal government. When the initiative was first launched, it was provided with financial assistance. It was able to take advantage of tax deductions, exemptions, and returns while conducting company operations. It was given preferential treatment in terms of land and electricity supply prices. When the product is used in a solar energy project, it is eligible for investment subsidies as well as a high price for electricity delivery (Niinomi, Hanawa and Narushima, 2005). The increase in production capacity as a result of these policy incentives much outweighs the increase in consumption capacity of the domestic market. The company is heavily reliant on the overseas market. The result is that the photovoltaic business lacks the capacity to compete on its own without the assistance of the government. Because of this, the financial crisis and political atmosphere had an influence on it. The problem with the company functioning manifests itself. Despite the fact that China's solar sector grew quickly as a result of the country's inexpensive labor force and low cost of environmental protection, while, as a result of the government's excessive interference, the country's production capacity was surplus, benefits were decreased, and progress was halted. The specific reason for this is because the central government's involvement measures and policy execution are severely restricted. Particularly in the latter stages of growth, the solar sector mindlessly increased production capacity and over-invested in repetitive building and production convergence, resulting in a bloated and inefficient business (Shan, Walker and Kogut, 1994). Additionally, it obscured the policy intentions of the central government's policymakers. Because of this, the central government's action was rendered ineffective. Aside from that, the government's subsidy serves a certain role of encouragement and counselling to individuals. This subsidy approach, on the other hand, does not alter in response to changing phases and sectors of growing businesses.

In this situation, the growth of the firm is too reliant on government subsidies, and the efficiency of the fund has been warped as a result. Apart from that, China is still in its early stages of growth in terms of developing sectors. Because of the immaturity of the market, technology, and information, industries may be forced to configure their internal resources in an illogical manner. With the supervision and interference of the government, it is simple to be swayed in one's political views. Despite this, the government's subsidy serves an important role in providing encouragement and advice. This subsidy approach, on the other hand, does not alter in response to changing phases and sectors of growing businesses. In this instance, the growth of the firm is too reliant on government subsidies to achieve its goals (www.mckinsey.com, 2021). For example, when the local government and businesses conspire to defraud one other, the outcome is a capital loss. As a result, the government should act to ensure that the economy remains within a sustainable range and that rising sectors do not expand excessively, causing shocks to other industries. However, if the government does not interfere in the emerging industries at all, that is, if the government does not provide any assistance to the emerging industries in any form, including technology, labor, money, and so on, the emerging industries will not be able to flourish. It will cause the economy to stagnate and become unbalanced, as well as wasting an excessive amount of resources (Shkolnyk and Koilo, 2018). In contrast, if the government intervenes just in the developing sector, it may not go far enough, indicating that the government should intervene in other industries as well as the rising industry.

## **CHINA BEING THE LARGEST EMERGING ECONOMY**

China being the largest emerging economy and the hub of global supply chain. The Reason behind China to be an emerging market is its manufacturing sector and dominance of the Industrial sector. In terms of trade the country has acquired the global position. China is the second largest economy, trailing the United States. There is the huge dependency on the Chinese inputs all over the world. Prior to the pandemic, the country had stabilized growth for around 6%. As in 2021 it has been observed that China has 2,905.094 USD Bn credit data. This was reported by the state administration of foreign exchange. Under the Capital Account, Around USD 43Bn Surplus was recorded (Du and Kim, 2021).

# **CONCLUSION**

Finally, the government should intervene in the emerging sectors; only when the government offers sufficient assistance in a variety of areas to emerging industries as the foundation for growth will the economy begin to grow (Khan and Haleem, 2021). However, the government must understand the degree to which it will intervene in the rising industries, whether by economic or policy methods, or else the intervention would result in counteraction, which will result in resource waste, excessive costs, and incalculable losses for the country. Meanwhile, the government should not only interfere in the rising business, but it should also undertake efficient intervention in other industries, since government involvement is always a good approach to maintain the market balanced and stable. Perhaps, from time to time, government involvement might be beneficial to businesses and consumers, such as imposing tariffs on certain commodities, but when taken as a whole, it is a highly effective tool for the national economic system. Coronavirus is the most devastating epidemic to have occurred since World War II, affecting every nation on the planet. This pandemic has had a significant impact on the country's balance of payments, trade, and foreign direct investment (Du and Kim, 2021). There has been a significant decrease in the flow of money. As a result of its ability to overcome crises like as the Pandemic, China is unquestionably on the road to becoming a developed nation. Efficiencies and efficiency in the implementation of measures

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